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康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Hong Kong Stock Code: 0322)

(TDR Code: 910322)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

US$'000	**2011**	**2010**		**Change**
• Turnover	**7,866,580**	6,681,482	↑	17.74%
• Gross margin of the Group (%)	**26.54**	28.43	↓	1.89 ppt.
• Gross margin	**2,087,969**	1,899,445	↑	9.93%
• EBITDA	**955,025**	1,011,393	↓	5.57%
• Profit for the year	**499,704**	612,574	↓	18.43%
• Profit attributable to owners of the Company	**419,545**	476,787	↓	12.01%
• Earnings per share (US cents)				
Basic	**7.51**	8.53	↓	1.02 cents
Diluted	**7.47**	8.50	↓	1.03 cents
• Final dividend per ordinary share (US cents)	**3.75**	4.27	↓	0.52 cents

CHAIRMAN'S STATEMENT

In 2011, the European debt crisis continued to deteriorate, resulting in the slow recovery of western economies. Due to the complexity and dynamics of the domestic and overseas environments, the People's Republic of China's ("PRC") economy had faced challenges throughout the year. In 2011, the gross domestic product (GDP) of PRC was RMB47.1 trillion, the growth rate fell to 9.2% compared to 2010, and the consumer price index (CPI) of 5.4% was much higher than the same period last year. Following the trend of increasing inflation pressure, during the first three quarters of 2011, the People's Bank of China repeatedly raised the deposit reserve ratio and benchmark interest rates for deposits and lending, in order to maintain the stability of the general price level. Stepping into the fourth quarter, the international environment had shown that the European debt crisis was difficult to solve effectively within a short period, and thus uncertainty and instability increased. The PRC economy faced the challenges of economic growth slowdown pressure together with the co-existing pressure of price increase.

Under such economic environment, the Group introduced a flexible and target-oriented marketing strategy by effectively using its extensive sales network and its strong brand appeal to communicate with consumers, enabling the Group to achieve a new high in overall turnover, which increased by 17.74% year-on-year to US$7,867 million. Meanwhile, the Group improved its production efficiency, cost management, and properly controlled advertising and promotion costs as well as transportation cost. However, sales were affected in 2011 due to the high volatility of raw material costs and other costs, together with the global abnormal weather. Compared to 2010, EBITDA dropped by 5.57% to US$955 million while profit attributable to owners of the Company decreased by 12.01% to US$420 million; and earnings per share dropped by US 1.02 cents to US7.51 cents.

Dividend

Owing to the Group's 2011 results and considering the overall operation, capital expenditures, working capital requirements and cash flow of the Group, the board will recommend, in recognition of our shareholders' support at the Annual General Meeting to be held on 5 June 2012, the payment of a final dividend of US3.75 cents per share. Total amount of final dividend for the year 2011 will be US$209.629 million.

Solid market position

Within the large and diverse Chinese food market, Master Kong maintained a leading position in the areas of instant noodle, beverage and bakery goods. Master Kong is regarded as the brand that has the greatest access to the market channels of the PRC. The products of "Master Kong" can be found almost everywhere in the PRC with commercial consumption activities . Building upon a reasonable product structure, extensive sales network set-up through the strategy of "Better Access, Broader Reach" over the years, and its relentless improvement of production cost control, these were the factors that contributed to the continuous growth of Master Kong. According to the December 2011 report published by AC Nielson, the Group's market share (in terms of sales value) for instant noodles, RTD tea and bottled water ranked first in the PRC market, which accounted for 55.7%, 45.8% and 17.8% respectively. Diluted fruit juice and sandwich crackers ranked second, accounting for 19.3%, and 22.0% of the market share respectively.

With the strong brand name and the continuous customers' support, Master Kong, for the fourth consecutive years was named one of the 50 best listed companies in Asia by Forbes, and for the ninth consecutive years one of the top five of Taiwan's top ten international brands. The brand value of Master Kong has reached US$1,190 million. In addition, Master Kong was awarded with the best ranking among the FMCG brands, which awarded as one of the top ten of "Top 50 Favourite Brands of Consumers in China 2011" by Super Brands, the world's largest independent brand research and assessment organization, as well as "The Best Corporation Public Welfare Communication Case in 2011" (2011年最佳企業公益傳播案例獎) by China Spokesman Club.

Dedicated to the food production safety

Master Kong always considers production safety and delicious food as the moral philosophy of a company, thus, we treat food safety risk control with the utmost importance. On the basis of the original safety control system of raw materials, focusing on five major aspects, namely technical support, specifications, resource optimization, cooperation accreditation and risk warning, forming an effective and reasonably practicable defense line of raw materials, thus building a solid and gapless barrier for food safety. In this connection, the Group's Research and Development Centre established a 'Food Safety Research Division', in order to strictly control the food safety.

Master Kong consistently upholds "integrity, pragmatic, innovative" operation philosophy, complies with food safety law and regulations and management in practical, well-prepared for the food safety protection work, to ensure that consumers can feel free to enjoy the convenience brought by the development of food industry. Thus, Master Kong can sustainably managing its enterprise under the own brand and repaying the society at the same time. At the 9th China Food Safety Annual Conference, Master Kong was awarded for the fourth consecutive years, which gained praise from the peers and consumers as Master King continued to adhere to the professional and dedicated corporate action by virtue of the food safety production. Master Kong was awarded three awards, including "Outstanding Contribution Corporation of the China Food Safety Annual Conference" (中國食品安全年會突出貢獻單位), and was designated as the 'exclusive drinks of the Annual Conference'.

Focusing on social welfare, fulfilling social responsibility

As the leader in the PRC's food industry, Master Kong not only focuses on the health of their customers by providing good quality, safe and tasty products, but also dedicates itself to social causes and taking up its social responsibility. Upholding the spirit of "repaying the community and sustainable operation", the Group carries out social charity work in various areas such as environmental protection, sports, basic education, medical treatment, disability support, disaster relief, poverty alleviation and cross-strait cultural exchanges, such as fully supporting the "PRC Story of the Internet, Sensation 2011" (中國網事感動2011」十大網絡人物) held by Xinhua News Agency. "New generation with creativity and sound bite" 2011 Master Kong – Waseda University Creative Challenges (2011康師傅－早稻田大學創新挑戰賽) founded by Master Kong, was awarded as "2011 The Most Influential in the Public- Corporate Social Responsibility Event Award" (最具公眾影響力－企業社會責任事件獎) (創響新生代). In January 2012, Master Kong by virtue of the contribution to health education, food safety, public welfare and environmental protection, was awarded as the most responsible enterprise by Health Times (健康時報) which set up by the People's Daily.

