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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

US$'000	**2014**	2013		**Change**
• Turnover	**10,237,982**	10,940,996	↓	6.43%
• Gross margin	**30.46%**	30.25%	↑	0.21ppt
• Gross profit	**3,118,038**	3,309,999	↓	5.80%
• EBITDA	**1,149,346**	1,161,152	↓	1.02%
• Profit for the year	**484,749**	494,311	↓	1.93%
• Profit attributable to owners of the Company	**400,482**	408,544	↓	1.97%
• Earnings per share (US cents)				
Basic	**7.15**	7.30	↓	0.15
Diluted	**7.13**	7.28	↓	0.15

At 31 December 2014, cash and cash equivalents was US$1,183.103 million and gearing ratio was 0.48 times.

CHAIRMAN STATEMENT

Cost Saving, Efficiency Enhancing, Innovation

In 2014, the growth of economy in China as a whole slowed down. Competition in the market had been intense. Under the circumstances with changes in consumer behavior and sales channels, the operation of the enterprise as a whole faced more challenges and difficulties. During the past year, other than tackling the challenges from different aspects, the Group had never ceased to prepare itself in strengthening the competitiveness in the long-term. The food business and beverage business were consolidated into an integrated business entity. For the instant noodle business, the Group was ahead of peers to upgrade the rich ingredients of bowl noodles which drove the increase in price, and had modified its marketing strategies, which led to healthy competition within the industry with profitable return. We believe that the contribution to the Group from the above strategies will be gradually demonstrated in the foreseeable future.

Moreover, we also continued to increase our investment in branding, R&D and food safety. At the same time the operation of our organization was optimized with operation efficiency enhanced. We will continue to launch more innovative products, so as to provide quality and affordable choices to consumers. In terms of operation, we also maintained a steady financial structure.

In 2014 the Group's turnover was US$10.238 billion, dropped by 6.43% year-on-year. Profit attributable to owners of the Company was US$400 million, decreased 1.97% when compared to last year, earnings per share was US7.15 cents. During the year, we continue to implement structural consolidation for beverage business, which incurred US$73.017 million integration cost. After deducting this cost, the profit attributable to owners of the Company increased by 6.52%

The board will recommend the payment of a final dividend of US3.57 cents per share. Total amount of final dividend for the year 2014 will be US$200 million.

According to the latest report published by AC Nielsen, year-to-date December 2014, the Group's market share, in terms of sales volume for instant noodles, RTD tea, and bottled water ranked first in the PRC market, which accounted for 46.8%, 53.9% and 20.8% respectively. The Group's juice drink gained 23.9% market share and ranked number 2 in the overall juice market. According to Canadean December 2014 data, in 2014 Pepsi's cola favor and Mirinda juice favor carbonated drinks also ranked No.1 in the favor sector, accounting for 48.3% and 38.7% of the market share respectively.

In 2014, Master Kong was being listed in the World's Most Innovative Companies published by Forbes. In March 2014, Master Kong received the "Best Product Brand Award" and the "Best Food & Beverage Brand Award" from The German Brands Association. And being recognized the honor of the "Most Favorite Brand of University Student" for nine consecutive years. Master Kong was awarded the honor of the "2014 'Food Safety Cup' Most Popular Best Ten Food Safety Enterprise". By obtaining these honors, the brand power and competitiveness of Master Kong were recognized, what's more, we are encouraged to constantly endeavor, trying to provide consumers with more varieties of delicious and safe products.

During the year, we use different ways to help the people in need, such as sponsoring education, fighting floods, relieving earthquakes, relieving poverty, environmental protection and supporting sports activities. In 2014, we continued to allocate resources to take our corporate social responsibility to enable the concurrent healthy development of the enterprise and the society. We actively supported the concept of total quality control "from farm to table" and strictly abided by the consumer food safety principles. While improving production efficiency, we also continuously implemented energy saving and emission reduction. We continued to initiate the world elite universities scholarship program to support outstanding students across the Strait to further their studies and held "Master Kong Creative Challenges" to allow more young people with an innovative quality have the opportunity to go to university to further their studies.

In 2015, there is still pressure in the growth of economy in China. It is expected that in 2015, the target for growth in GDP is 7% and the overall development will be maintained in the new state of normal mode. However the new development in urbanization will bring growth. We are still confident in the potential of the long-term development in China and remain prudently optimistic to the prospects in 2015.

In January 2015, our operational center in Shanghai began to operate. The Board also appointed Mr. James Wei as the Chief Executive Officer of Tingyi (Cayman Islands) Holding Corp. on 1 January 2015, who is responsible for the overall operation of the Group and supervising the daily businesses of the Group. The Board believes that this will further consolidate the development of the Group on the basis of the existing solid foundation.

In 2015, the overall operation strategy of the Group will switch to cost saving, efficiency enhancing, and innovation as a result of the sluggish economy and the nature of the consumer market. We will maintain a steady operation, exercise sound control of capital expenditures, improve team skills, tackle enormous challenges and create synergies.