Prospects

2012 will be a challenging year ahead as the PRC economy development is likely to be full of twists and turns, and the international economy environment was unstable. The economy growth has began to slow down following active macroeconomic regulations and controls imposed by the PRC government. Furthermore, the PRC economy had been affected by the European debt crisis, so the PRC government will likely maintain the policy of 'achieving progress while ensuring stability'. As the PRC economy develops, changes in the structure of income distribution and the acceleration of urbanization will increase the level of food consumption amongst low to middle income earners. There are ample opportunities in the domestic food and beverage market, thus, all major food producers had increased their investments to seize the opportunities, and competitions among industry players will become more intense.

In 2011, in line with its long-term development plan, Master Kong established a strategic alliance with the PepsiCo (China) in order to take full advantage of the opportunity for a broader development platform in the PRC beverage market . During the period, Master Kong was chosen as a constituent stock of the Hang Seng Index which showed that its excellent performance, good market image and solid industry position are recognized by the authorities.

In the future, the Group will continue to adhere to its product-oriented strategy, strengthen its sales network and actively increase the market share of products at different market levels. The Group will also improve production efficiency through the integration of the production facilities, refining quality cost and strict control of the production and distribution costs. Furthermore, the Group will also endeavour to develop new products and new technologies to continuously enrich product offerings and tap into the potential business opportunities in the food and beverage industry in order to provide abundant, safety and tasty products to customers. Hence, strengthening Master Kong's leading position in the food and beverage industry and making it the largest Chinese instant food and beverage manufacturer in the world, together with maximizing shareholders' returns.

Finally, I would like to take this opportunity to express our heartfelt appreciation to our shareholders, business partners and financial institutions who have been supporting our Group, and to the management teams and all other staff for their strenuous works and contributions to the Group's business development.

Wei Ing-Chou
Chairman and Chief Executive Officer

Tianjin, the PRC
21 March 2012.

RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 together with the audited comparative figures for the corresponding period in 2010 are as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2011** ***US$'000***	2010 *US$'000*
Turnover	4	**7,866,580**	6,681,482
Cost of sales		**(5,778,611)**	(4,782,037)
Gross profit		**2,087,969**	1,899,445
Other revenue and other net income	6	**169,905**	183,373
Distribution costs		**(1,322,975)**	(1,121,477)
Administrative expenses		**(189,215)**	(125,953)
Other operating expenses		**(73,336)**	(92,081)
Finance costs		**(9,372)**	(6,511)
Share of results of associates		**—**	9,978
Profit before taxation	7	**662,976**	746,774
Taxation	8	**(163,272)**	(134,200)
Profit for the year		**499,704**	612,574
Attributable to:			
Owners of the Company		**419,545**	476,787
Non-controlling interests		**80,159**	135,787
		499,704	612,574
Earnings per share	10		
Basic		**US7.51 cents**	US8.53 cents
Diluted		**US7.47 cents**	US8.50 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
	US$'000	*US$'000*
Profit for the year	**499,704**	612,574
Other comprehensive income:		
Exchange differences on consolidation	**131,746**	77,369
Fair value changes in available-for-sale financial assets	**(16,733)**	11,109
Reclassification adjustment for exchange differences release upon disposal of assets classified as held for sale	**(3,847)**	—
Other comprehensive income for the year, net of tax	**111,166**	88,478
Total comprehensive income for the year, net of tax	**610,870**	701,052
Attributable to:		
Owners of the Company	**498,176**	545,221
Non-controlling interests	**112,694**	155,831
	610,870	701,052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,029,872**	2,922,936
Prepaid lease payments		**186,276**	117,799
Available-for-sale financial assets		**104,422**	112,659
Deferred tax assets		**52,176**	50,451
		4,372,746	3,203,845
Current assets			
Financial assets at fair value through profit or loss		**560**	771
Inventories		**312,562**	309,801
Trade receivables	11	**155,040**	127,730
Prepayments and other receivables		**367,814**	280,704
Pledged bank deposits		**9,662**	12,024
Bank balances and cash		**590,390**	881,316
		1,436,028	1,612,346
Assets classified as held for sale		**—**	75,221
Total assets		**5,808,774**	4,891,412
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		**27,951**	27,934
Reserves		**2,071,794**	1,793,324
Total capital and reserves attributable to owners of the Company		**2,099,745**	1,821,258
Non-controlling interests		**586,521**	547,929
Total equity		**2,686,266**	2,369,187
Non-current liabilities			
Long-term interest-bearing borrowings		**549,382**	177,259
Other non-current payables		**—**	791
Employee benefit obligations		**14,064**	12,097
Deferred tax liabilities		**131,092**	104,165
		694,538	294,312
Current liabilities			
Trade payables	12	**974,113**	1,083,913
Other payables		**660,995**	572,249
Current portion of interest-bearing borrowings		**700,695**	456,876
Advance payments from customers		**66,501**	86,940
Taxation		**25,666**	25,315
		2,427,970	2,225,293
Liabilities associated with assets classified as held for sale		**—**	2,620
Total liabilities		**3,122,508**	2,522,225
Total equity and liabilities		**5,808,774**	4,891,412
Net current liabilities		**(991,942)**	(612,947)
Total assets less current liabilities		**3,380,804**	2,666,119

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 financial statements except for the adoption of the new/revised HKFRS effective from the current year that are relevant to the Group as detailed in note 3.

2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

3. ADOPTION OF NEW/REVISED HKFRS

The HKICPA has issued one revised HKFRS, a number of amendments to HKFRS and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the changes in accounting policy relevant to the Group's financial statements are as follows:

HKAS 24 (Revised) - Related Party Disclosures

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements. The modified disclosure requirements for government-related entities also do not impact the Group because the Group is not a government-related entity.

Improvements to HKFRSs 2010 - Improvements to HKFRSs 2010

The improvements comprise a number of improvements to standards including the following that are considered to be relevant to the Group:

Amendments to HKFRS 7 Financial Instrument Disclosures: Clarification of disclosures

The Amendments clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required for renegotiated loans. The disclosures about the financial instruments in the notes to the consolidated financial statements are conformed to the amended disclosure requirements.

Amendments to HKAS 1 (Revised): Presentation of Financial Statements: Clarification of statement of changes in equity

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the consolidated statement of changes in equity.

Amendments to HK(IFRIC) – Int 13 Customer Loyalty Programmes: Fair value of award credits

The Amendments clarify that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. The adoption of this Interpretation has no impact on the consolidated financial statements.

3. ADOPTION OF NEW/REVISED HKFRS (Continued)

Amendments to HK(IFRIC) – Int 14 - Prepayments of a Minimum Funding Requirement

The Amendments apply when an entity is subject to minimum funding requirements for its defined benefits retirement plan and makes an early payment of contributions to cover those requirements. The Amendments permit such an entity to treat the benefit of such an early payment as an asset. Previously, if the Group did not have an unconditional right to a refund of surplus, a prepayment was recognised as an expense.

Since there is no minimum funding requirement in the defined benefit plans of the Group, the adoption of this Amendments to the Interpretation has no impact on the consolidated financial statements.

4. TURNOVER

The Group's turnover represents revenue arising from the sale of goods at invoiced value to customers, net of returns, discounts and Value Added Tax.

5. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-maker of the Group. The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The Company's executive directors consider the business principally from a product perspective as over 99% of the Group's sales and business are conducted in the PRC. Business reportable operating segments identified are instant noodles, beverages, instant food (formerly known as "bakery") and others.

For the purposes of assessing the performance of the operating segments and allocating resources between segments, the executive directors assess segment net profit for the year without allocation of taxation which is consistent with that in the financial statements.

Segment assets include all tangible assets and current assets with the exception of available-for-sale financial assets and financial assets at fair value through profit or loss. Segment liabilities include trade payables and other payables, interest-bearing borrowings, deferred tax liabilities and advance payments from customers with the exception of employee benefit obligations.

Inter-segment sales are priced at cost plus profit margin. The accounting policies of the reporting segments are the same as the Group's accounting policies.

5. SEGMENT INFORMATION (Continued)

Business segment analysis

The segment information for the years ended 31 December 2011 and 2010 are as follows:

	2011					
	Instant noodles	Beverages	Instant food	Others	Inter-segment elimination	Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover						
Revenue from external customers	3,592,270	3,998,702	201,432	74,176	—	7,866,580
Inter-segment revenue	119	1,804	67	82,766	(84,756)	—
Segment revenue	3,592,389	4,000,506	201,499	156,942	(84,756)	7,866,580
Segment result after finance costs and Profit before taxation	418,044	208,460	5,862	35,459	(4,849)	662,976
Taxation	(112,220)	(49,252)	330	(2,130)	—	(163,272)
Profit for the year	305,824	159,208	6,192	33,329	(4,849)	499,704
Assets						
Segment assets	2,520,574	3,442,346	173,846	811,780	(1,244,754)	5,703,792
Unallocated assets						104,982
Total assets						5,808,774
Liabilities						
Segment liabilities	888,017	2,279,707	74,232	723,268	(856,780)	3,108,444
Unallocated liabilities						14,064
Total liabilities						3,122,508
Other information						
Capital expenditures	256,935	1,069,045	17,388	6,121	—	1,349,489

In June 2011, the Company completed the disposal of a non-wholly owned subsidiary and an associate previously classified as assets held for sale at a consideration in aggregate of US$98,333,000 to a company jointly controlled by the Company's directors. Gain on the disposal of US$39,175,000 has been recognised in the segments results under "Others" segment and included in the other net income in the consolidated income statement.

5. SEGMENT INFORMATION (Continued)

Business segment analysis (Continued)

	2010					
	Instant noodles *US$'000*	Beverages *US$'000*	Instant food *US$'000*	Others *US$'000*	Inter-segment elimination *US$'000*	Group *US$'000*
Turnover						
Revenue from external customers	2,931,555	3,531,911	161,383	56,633	—	6,681,482
Inter-segment revenue	78	1,855	45	87,217	(89,195)	—
Segment revenue	2,931,633	3,533,766	161,428	143,850	(89,195)	6,681,482
Segment results after finance costs	372,698	325,672	3,179	(30,098)	(3,308)	668,143
Share of results of associates	—	—	—	—		9,978
Gain on discontinuation of equity accounting for an associate	—	—	—	—		68,653
Profit before taxation	372,698	325,672	3,179	(30,098)		746,774
Taxation	(66,711)	(62,543)	(1,800)	(3,146)		(134,200)
Profit for the year	305,987	263,129	1,379	(33,244)		612,574
Assets						
Segment assets	1,969,050	2,554,156	136,484	634,322	(641,702)	4,652,310
Unallocated assets						239,102
Total assets						4,891,412
Liabilities						
Segment liabilities	746,089	1,511,496	54,680	405,788	(314,710)	2,403,343
Unallocated liabilities						118,882
Total liabilities						2,522,225
Other information						
Capital expenditures	213,713	732,666	5,002	8,331	5,921	965,633

6. OTHER REVENUE AND OTHER NET INCOME

	2011	2010
	US$'000	*US$'000*
Other revenue		
Interest income	**38,564**	21,479
Dividend income	**1,573**	1,701
	40,137	23,180
Other net income		
Exchange gains, net	**15,811**	7,792
Gain on sales of scrapped materials	**23,282**	19,770
Government grants	**28,521**	38,958
Gain on discontinuation of equity accounting for an associate	**—**	68,653
Gain on disposal of a non-wholly owned subsidiary and an associate previously classified as assets held for sale	**39,175**	—
Others	**22,979**	25,020
	129,768	160,193
	169,905	183,373

7. PROFIT BEFORE TAXATION

	2011	2010
This is stated after charging:	***US$'000***	*US$'000*
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	**12,871**	8,077
Less: Borrowing costs capitalised into property, plant and equipment at weighted average capitalisation rate of 1.32% *(2010: 1.36%)*	**(3,499)**	(1,566)
	9,372	6,511
Other items		
Depreciation	**317,544**	275,054
Amortisation of prepaid lease payments	**3,697**	2,544
Impairment loss of property, plant and equipment (included in other operating expenses)	**4,169**	35,520

8. TAXATION

	2011	2010
	US$'000	*US$'000*
Current tax – PRC enterprise income tax		
Current year	**143,516**	135,188
(Over)/Under provision in prior year	**(5,446)**	698
	138,070	135,886
Deferred taxation		
Origination and reversal of temporary differences, net	**1,438**	(31,236)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**23,764**	29,550
	25,202	(1,686)
Total tax charge for the year	**163,272**	134,200

The Cayman Islands levies no tax on the income of the Company and the Group.