On 18 March 2015, Tingyi Holding signed agreement with US Starbucks Coffee Company to expand China's RTD coffee market. The cooperation with Starbucks will further expand Tingyi's beverage product portfolio and enables us to provide consumers with more high-quality and convenient product options and experiences.

Notwithstanding the competition and challenges we faced in 2014, the wisdom and creativity, hard work and loyalty of Master Kong's staff are the valuable asset of the Group. I would like to take this opportunity to express my heartfelt appreciation to all fellows of the Board, the management and all staff for their efforts made and the trusts and supports from the shareholders.

Wei Ing-Chou
Chairman

Shanghai, the PRC
23 March 2015

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 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	**2014** *US$'000*	2013 *US$'000*
Turnover	4	**10,237,982**	10,940,996
Cost of sales		**(7,119,944)**	(7,630,997)
Gross profit		**3,118,038**	3,309,999
Other revenue and other net income	6	**209,401**	215,685
Distribution costs		**(2,138,598)**	(2,312,603)
Administrative expenses		**(299,549)**	(350,868)
Other operating expenses		**(155,841)**	(117,921)
Finance costs	7	**(47,151)**	(37,351)
Share of results of associates and joint ventures		**7,269**	16,049
Profit before taxation	7	**693,569**	722,990
Taxation	8	**(208,820)**	(228,679)
Profit for the year		**484,749**	494,311
Attributable to:			
Owners of the Company		**400,482**	408,544
Non-controlling interests		**84,267**	85,767
		484,749	494,311
Earnings per share	10		
Basic		**US7.15 cents**	US7.30 cents
Diluted		**US7.13 cents**	US7.28 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	US$'000	*US$'000*
Profit for the year	**484,749**	494,311
Other comprehensive (loss) income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations	**2,349**	850
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on consolidation	**(101,998)**	134,154
Fair value changes in available-for-sale financial assets	**11,040**	12,780
Reclassification adjustment relating to available-for-sale financial assets disposed of during the year	**–**	(14,397)
	(90,958)	132,537
Other comprehensive (loss) income for the year	**(88,609)**	133,387
Total comprehensive income for the year	**396,140**	627,698
Attributable to:		
Owners of the Company	**336,629**	500,127
Non-controlling interests	**59,511**	127,571
	396,140	627,698

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	**At 31 December 2014** *US$'000*	At 31 December 2013 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,859,905**	5,485,100
Prepaid lease payments		**737,387**	318,961
Intangible asset		**27,305**	28,058
Interest in associates		**31,973**	29,050
Interest in joint ventures		**74,153**	80,276
Available-for-sale financial assets		**79,052**	24,683
Deferred tax assets		**53,009**	48,105
		6,862,784	6,014,233
Current assets			
Financial assets at fair value through profit or loss		**2,352**	4,952
Inventories		**386,958**	480,862
Trade receivables	11	**238,239**	260,427
Prepayments and other receivables		**532,621**	413,957
Pledged bank deposits		**12,203**	15,491
Bank balances and cash		**1,170,900**	1,234,399
		2,343,273	2,410,088
Total assets		**9,206,057**	8,424,321

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
		At 31 December 2014 *US$'000*	**At 31 December 2013** *US$'000*
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		**28,019**	27,982
Share premium		**65,421**	53,431
Reserves		**2,940,117**	2,798,879
Total capital and reserves attributable to owners of the Company		**3,033,557**	2,880,292
Non-controlling interests		**1,062,107**	1,046,095
Total equity		**4,095,664**	3,926,387
Non-current liabilities			
Long-term interest-bearing borrowings		**1,246,720**	659,643
Other non-current liabilities		**–**	262
Employee benefit obligations		**28,702**	28,186
Deferred tax liabilities		**198,487**	184,389
		1,473,909	872,480
Current liabilities			
Trade payables	12	**896,131**	1,251,710
Other payables and deposits received		**1,233,472**	1,192,428
Current portion of interest-bearing borrowings		**1,382,034**	1,016,636
Advance payments from customers		**100,522**	108,354
Taxation		**24,325**	56,326
		3,636,484	3,625,454
Total liabilities		**5,110,393**	4,497,934
Total equity and liabilities		**9,206,057**	8,424,321
Net current liabilities		**(1,293,211)**	(1,215,366)
Total assets less current liabilities		**5,569,573**	4,798,867

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 2013 financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year 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. 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 balances, 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 ("NCI") are presented, separately from owners of the Company, in the consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

3. ADOPTION OF NEW/REVISED HKFRSs

The HKICPA has issued a number of new/revised HKFRSs 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:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27: Investment Entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure particular subsidiaries at fair value through profit or loss. The amendments also set out the relevant disclosure requirements for investment entities. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 36: Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of assets is based on fair value less costs of disposal. The application of the amendments does not have an impact on the amount recognised.