Hong Kong Profits Tax has not been provided as the Group entities either incurred losses for taxation purpose or had no assessable profits subject to Hong Kong Profit Tax for the years ended 2011 and 2010.

For the PRC subsidiaries not entitled to a preferential PRC enterprise income tax, the applicable PRC enterprise income tax is at a statutory rate of 25% (2010: 25%).

Subsidiaries in the PRC which engage in manufacture and sale of instant noodles, beverages and bakery products are subject to tax laws applicable to foreign investment enterprises in the PRC. Most of the subsidiaries are located at state-level economic development zones and were entitled to a preferential PRC enterprise income tax rate of 15% before 31 December 2007. Also, they were fully exempt from PRC enterprise income tax for two years starting from the first profit-making year followed by a 50% reduction for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years.

According to the Tax Relief Notice (Cai Shui [2011] no. 58) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, foreign investment enterprises located in the western region of PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% for 10 years from 1 January 2011 to 31 December 2020. Accordingly, certain subsidiaries located in the Western Region are entitled to a preferential rate of 15% (2010: 15%).

Pursuant to the State Council Circular on the Implementation of the Transitional Concession Polices for Enterprise Income Tax (Guo Fa [2007] no. 39), enterprises previously entitled to a reduced tax rate shall have a grace period of five years regarding the tax reduction commencing on 1 January 2008; the subsidiaries which were entitled to a 15% enterprise income tax rate will be subjected to tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter. The subsidiaries that have been granted a preferential income tax rate of 15% in the Grand Development of Western Region shall continue to enjoy the preferential income tax rate until expiry.

8. TAXATION (Continued)

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. For the Group's PRC subsidiaries, the applicable rate is 10% and deferred tax liability is only provided on those parts of post-2007 earnings that are expected to be distributable in the foreseeable future.

9. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

	2011	2010
	US$'000	*US$'000*
Final dividend proposed after the end of the reporting period of US3.75 cents (2010: US4.27 cents) per ordinary share	**209,629**	238,556

At meeting held on 21 March 2012, the directors recommended the payment of final dividend of US3.75 cents per ordinary share. The proposed final dividend has not been recognised as dividend payables in the statement of financial position, but will be reflected as an appropriation of retained profits for the year ending 31 December 2012.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

(a) Basic earnings per share

	2011	2010
Profit attributable to ordinary shareholders (US$'000)	**419,545**	476,787
Weighted average number of ordinary shares ('000)	**5,588,567**	5,586,793
Basic earnings per share (US cents)	**7.51**	8.53

(b) Diluted earnings per share

	2011	2010
Profit attributable to ordinary shareholders (US$'000)	**419,545**	476,787
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	**5,588,567**	5,586,793
Effect of the Company's share option scheme	**24,949**	20,402
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	**5,613,516**	5,607,195
Diluted earnings per share (US cents)	**7.47**	8.50

11. TRADE RECEIVABLES

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are mainly at credit term ranging from 30 to 90 days. The ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts), based on invoice date, at the end of the reporting period is as follows:

	2011	2010
	US$'000	*US$'000*
0 – 90 days	**146,883**	121,849
Over 90 days	**8,157**	5,881
	155,040	127,730

12. TRADE PAYABLES

The ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	2011	2010
	US$'000	*US$'000*
0 – 90 days	**915,284**	1,066,760
Over 90 days	**58,829**	17,153
	974,113	1,083,913

13. CAPITAL EXPENDITURE COMMITMENTS

	2011	2010
	US$'000	*US$'000*
Contracted but not provided for	**290,319**	260,662

14. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 4 November 2011, the Company and PepsiCo Inc. ("PepsiCo") entered into the Contribution Agreement, the Commercial Agreements and the agreements for their strategic alliance in the beverage business in the PRC (the "Strategic Alliance Arrangements") that PepsiCo's wholly-owned subsidiary, Far East Bottlers (Hong Kong) Limited ("FEB"), has agreed to contribute its entire interest in PepsiCo's non-alcoholic beverage bottling businesses in the PRC to Tingyi-Asahi Beverages Holding Co., Ltd. ("TAB"), a non-wholly owned subsidiary of the Company, in exchange for a 9.5% direct interest in Master Kong Beverage (BVI) Co. Ltd. ("MKB"), which is a holding company of the Group's beverage business in the PRC. As a consequence, FEB will hold 5% indirect equity interest in TAB and FEB will be granted an option to increase its indirect interest in TAB to 20% on a fully diluted basis, details of this business combination are set out in the Circular of the Company dated 20 January 2012. At the end of the reporting period, the Strategic Alliance Arrangements have not been completed and are subject to the fulfillment of conditions.

On 17 February 2012, the Strategic Alliance Arrangements have been approved by the shareholders of the Company. As of 21 March 2012, the date of this announcement, the closing of the Strategic Alliance Arrangements is still pending for the outcome of the regulatory approval in the PRC.

Pursuant to the Strategic Alliance Arrangements, upon the closing of Strategic Alliance Arrangements, MKB and TAB, will issue their respective new shares which will constitute a deemed disposal of 9.5% equity interest in MKB as well as a deemed disposal of 2.5% equity interest in TAB; and the adjusted aggregate book value of PepsiCo's non-alcoholic beverage bottling business in the PRC to be acquired by TAB will be amounted to US$600 million. As the Strategic Alliance Arrangements has not been completed and the initial accounting for the transaction is incomplete, it is not practicable to reliably estimate its financial effect.