HK(IFRIC) 21: Levies

The interpretation addresses how and when an entity should account for liabilities to pay levies imposed by governments, other than income taxes. The application of this interpretation does not have any material impact on the amounts recognised.

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 Company's 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 and others. The segment of others includes investment holding, logistics and supportive functions.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the executive directors assess the performance of reportable segments based on the net profit for the year and the profit (loss) before taxation, share of result of associates and joint ventures and unallocated expenses, net, which is consistent with that in the financial statements.

Segment assets include all assets with the exception of interest in associates and joint ventures and unallocated assets which includes available-for-sale financial assets and financial assets at fair value through profit or loss. Segment liabilities include all liabilities 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.

The geographical location of the Group' s customers is based on the location at which the goods are delivered. Over 99% of the revenues from external customers of the Group are attributable to customers located in the PRC, the place of domicile of the Group' s operating entities. Meanwhile, over 99% of the Group' s non-current assets other than available-for-sale financial assets are located in the PRC.

No revenue from a single external customer amounted to 10% or more of the Group' s revenue.

Business segment analysis

The segment information for the years ended 31 December 2014 and 2013 are as follows:

	2014					
	Instant noodles	Beverages	Instant food	Others	Inter-segment elimination	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover						
Revenue from external customers	4,137,685	5,800,419	178,596	121,282	–	10,237,982
Inter-segment revenue	51	586	133	90,287	(91,057)	–
Segment revenue	4,137,736	5,801,005	178,729	211,569	(91,057)	10,237,982
Segment result after finance costs	484,203	220,538	(7,540)	(8,221)	(2,118)	686,862
Share of results of associates and joint ventures	–	17,930	(10,661)	–	–	7,269
Unallocated expenses, net	–	–	–	(562)	–	(562)
Profit (loss) before taxation	484,203	238,468	(18,201)	(8,783)	(2,118)	693,569
Taxation	(123,815)	(84,516)	752	(1,241)	–	(208,820)
Profit (loss) for the year	360,388	153,952	(17,449)	(10,024)	(2,118)	484,749

	2013					
	Instant noodles	Beverages	Instant food	Others	Inter-segment elimination	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover						
Revenue from external customers	4,332,159	6,267,617	202,518	138,702	–	10,940,996
Inter-segment revenue	51	855	301	100,492	(101,699)	–
Segment revenue	4,332,210	6,268,472	202,819	239,194	(101,699)	10,940,996
Segment result after finance costs	490,965	198,526	(11,043)	31,713	(3,220)	706,941
Share of results of associates and joint ventures	–	19,266	(3,217)	–	–	16,049
Profit (loss) before taxation	490,965	217,792	(14,260)	31,713	(3,220)	722,990
Taxation	(154,184)	(62,912)	231	(11,814)	–	(228,679)
Profit (loss) for the year	336,781	154,880	(14,029)	19,899	(3,220)	494,311

	2014					
	Instant noodles	**Beverages**	**Instant food**	**Others**	**Inter-segment elimination**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets						
Segment assets	3,446,274	5,227,348	160,291	1,340,036	(1,155,422)	9,018,527
Interest in associates	–	30,646	1,327	–	–	31,973
Interest in joint ventures	–	58,346	15,807	–	–	74,153
Unallocated assets						81,404
Total assets						9,206,057
Liabilities						
Segment liabilities	1,041,013	3,311,438	62,817	1,766,568	(1,100,145)	5,081,691
Unallocated liabilities						28,702
Total liabilities						5,110,393
Other information						
Depreciation and amortisation	105,257	339,819	9,134	9,283	–	463,493
Capital expenditures	340,390	591,845	4,211	543,773	–	1,480,219
Interest income	59,599	4,833	384	10,747	(20,696)	54,867
Interest expense	37	33,886	–	33,924	(20,696)	47,151
Termination benefits	–	73,017	–	–	–	73,017

	2013					
	Instant noodles	**Beverages**	**Instant food**	**Others**	**Inter-segment elimination**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Segment assets	3,420,533	5,075,114	182,198	839,614	(1,232,099)	8,285,360
Interest in associates	–	25,628	3,422	–	–	29,050
Interest in joint ventures	–	57,883	22,393	–	–	80,276
Unallocated assets						29,635
Total assets						8,424,321
Segment liabilities	1,290,983	3,179,545	77,143	1,106,220	(1,184,143)	4,469,748
Unallocated liabilities						28,186
Total liabilities						4,497,934
Other information						
Depreciation and amortisation	93,054	342,116	7,880	9,288	–	452,338
Capital expenditures	221,364	631,213	7,714	35,799	–	896,090
Impairment losses	14,200	35,602	–	–	–	49,802
Reversal of impairment losses	6,381	–	–	–	–	6,381
Interest income	53,984	6,835	968	10,015	(20,275)	51,527
Interest expense	9	29,446	–	28,171	(20,275)	37,351

6. OTHER REVENUE AND OTHER NET INCOME

	2014	2013
	US$'000	*US$'000*
Other revenue		
Interest income	**54,867**	51,527
Dividend income	**–**	747
	54,867	52,274
Other net income		
Change in fair value of derivative financial instruments	**6,579**	12,181
Technical consultancy fee	**16,863**	–
Exchange gains, net	**–**	18,812
Gain on sales of scrapped materials	**29,911**	31,057
Gain on disposal of available-for-sale financial assets	**–**	14,397
Government grants	**50,079**	47,814
Others	**51,102**	39,150
	154,534	163,411
	209,401	215,685

7. PROFIT BEFORE TAXATION

	2014	2013
This is stated after charging (crediting):	*US$'000*	*US$'000*
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	**48,306**	39,545
Less: Borrowing costs capitalised into property, plant and equipment at weighted average capitalisation rate of 2.03% *(2013: 2.08%)*	**(1,155)**	(2,194)
	47,151	37,351
Other items		
Depreciation	**454,136**	444,303
Amortisation of prepaid lease payments	**8,604**	7,282
Amortisation of intangible asset	**753**	753

8. TAXATION

	2014	2013
	US$'000	*US$'000*
Current tax – PRC Enterprise income tax		
Current year	**179,859**	198,842
Over provision in prior year	**(2,132)**	(6,504)
	177,727	192,338
Deferred taxation		
Origination and reversal of temporary differences, net	**933**	8,536
Effect of withholding tax on the net distributable earnings of the Group's PRC subsidiaries	**30,160**	27,805
	31,093	36,341
Total tax charge for the year	**208,820**	228,679

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

Hong Kong Profits Tax has not been provided as the Group's entities had no assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2014 and 2013.

The statutory tax rate of PRC enterprise income tax is 25%. Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries were exempt from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The preferential tax rate resulted from these tax concessions expired in 2013.

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 the PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to an 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 an income tax rate of 15% *(2013:15%)*.

9. DIVIDENDS

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

	2014	2013
	US$'000	*US$'000*
Final dividend proposed after the end of the reporting period of US3.57 cents *(2013: US3.65 cents)* per ordinary share	**200,054**	204,269

At meeting held on 23 March 2015, the directors recommended the payment of final dividend of US3.57 cents per ordinary share. The proposed final dividend has not been recognised as dividend payables in the consolidated statement of financial position.

10. EARNINGS PER SHARE

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

(a) Basic earnings per share

	2014	2013
Profit attributable to ordinary equity shareholders (US$'000)	**400,482**	408,544
Weighted average number of ordinary shares ('000)	**5,599,873**	5,594,388
Basic earnings per share (US cents)	**7.15**	7.30

(b) Diluted earnings per share

	2014	2013
Profit attributable to ordinary equity shareholders (US$'000)	**400,482**	408,544
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	**5,599,873**	5,594,388
Effect of the Company's share option scheme	**15,108**	17,490
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,614,981**	5,611,878
Diluted earnings per share (US cents)	**7.13**	7.28

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:

	2014	2013
	US$'000	*US$'000*
0 – 90 days	**216,763**	248,538
Over 90 days	**21,476**	11,889
	238,239	260,427

12. TRADE PAYABLES

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

	2014	2013
	US$'000	*US$'000*
0 – 90 days	**863,205**	1,214,761
Over 90 days	**32,926**	36,949
	896,131	1,251,710

13. COMMITMENTS

	2014	2013
	US$'000	*US$'000*
(a) **Capital expenditure commitments**		
Contracted but not provided for:		
Expenditures on properties, plant and equipment	**280,056**	235,442
Interest in joint ventures	**1,575**	1,800
Investment funds	**28,026**	27,464
	309,657	264,706
(b) **Commitments under operating leases**		
At the end of the reporting period, the Group has total minimum lease payments under non-cancellable operating leases for premises, which are payable as follows:		
Within one year	**47,235**	43,723
In the second to fifth years inclusive	**75,865**	82,719
After five years	**42,214**	50,172
	165,314	176,614

14. CONTINGENT LIABILITIES

During the reporting period, the Group announced a voluntary retirement plan (the "Plan") for its employees as a result of an integration programme of its Pepsi beverage business. The Group has made an offer of the Plan to the affected employees who can decide to accept the offer of benefits in exchange for the termination of their employments.

The termination benefits of US$73,017,000 have been recognised as expenses during the reporting period. The estimated possible obligation of termination benefits is about US$70,000,000 which is expected to be settled between 2015 and 2016 if all the offers are accepted by qualified employees.