BUSINESS REVIEW

In 2011, the Group's turnover was US$7,866.580 million, an increase of 17.74% compared to that of 2010. The growth rates for turnover of instant noodles, beverages and instant foods were 22.54%, 13.22% and 24.82% respectively. In the fourth quarter, the Group's turnover was US$1,522.459 million, 10.96% higher than the same period last year. The increase was mainly from sales growth in instant noodles and instant food. During the year, the Group was able to alleviate the negative impact arising from the rise in production costs by continuously adjusting its product structure, optimizing organizational efficiency, enlarging economies of scale, and effectively controlling various expenses. However, the continuous price increase of raw materials such as flour, palm oil, sugar and PET resin, placed heavy cost pressures on the industry and thus, causing gross profit of the industry to decline generally. In 2011, the Group's overall gross margin decreased by 1.89 ppt. to 26.54% and gross profit increased by 9.93% year-on-year.

In 2011, the Group effectively controlled its marketing and logistics expenses by means of strategic advertisement that enhanced its brand as the leader of the PRC market. During the period, prices for fuel oil and media promotion expenses have increased. The Group's distribution costs as a percentage of total sales was at 16.82%, increased slightly by 0.04 ppt, when compared to 2010's 16.78%. The administrative costs of the Group increased by 50.23% when compared to the previous year mainly caused by the imposition of urban construction tax and education tax since December 2010, as well as the increase in labour cost. During the year, the Group maintained a stable and healthy finance structure with strong cash flows. In 2011, earnings before interest, tax, depreciation and amortization (EBITDA) was US$955.025 million and the profit attributable to owners of the Company was US$419.545 million, which led the decrease by 5.57% and 12.01% respectively when compared to the previous year. Earnings per share was US 7.51 cents, a drop of US 1.02 cents.

Instant Noodle Business

In the fourth quarter of 2011, the domestic GDP growth rate was at 8.9%, a slight decrease when compared with the rate in the first three quarters of 2011(over 9%). From October to December 2011, the CPI growth rates ranged between 4.1% and 5.5%.

In 2011, turnover for instant noodle business amounted to US$3,592.270 million, an increase of 22.54% from the previous year, and represented 45.66% of the Group's total turnover. Turnover for bowl noodles and high-end packet noodles increased by 24.33% and 24.55% respectively. Gross margin dropped by 1.59ppt. to 27.24%. Profit attributable to owners of the Company from the instant noodle business decreased slightly by 0.30% from last year to US$303.633 million.

Whilst achieving breakthrough performances, the products of Master Kong also continued to dominate the market. According to AC Nielsen's latest report in December 2011, Master Kong's sales volume and value of instant noodles reached 40.9% and 55.7% respectively of their market share. Market shares for the Group's bowl noodle and high-end packet noodle, in terms of sales value, were 67.3% and 70.3% respectively.

During the year, the instant noodle business focused on the increasing demand, by enhancing the displays, improving the promotion of strategic key products, and increasing the tasting promotion campaigns, to strengthen the growth of instant noodles business, so as to fully implement the approach of "expanding per capita sales", increasing vitality and reaching peak high".

Whilst entering into the business peak season, Master Kong has continued to maintain its market leading position of its products such as "Noodles with Braised Beef " and "Noodles with Spicy Beef ". At the same time, Master Kong introduced two sour flavors, namely "Pickled Mustard Beef" and "Pickled Mustard Chicken", and attracted customers who preferred sour and spicy "Noodles with Sour and Spicy Beef". Along with the introduction of the brand of Lu Xiang double flavors series, Master Kong has also gained a foothold in the market for braised pork noodles.

In response to the challenge of competing products, and enhanced the brand vitality, Master Kong continued to strengthen the businesses with local tastes. In Northwest China, the brand of noodles with mala beef was promoted, while noodles with bamboo shoots and sliced pork was introduced in the Eastern China which has seen sales increasing month by month.

Four medium-priced brands, namely "Treasures", "Jin Shuang La Mian", "Hao Zi Wei" and "Super Fumanduo" have fully satisfied the market demand of middle and lower classes, and thus effectively competed with similar products and achieved satisfactory sales as high-end brands. A new brand of fried crispy noodles, "Xiang Bao Cui" also enriched the brands of Master Kong and its market shares.

As for production management, in order to align with the overall strategy of "expanding per capita" sales, Master Kong accelerated production standardization and automation of integrated box and sales volume packing, as well as equipment reform of "Xiang Bao Cui". Going forward, Master Kong will continue to target on improving gross margin, promoting streamlining, improving fixed costs, strengthening the production capacity and competitiveness, and improving the efficiency and lowering the production costs.

In respect of production and sales coordination, orderly replenishment of goods coped with the marketing and promotion week; strengthen the accuracy of production and sales coordination; establishing the standardized distribution model with different distribution radiuses; effectively utilizing the production resources and generating the highest efficiency. Against the unstable weather conditions during winter and the Chinese New Year, and the logistics co-ordination during the peak season, Master Kong advanced the planning of production capacity, transportation capacity and manpower, replenishment of goods before and after the Chinese New Year, etc. As for materials, Master Kong continued to develop pickled pack, in order to satisfy the planned and market average monthly demand of around a billion packs.

Master Kong had been adhering to the strategy of "tasty products, well-known branding and quality services", and through its production process automation aimed at the improvement of production quality, optimization of product mix and enhancement of management function, and effectively took good opportunities, responded to the challenges in its surrounding environment, and stabilized its costs and quality, in the meantime, allowed consumers to enjoy our high quality products with peace-of-mind, and continued to ensure the leading position of Master Kong in the instant noodles market. In 2012, Master Kong will continue to develop new flavors, new product specifications, and stimulate consumer consumption by assisting in the successful organization of the World Instant Noodles Summit.

Beverage Business

2011 was a challenging year for the PRC food and beverage industry. Under the complex economic environment, abnormal weather conditions, and fierce market competition, both raw material and labor costs increased. In the face of economic environment coexisted with the slowdown of growth, the pressure of increasing price index, and the many food safety issues consumer confidence were seriously tested, and therefore, beverage production enterprises also faced numerous challenges.

Ready-to-drink (RTD) tea, bottled water and fruit juice remained as the major products of the Group in 2011. Under the complicated and dynamic business environment, despite the Group's investment in resources, improvement of the production safety system, operated in the major commercial areas, as well as promoted its products with multi flavors, multi-specifications and multipackaging, however, sales of major beverage manufacturers were affected by the rapid change of beverage market, abnormal weather in the second-half of 2011, safety issues such as plasticizer incident, as well as high CPI. In 2011, turnover for beverage business increased by 13.22% to US$3,998.702 million as compared to last year, representing 50.83% of the Group's total turnover. During the year, the prices for key raw material such as PET resin and sugar maintained at high level, gross margin of beverage business decreased by 2.81ppt. to 25.67% and gross profit increased by 2.02%. Profit attributable to owners of the Company from the beverage business was US$77.172 million, dropped of 39.98% from last year.

Although net profit had decreased due to the external environment, the major beverage items of Master Kong still dominated the market leading position, by virtue of the continuous improvement of its sales network as well as accurate market positioning. According to the latest study by AC Nielsen in December 2011, in terms of sales volume, Master Kong's RTD tea products had a market share of 50.0%, which again is the leader in the market. Launching the green bottle produced by the world's advanced production lines, the quantity and quality of the Master Kong's bottled water was ensured, and continued to ranked No. 1 in the market, with 22.0% market share. In respect of fruit juice, the duo brands – "Fresh Daily C" and "Master Kong" with their diversified product offerings have built a broad market for Master Kong. The

"New Taste for Traditional Drink" series, Sour Plum Juice, Wild Jujube Juice and Pear Juice were well-received by consumers. Master Kong's juice commanded a market share of 20.2%, ranking it No. 2 in the diluted fruit juice market.

For RTD tea, in 2011, Master Kong continued to be the "tea expert" to lead the development of China's RTD tea market. Among the RTD teas, the consumption atmosphere of iced red tea was effectively stimulated as its sophiscated bottle designed with fashionable and dynamic elements. Green tea, jasmine tea series, oolong tea and Tie Guan Yin continued to lead the beverage development by strengthened depth of business and effective communication with customers, in terms of market share. The above teas all ranked No. 1 in their segments respectively.

For bottled water, scale of production and operation, complete sales channels, rapid response to the market, flexible pricing system, healthy, safety and affordable products, combined with the branding strategy, all have been the key to success of Master Kong's bottled water products. With the products meeting consumers' needs, and an extensive sales network ensuring that they could be bought easily almost everywhere, Master Kong's bottle water maintained its No. 1 ranking in the market.

For fruit juice, in the wake of continually improving consumption power of customers and changing of consumption value-orientation, natural, nutrient, healthy and fashionable must be the future direction of fruit juice. In 2011, Master Kong introduced Sour Plum Juice and Mango Juice, which are products with multi-flavors, multi-packing and multi-specifications. We have broadened the product flavors and also replaced the packing with more fashionable packing and in addition, Master Kong promoted and marketed through various channels; and aligned with online and tradition sales activities such as complimentary offerings on purchases for or discount for tasting, in order to satisfy the consumer needs of products with different volumes, as well as allow more consumers to experience the natural and healthy Master Kong beverages. "World favourite new drinks", the sub-brand of Master Kong, with the idea of concept of health, through the modern production technology, to continue the tradition drink and food culture with various characteristics, and vigorously reborn, thus the consumers can taste more traditional flavors. The new product launched in the year, namely "Crystal Sugar Pear Juice" was well received by the market.

Lactic acid drink was a new segment introduced in 2011. "U-Joymore", a lactic acid drink, containing Oligoses premier and Bifidobacterium factor, activates the growth of healthy bacteria in the gut, and thus lightens up the body with energy and happiness. In addition, Master Kong promoted three flavors for "U-Joymore", including fresh flavor, lemon flavor and jujube flavor, to provide more choices for consumers.

Master Kong has been upholding the principle of leading the industry development in a healthy and orderly manner and fulfilled the social responsibility of energy-saving and emission reduction by taking the lead in decreasing the weight of plastic bottle of bottled water from 18 grams to 12 grams. The environmentally-friendly light weight bottle from Master Kong reduces the usage of plastic particles and hence reduces the carbon emission arising from plastic usage, while it is more important as it reduces the electricity usage in the production of bottles and the carbon emission in its logistics and transportation. In addition, the advanced rinse-free technology avoids unnecessary waste of water resources in the second bottle rinsing production process, as a result, water consumption of production is also decreased to a large extent. At the same time, as a food enterprise, Master Kong has relentlessly pursuited the provision to customers safety and tasty products. According to the entire quality and quantity control concept of "from farm to table", Master Kong monitors the food safety and hygiene started from the source, targeting to build a virtuous cycle of quantity and quality and safety management. In view of the efforts such as sustainability, energy-save environmental protection and quantity and quality of food, in 2011, Master Kong was awarded as the 2th "China Greengold", which jointed organized by Sohu, the major PRC portal website, and A.T. Kearney, a global well-known consulting firm.

Instant food business

With stable growth of GDP and increasing consumption power, professional divisions of labor was implemented by the instant food business in product branding and sales with the aim of expanding the product categories of instant foods business and strengthening its sales network. At the same time, sales increased rapidly as the network strengthened. Furthermore, the negative effects as a result of increasing of raw materials and labor costs was eliminated by improving gross margin as Master Kong continued to progress the improvement of production equipments. Turnover of the instant food business in 2011 amounted to US$201.432 million, representing an increase of 24.82% compared to last year, and 2.56% of the Group's total turnover. Gross margin for instant food business decreased by 0.66 ppt. to 36.20% and gross profit increased 22.58% to US$72.919 million. Profit attributable to owners of the Company was US$6.457 million, sharply increased 228.43%.

According to AC Nielsen's survey in December 2011, in terms of sales value, Master Kong ranked No. 2 in the sandwich cracker market with market share of 22%. Master Kong's egg rolls gained a market share of 26.4% and ranked No. 1 in the market.

In 2012, the instant food business will continue to develop with growth of core products such as sandwich crackers, muffins and egg rolls, enhance the bakery equipment, operational consolidation efficiency, and actively control marketing expenses by adopting accurate sales strategy. Moreover, Master Kong will continue to invest in its brand by promoting activities, its brand image and strengthening the product penetration. In the meantime, different modes of strategic cooperation will be effectively manipulated in order to enrich the number of product types and enlarge the investment in core production technologies.