MANAGEMENT DISCUSSION AND ANALYSIS

During 2014, the Gross Domestic Product (GDP) of the PRC increased by 7.4% year-on-year, with the growth rate hitting a record low in 24 years. The Consumer Price Index (CPI) increased by 2.0%. Food prices increased by 3.1%. Total retail sales of social consumer goods increased by 12.0%. The Producer Price Index (PPI) decreased by 1.9% year-on-year. According to the National Bureau of Statistics, the national economy achieved progress while maintaining stability and achieved quality improvement while making progress amidst the new normal in 2014. The domestic and international environments remained complex and economic development was still faced with many difficulties and challenges.

During the year, the economic growth continued to slow down. However, market competition was still intense. The acceleration of the change in the consumption pattern, together with the impact of the climate factor, led to business fluctuations. Being confronted with such a challenging year, we did not forget to make preparations for more efficient operations in the future and implemented structural consolidation for the beverage business. The performance of Tingyi in the difficult year of 2014 was slightly inferior to that in 2013.

In 2014, the Group's turnover was US$10,237.982 million, a decrease of 6.43% compared to that of 2013. Turnover of instant noodle and beverages dropped by 4.49% and 7.46% respectively. During the year, the Group's gross margin increased by 0.21 ppt. to 30.46% year-on-year, benefiting from the drop in cost of main raw materials and refining operations in production. In 2014, the Group effectively controlled its marketing and distribution expenses by means of strategic advertisement that strengthened its brand as the leader in the PRC market, together with timely adjustment of marketing strategic, the Group's distribution costs as a percentage of total sales, decreased by 0.25 ppt. to 20.89% as compared to 21.14% in 2013. Other operating expense increased by US$37.920 million was mainly due to the cost incurred for the Master Kong-Pepsi alliance structural consolidation. Finance costs increased by US$9.800 million to US$47.151 million mainly due to the increased bank borrowings for capital expenditure. During the year, the Group maintained a stable and healthy financial structure with strong cash flows. In 2014, earnings before interest, tax, depreciation and amortization (EBITDA) was US$1,149.346 million and the profit attributable to owners of the Company was US$400.482 million, a decrease by 1.02% and 1.97% respectively when compared to the previous year, earnings per share was US7.15 cents, a drop of US0.15 cents year-on-year, after excluding the cost of structural consolidation of US$73.017 million, the profit attributable to owners of the Company increased 6.52% when compared to the previous year.

FOOD BUSINESS

Instant Noodle Business

In 2014, the sales volume of the China instant noodle market dropped 7% when compared to 2013. The Group's turnover of instant noodle business amounted to US$4,137.736 million, a decrease by 4.49% from previous year, and represented 40.42% of the Group's total turnover. In the third quarter, the Group was ahead of peers and upgraded the rich ingredients of bowl noodles which drove the increase in price, and the marketing strategies, as a result, leading the industry towards the direction of benign competition with healthy profits and gross margin in the second half has been improved. Back to the first half of the year, slight increase in price of certain raw materials and additional costs spending on the enhancement of quality and size of products, as a result, gross margin for instant noodle business for the year dropped by 0.91 ppt. to 28.33%. Profit margin decreased by 7.49%. The profit attributable to owners of the Company for the instant noodle business was US$360.388 million, grew by 7.01% when compared to same period last year mainly due to the timely adjustment on marketing strategy and well control operating expenses.

According to AC Nielsen's latest survey, in terms of sales volume and value, year-to-date December 2014, the Group's instant noodles gained 46.8% and 56.4% market share. respectively, remained as the leader in the market. The economic downturn and a change in the consumption market have led to a decrease in the original quantity of instant noodle consumers. It is expected that the instant noodle market will level off in the coming year. However, an increase in the demand for high-end products will facilitate the entire product category to gradually enhance its image. The Group will expedite the launch of innovative product offerings and high end products to satisfy the market in a timely manner.

By leveraging the influence of "Yu • Quan","Master Kong Braised Beef Noodle" constantly communicated the brand proposition of "Persisting in Dreams, Supporting You All the Way" and jointly sponsored the "Sound of China Dream", a variety show program of Dragon TV, to support the music dreams of young people. It also initiated the activity of releasing sky lanterns and expanded the dissemination effectiveness by means of networks and terminals so as to make the brand younger. In cooperation with CUBA, it strengthened campus promotion among university students to cultivate the concept of healthy branding. "Braised Ribs Noodle", a brother flavor of the classical braised beef noodle, had been sought after by consumers and networks since its launch.

Master Kong's Pickled Mustard series continued to refine its flavors. While the ingredients were enriched by adding both meat and egg, market competitiveness was continuously reinforced to dominate market topics. We engaged Xu Zheng and Wang Baoqiang as ambassadors to strengthen the dissemination of the product differentiation theme of "It is cool to have the sour flavor but it is even cooler to have Master Kong's Pickled Mustard Beef Noodle", thus suppressing the growth space of major competing products and constantly seizing market shares.

We fully developed sales regions for popular flavors. The Pickled Chilli series developed the northern region with two flavors and developed the southern region with gravy noodle with tomato and egg. Meanwhile, new flavors were actively launched to enrich the product line. Old vinegar sour and spicy noodle with shredded meat (老陳醋酸辣肉絲麵), gravy noodle with fresh mushroom and egg (鮮香菇雞蛋打鹵麵), gravy noodle with hot sour and spicy egg (酸辣湯雞蛋打鹵麵), rich soup product seafood pork bone noodle (濃郁湯頭產品海鮮豚骨麵) were launched in succession during the year.

A fried noodle combo product was newly launched in late October with the unique product design of "fried noodle + soup" to attract consumers who prefer fried noodle with a rich taste. The thoughtful design of tasty soup was added to stimulate new demand. To develop the innovative product market, the focus was put on the product advantage of "having both noodle and soup". Both Mian Ba and vermicelli achieved good results after re-adjusting their product positioning.

"Fresh Banquet", a new product category, was launched in April, the findings of a tracking survey revealed that its most attractive factors to consumers were the three core benefits of "steamed noodles", "free of MSG" and "rich ingredients", and the principal customer group was consistent with the target set at the time of launching. The largest portion of growth in sales came from non-eaters or seldom eaters of instant noodles and consumers with demand for high-end noodles. Its rate of repeated purchases was notably higher than other high-end noodles, reflecting its potential in driving growth for the whole product category of instant noodles. By leveraging on the influence of the movie "But Always" (《一生一世》) in interactive communication over the internet, complemented with local high quality offline promotional events and operation over Weibo, publicity over the internet soar notably.

The RMB 0.5 "Xiang Bao Cui" snack noodle continued organizing the campaign of "Grab a dream gift and Win one more pack" and the RMB 1 Prestige Pack was launched this year, sales of which focusing on core urban areas rose at steady pace, and took over the traditional premium price snack noodle market. "Cui Xuan Feng" and "Crispy Fatty" developed more regular packs, expanded the channels of direct marketing or e-commerce, and complemented with online activities to increase its brand energy.

To cater for the dual development of the no-frills and high-end consumer market segments, while more tastes and varieties of products under existing brands were launched in the market during 2014, innovative new products, such as "Fresh Banquet", "Mian Ba Cooked Noodle", "Fried Noodle Combo" and "Crispy Fatty", were streaming onto the market one after the other, bringing diversified choices and good value for money for consumers.

In production management, enhancement in the mechanism of production determined by sales forecast and improvement in logistics increased the benefits resulting from coordinated production and sales. Continuous quality improvement programs were organized for staff and the manufacturing process was optimized to reduce quantitative deviation in order to elevate the gross profit margin of products. Production techniques for new product categories were actively developed and introduced to make better preparations for the smooth launching of products. The second generation plant was completed and commenced operation during the year, standardized operation was implemented persistently for providing consumers with super quality products. Food safety inspection commenced rapidly, source management was strengthened, corporate image enhancement was actively pursued, all the plants of our Group presented flawless safety testing results during the visits of the inspection authorities, ensuring safe quality for consumers.

In 2015, further development of high-end and diversified products will continue to benefit the consumers in general. With ongoing adjustments to the economic structure of China, great potential for development in Tier 3 and Tier 4 cities still exists with inflows of population. We will continue optimizing the management system, collaborate with channel partners, implement end-user service and reinforce growth in our results performance. In response to an economic downturn and conservative consumer sentiment, personnel will be streamlined in business segments, indirect and direct efforts will be made to ensure profitability, and mobile sales tool (e-CRC) will be utilized to improve efficiency.

Instant Food

According to AC Nielsen, the overall cracker market remained in the doldrums throughout 2014. Overall market sales volume of crackers declined by 2.7% year-on-year. Due to the economic downturn and the slow down of cracker market, turnover of the instant food business amounted to US$178.729 million, representing a drop of 11.88% year-on-year, and 1.75% of the Group's total turnover. Gross margin dropped by 1.91 ppt. to 36.18% mainly due to the increase of main raw material price and processing cost, the sales decline from the bakery business and the sales from new business have not been stable. Owing to the expenses spending on establishing markets and advertising and propaganda activities for the new product development of new business, the instant food business recorded a loss of US$17.449 million.

According to the latest AC Nielsen's survey result, in terms of sales value, year-to-date December 2014, Master Kong's egg rolls gained a market share of 23.8% and ranked No. 1 in the market. Sandwich cracker gained 16.3% market share and ranked No. 2 in the market.