FINANCING

The Group continued to maintain a stable and healthy finance structure through the effective control of trade receivables, trade payables, cash and inventories. In the volatile financial market, the Group believe it to be appropriate to maintain sufficient cash balances. At 31 December 2011, the Group's cash and bank deposits totalled US$600.052 million, a decrease of US$293.288 million from the previous year. The Group's total assets and total liabilities amounted to approximately US$5,808.774 million and US$3,122.508 million respectively, representing increases of US$917.362 million and US$600.283 million respectively when compared to 31 December 2010. The debt ratio increased by 2.2 ppt. to 53.76% as compared with the same period in 2010.

At the end of 2011, the Group's total borrowings increased by US$615.942 million to US$1,250.077 million. The borrowings were mainly used for production facilities and working capital. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi was 94% and 6% respectively, as compared with 98% and 2% respectively last year.

The proportion between long-term loans and short-term loans was 44%: 56%, as compared with 28%: 72% for 2010. The Group's transactions were mainly denominated in Renminbi. During the year the appreciation in Renminbi against the US Dollar of 4.70% brought an exchange gain of US$147.557 million, US$15.811 million and US$131.746 million of exchange gain have been included in the income statement and reserve from exchange translation respectively.

Financial Ratio

	For the year ended 31 December	
	2011	2010
Net Profit margin (Profit attributable to owners of the Company)	**5.33%**	7.14%
Finished goods turnover	**8.87 Days**	8.62 Days
Trade receivables turnover	**6.56 Days**	6.65 Days
Gearing ratio (Net debt to equity attributable to owners of the Company)	**0.31 Times**	-0.14 Times
Debt ratio (Total liabilities to total assets)	**53.76%**	51.56%

QUALITY ASSURANCE

As a food enterprise, Master Kong has been dedicated to provide safety and tasty products to consumers. During the period, the Group continued to emphasize the basic principles of "food safety is designated". From the product design, the most upstream, to the end-sales, Master Kong invested substantially in order to optimize the group quality control system and strengthen food production safety alerts.

Master Kong guaranteed the food safety supervision started from the source, through continuously strengthened control over the supply of raw materials and production equipment, conducted appraisals on suppliers and implemented source management. Meanwhile, 5S and TPM systems and ISO9001:2000, ISO22000:2005 Certificate of Quality Management System, were be implemented in all production plants to ensure product safety and high standards of health in all stages of production, and the PRC QS Certificate (QS certificate) reached 100% proficiency. In addition, through the provision of quality guidance, specifying research of network and products quality, taking actions against counterfeit goods and rehearsing product tracing through exercise with distributers, product safety will be realized for end user products.

In order to implement the philosophy of total safety quantity and quality control, the Group's Research and Development Centre has departments for food safety and fundamental research to support the food safety assurance and product technology fundamental research work of the Group. Externally, the food safety division has participated in the formulation of the relevant legal and regulatory criteria on food safety both at the industry and national levels, participated in the collection of information of the latest research progress on food safety controls and food safety alerts. Internally, it has coordinated the consistent implementation of the relevant legal and regulatory criteria, conducted assessment on the application and food safety risks of new technology on the Group. The testing and analysis division of the food safety department has obtained the CNAS certificate issued by the China National Accreditation Service for Conformity Assessment in February 2011. Over 100 food safety related test reports were highly recognized, and to ensure that the raw materials used for the products and the end-products are in line with the norms of PRC food safety. The issued reports are not only among domestic laboratories but also recognized by 61 institutions in 46 countries around the world.

PRODUCTION SCALE

In order to realize fast, automatic and labour saving production, Master Kong has been expanding production scale and optimizing production equipment continuously in order to improving efficiency and support the leadership position of the Group in the domestic food industry in terms of production efficiency. As of December 2011, the Group had 88 production plants and 510 production lines in operation.

In respect of the instant noodles business, we established the biggest instant noodle factory in Tianjin since 2009, the first three phases have commenced with production, and the fourth phase is under construction, which expected to be completed in March 2012. At the same time, in order to increase the capacity of the warehouse and optimize the production and sales, the Tianjin factory, Hangzhou factory and Jiangbei factory were designed successively and imported into the three-dimensional warehouse successively during the period; in respect of the beverage business, Yangzhou Plant Phase II production lines were completed and put into production, Changchun factory and Shenzhen Wuchuan plant were also put into production during the period, while in Ikawa and Suihua, new factories planning and location selection have been carried out successively, in order to continue to expand the production base; in respect of the instant food business, the production equipment was continued to optimize, and planning for new production lines to meet the production and sales needs.

HUMAN RESOURCES

As at 31 December, 2011, the Group employed 64,309 (2010: 64,436) employees.

The Group in forward-looking performance management, science, philosophy, focusing on long-term accumulation of human capital in human resources management and training. Constantly improve the talent development strategies in the selection, training, deployment and retention of talents in order to create a reserve of talents for the sustainable development of the Group.

Meanwhile, we have been improving our recruitment and training mechanism for reserve talents and coordinating all functions to be well-prepared for the selection and training of reserve talents who will become the central force for driving the future development. Perfect education training system, to pragmatic of attitude design courses, makes theory and group work practice phase combination. Introduced talent comments on volume tools, makes key posts talent training plans science effective; diligent performance management assessment system, business performance and management performance both, upgrade management effectiveness.

By placing sufficient emphasis on training, developing and retaining talent who are taken to be the corner stone of corporate development will be one of the core competitiveness for the rapid growth of the Group.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2011, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that:

1. there is no separation of the role of Chairman and Chief Executive Officer. Mr. Wei Ing-Chou currently assumes the role of both the Chairman and the Chief Executive Officer of the Company;

2. all Independent Non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Articles of Association; and

3. Mr. Wei Ing-Chou, the Chairman of the Board of the Company does not need to retire by rotation.

However, at present, the Chairman of each of the Company's subsidiaries is responsible for the operation of the respective subsidiary. Due to the need of business development considerations, Mr. Wei lng-Chou is required to act as the Chairman of certain subsidiaries. Except for these subsidiaries, the Chief Executive Officer of the Group has not act as the Chairman of other subsidiaries. In practice, there is effective separation of the roles between the Chairman of the Company's subsidiaries and the Chief Executive Officer of the Group. Mr. Wei Ing-Chou has been in charge of the overall management of the Company since the listing of the Company in 1996. Although Mr. Wei Ing-Chou does not need to retire by rotation and assumes the role of both the Chairman and the Chief Executive Officer of the Company, the Company considers that such arrangement at this stage helps to promote the efficient formulation and implementation of the Company's strategies which will enable the Group to further develop its businesses effectively. With the above balancing mechanism of Chairman of subsidiaries and the supervision of the Board and the Independent Non-executive Directors, the interests of the shareholders are adequately and fairly represented.