During the period, Master Kong's bakery business in the 3+2 sandwich crackers organized competition at six universities in five major cities across China through integrated thematic activities online and offline and an activity area was designated for singing in the mobile phone APP, and the new theme of "a piece of 3+2, more joyful together" (一塊3+2 一塊更歡樂) was launched in the second half of the year, enhancing the positive branding influence effectively. The promotion activity "Ah Li brings you a surprising delightful treasure hunt" (阿狸帶你驚喜尋寶) was organized in the first half of the year for Master Kong's muffin cakes, enthusiastic participation from consumers were attracted through online lucky draws, offline promotion bazaar and cross-industry promotions at animated cartoon exhibitions. In the second half of the year, the "wonderful way of eating, love to share" (妙吃法,愛分享) campaign was fully launched to call for consumers' participation in many innovative ways of eating muffins. Master Kong's egg rolls collaborate with mousse sandwich balls, cheerful balls (樂芙球) and 3+2 sandwich rolls to launch the promotion campaign of "100% prize winning, joyful sharing with friends and relatives" (有獎100%,親友一起享), branding promotion and offline sales were perfectly blended, interactive communication with consumers were also organized through combining the official campaign website, Weibo and Weixin platforms and e-commerce platform to enhance branding recognition and awareness.

In the Calbee leisure food business, the strategy was focused on Calbee potato while puffing food was developed as a sideline, striving to create an image of leisure food expert. Seaweed flavor potato chips in cup packs and the twin-flavor potato chip packs were additional new products, competitiveness was increased through launching the 15% extra volume big cups in August of 2014, and a series of consumer promotion activities including the "Green Storm", "Transformers", "World Cup", and "Animated Cartoon – One Piece" were planned to enhance the branding awareness as well as cumulating branding assets to drive sales. According to AC Nielsen data, Calbee potato was ranking No.1 in the potato fries category in 2014. In 2015, the shaping and publicity focus will be on DNA, the "popular commodity in Taiwan, Hong Kong and Japan" (台港日人氣商品), and online promotions through social groups of both Weibo and Weixin will be launched at the same time to consolidate and attain growth in market shares.

Kongquan (Hangzhou) Food Co., Ltd., a company jointly set up by the Group and Asahi Food & Healthcare Co., Ltd., launched the new product of sugar-free mint candy "MINTIA Cool Life" (MINTIA酷活), through the branding slogan of "good breath in a flash, faster than you think" (瞬間好口氣,快到想不到), with core focus on Shanghai and convenient channels, samples were distributed in office buildings and road shows were organized for launching the new product to facilitate verbal publicity for the product and enhance the branding awareness of consumers. Currently, it has been included on the Top 10 list of mint candies marketed through family convenient channels and received initial recognition in the market, setting the foundation for a full-scale sales promotion in 2015.

The instant food business continued to optimize its organization structure, system and operation process and engaged in the production and operations of various categories of food products in China, such as cake snacks, potato made leisure food, cool candies, infant milk powder and materials, dried meat floss, etc. In future, the instant food business will continue to develop along the line of diversification, innovation and internationalization in operations, and will accelerate the structural adjustment of new business channel on the basis of re-shaping the core bakery business to control loss within a reasonable extent.

Looking ahead in 2015, the instant food business will continue the overall strategy of "reducing loss, adjusting structure and stabilizing growth". The product strategies will focus on re-shaping the core bakery products, the market share of the core product line will be expanded through innovations in products and marketing to consolidate its leading position as a category leader. New businesses will focus on post-branding differentiated operations by capturing the consumption trend accurately to increase the satisfaction level of consumers effectively. The sales strategies of instant noodle business will continue to adjust the Go To Market Model by strengthening indirect and direct efforts and channel innovations to focus on key regional operations. In production and quality management, automation of production and manufacturing processes will be improved and production costs will be strictly controlled to enhance the gross profit margin of products, while inspection of the sources of raw materials will be reinforce and customer complaint handling process will be improved to ensure food safety.

Beverage Business

In 2014, the beverage industry in China grew at a slower rate. Impact of factors, such as economic downturn and unstable weather conditions, resulted in lower than expected growth in consumption, sales volume in the overall beverage market increased by 2.6% year-on-year, lower than the growth rate at 6.9% in 2013, and the operating environment was full of challenges.

In 2014, turnover for beverage business decreased by 7.46% to US$5,801.005 million year on year, representing 56.66% of the Group's total turnover. During the year, gross margin of beverage business increased by 1.17 ppt. to 31.92% due to the decrease in costs of raw materials such as PET resin and sugar. Confronted with such a severe market environment, we improved our control over distribution costs on one hand, while implementing Master Kong-Pepsi alliance structural consolidation during the year for more efficient operations in future resulting in an impact on profit growth. Profit attributable to owners of the Company from the beverage business was US$71.956 million, year-on-year grew by 1.35%. Excluding the structural consolidation cost, the profit grew by 50.21% year-on-year.

According to AC Nielsen data, in terms of sales volume, year-to-date December 2014, the Group's RTD tea (include milk tea) gained 53.9% market share, grew by 2.1 ppt. when compared to same period last year, continued to rank No. 1 in the market. The market share of the Group's RTD tea with milk was 19.4%. In the bottled water market, the Group gained 20.8% market share and ranked No.1. By leveraging on the fruit juice brands under Master Kong (Master Kong juice, Fresh Daily C, New Taste for Traditional Drink, Crystal Sugar Series and Traditional Fruit Mix) and Pepsi's Tropicana, the market share of the Group in the overall fruit juice market in China was 23.9%, ranking No. 2. According to the Canadean data base, in terms of sales volume, year-to-date December 2014, the market share of the Group's carbonated soft drink was 30.3%. While for Cola flavor and fruit flavor market segments, the Group gained 48.3% and 38.7% market share respectively, both remain a leading market position.