The Company has taken steps towards the adoption of appropriate measures to ensure that the Company's corporate governance practices comply with the Code.

Audit Committee

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, the preperation of financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the group audit. Four meetings were held during the financial year ended 31 December 2011.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standards as set out in the Model Code throughout the review period.

PROSPECTS

In 2011, the instability of global economy and financial market has been increasing, as affected by several factors such as worsening European sovereign debt crisis and the slowdown in economic recovery in developed countries. The growth rate of PRC annual gross domestic product (GDP) recorded a new low during the 2 years period, the main reason for the economic slowdown due to the active control policy adopted by the government to control inflation. The starting from 2012, the market concerns of economic downturn maybe greater than expectation due to weak external demand, therefore, the government started to demonstrate the adjustment of policy focus through series of policy meetings and departmental statement recently, which the focus will be gradually shifted from the previous long-term tightening cycle and inflation control to realize economic growth through promoting steady growth, expanding domestic demand and boosting consumption, thus the PRC consumer goods market must maintain strong growth momentum in the future. While improving of citizen income allocation, acceleration of urbanization, and improving the social security system, will help to promote the development of medium and low income consumption market, and thus providing an enormous room for growth and development opportunities for the instant food, leisure food and beverage industries. However, the food industry will face serious cost pressure in the result of the rising labour costs and large fluctuations of the raw material prices.

The Group will actively explore the new markets in the basis of consolidation of the existing market leading position in PRC, and optimize the product-mix in product categories and tastes, in order to continue the long-term sustainable and stable growth. Looking forward to the coming year, in respect of the instant noodles business, the Group will continue to maintain market leadership in high-ended noodle, and timely introduce the newly developed medium-ended instant noodle; as for the medium-ended market, we will focus on increase the market share orderly, to align with the Company's overall strategy. In respect of the beverage business, in the face of fierce market competition, the Group will strengthen the network, and establish a strategic alliance with PepsiCo in China at the same time, for expansion of product categories and create an enormous room for development. In respect of instant food business, the Group will continue to promote modernization of traditional cuisine, and strengthen product development and sales, in the meanwhile, we will also look for be strategic alliance when appropriate, in order to introduce production technology and experience, and constantly expand the product categories, in order to promote the stimulate the development of instant food business.

"The Twelfth Five-year Development Plan of Food Industry"(食品工業「十二五」發展規劃) jointed released by the Development and Reform Commission and the Ministry of Industry and Information Technology on December 31, 2011, which stated that the meat processing, dairy products, beverage, instant food and ingredients industries should be categorized as key industries, and pointed out that the industry barriers should be raised and develop large-scale enterprises. Benefited from the policy of boosting domestic demand and increasing citizen consumption power, which increasing the demand for food and beverage market, and the market continues its optimistic expectations on the prospects of food and beverage industry. With PRC economy growth is shifting to consumer-oriented, the rising PRC consumption power brings instant noodle and beverage businesses development opportunities, at the same time, also brings such industries pressure of rising labour costs. Facing the challenging 2012, the Group will continue to optimize the sales system, enhancement the production technology, improve the supply chain management, improving the efficiency and production capacity and to control the unit cost reasonably to maintain a stable gross margin. The Group will take the strategic alliance with Pepsi (China) and the upcoming World Instant Noodles Summit as an opportunity to strengthen product development and innovation and to provide more healthy food to fit the consumer demand. With the concerted efforts of our excellent operation team and all our staff, the Group will continue to promote the awareness and recognition of the brand of Master Kong, continue to expand its brand influence, further strengthen the leading positions of its various products in the market of the PRC and drive a continuous and steady growth in the future, in order to bring better results and return to shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the year.

SHARE OPTION SCHEME

At the extraordinary general meeting held on 20 March 2008, the shareholders approved the adoption of the Share Option Scheme. Detail arrangement for the share option scheme shown as below:

Date of grant	Number of share options granted	Validity period	Exercise price (HK$)	Number of share granted to Wei Ing-Chou
20 March 2008	11,760,000	21 March 2013 to 20 March 2018	$9.28	2,000,000
22 April 2009	26,688,000	23 April 2014 to 22 April 2019	$9.38	2,816,000
1 April 2010	15,044,000	1 April 2015 to 31 March 2020	$18.57	2,200,000
12 April 2011	17,702,000	12 April 2016 to 11 April 2021	$19.96	2,264,000

For the period of twelve months ended 31 December 2011, 3,320,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was $13.14 and the weighted average market closing price before the date of exercise was $23.59.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "Annual General Meeting") be held on 5 June 2012. The notice of the Annual General Meeting will be published on the Company's website and sent to the shareholders of the Company in due course.

PROPOSED FINAL DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of US 3.75 cents per ordinary share of the Company in respect of the year ended 31 December 2011. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on or about 25 July 2012.

CLOSURE OF REGISTER

(1) To attend and vote at the annual general meeting

The register of members of the Company will be closed from 1 June 2012 to 5 June 2012 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to attend and vote at the Annual General Meeting. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on Thursday, 31 May 2012.

(2) To qualify for the final dividends

The register of members of the Company will be closed from 11 June 2012 to 13 June 2012 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to qualify for the final dividends. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on Friday, 8 June 2012.

As at the date of this announcement, Mr. Wei Ing-Chou, Mr. Takeshi Ida, Mr. Ryo Yoshizawa, Mr. Wei Ying-Chiao, Mr. Wu Chung-Yi and Mr. Junichiro Ida are executive directors of the Company. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are independent non-executive directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, the PRC, 21 March 2012

Website: www.masterkong.com.cn
www.irasia.com/listco/hk/tingyi

* *For identification purposes only*