The beverage business of Tingyi followed the market consumption trend and fulfilled consumers' beverage needs in all scenarios, continued to develop new flavor, new formula and new packing, adopt marketing strategies integrated with digital marketing tools and disseminated the ideas of a new, healthy and tasty lifestyle to share excellent products combining healthy and tasty flavors with consumers in general.

The RTD tea product series, such as iced tea and green tea, continued to capitalize on the concept of positive young and vigorous energy by following the trendy line to capture the young consumer group tightly. The jasmine tea series discovered a new drinking season under the theme of romance, beverages of sugar-free tea series focused on original flavor to satisfy the needs of health curious consumers. Milk tea and hot sugar-free tea drinks were promoted through capturing the winter drinking season and warmed up the consumers with aromatic strong milky taste and strong tea fragrance.

Fruit juice products are clearly divided into two main categories of traditional Chinese fruit juices and western fruit juices to cover more preferences in consumer tastes. The traditional Chinese fruit juice series, New Taste for Traditional Drink (傳世新飲) and Traditional Fruit Mix (傳養果薈), developed along the themes of Chinese traditional classic taste and health preservation and nourishment, respectively, to further improve their formulae. Master Kong's fruit juices and Fresh Daily C under the western fruit juice category provide tasty fruit juices rich in vitamins and nourishing ingredients for good health and continuous innovations for enhanced products will be pursued.

For bottled water, the Youyue Mineral Water (優悦礦物質水) continued to provide better services to customers and consumers through more production facilities and efficient distribution networks. Moreover, by launching natural mineral water flowing from its source in Changbai Mountain, there will be more production bases at quality water sources in future to satisfy more extensive needs in the consumer market.

For carbonated drinks, the promotional activities of PepsiCo, "Bring home 'la'" (把樂帶回家) and the "UTC event of turning into local rich persons together" (一塊變土豪UTC活動) as well as the annual campaign of Mirinda, the "Most Popular Fruit Flavor Drink" (果味人氣王), were warmly received by young people. Pepsi Cola drinks has been the No.1 brand in the cola drink market of China since 2005. The development of non-carbonated beverages was critical to the long-term development of the Pepsi beverage business. In 2014, a focused strategy was adopted. In 2014, the operation of Gatorade in China had been stable. Focuses were placed in communicating and educating consumers in Southern and Eastern China. Apart from stabilizing the penetration rate of the products we also proactively deploy the "sports facilities" channels with an aim to lock Gatorade as the No. 1 brand of professional sports drinks. During the year, Tropicana launched innovative flavors successively to enrich the product line and revitalize its brand, its subordinate brand of fresh fruit crumbs was launched in May with a brand new apple flavor, the sales volume increased rapidly so far. A new mango-apricot flavor was launched under the fruit cocktail brand and its unique blended flavor won overwhelming popularity among young consumers in general! During the period, Aquafina Pure Water drove sales growth through using new shape and design of bottles. And through the densely distributed production facilities established by Tingyi, costs were reduced by sufficiently exploiting the economies of scale effect, and the advantages of a Master Kong – Pepsi alliance were fully revealed to fulfill various needs of customers from all channels to achieve the ultimate objectives of strengthening core competitiveness and creating competitive edges.

Tingyi, through the development of its effective energy and water saving and consumption reduction measures, improvements in production process and equipment and optimization in workflow process, outstanding performance has been achieved in energy saving, emission reduction and enhancement of production efficiency. Through the establishment of the beverage and food safety system and continuous strengthening of the supplier source management system, it strives to lead the industry into a healthy and sustainable development direction.

The Shanghai Disney Resort will open by the end of 2015. Tingyi-Asahi Beverages Holding Co., Ltd. and PepsiCo Inc. are strategic cooperation partners, they will continue to plan marketing activities with special features and influences. It is expected worldwide consumers will experience the Chinese tea beverage culture at the Shanghai Disney Resort for further promotion internationally.

In 2015, the Chinese economy enters a new normal state, the market is expected to transform under the central government policies. Tingyi will continue to capitalize on the organization advantages and integrated marketing effectiveness of the Master Kong – Pepsi alliance. Through the use of new media and new technologies, continuous refined development of electronic channels, reducing costs by energy saving and low carbon measures, strengthening product category management, responding to market changes accurately and rapidly and the development of innovative products, more differentiated business opportunities will be captured. In the area of brand building and consumer communication, a healthy, sportive and new lifestyle is encouraged, persistent innovations in production process are pursued and food safety will be strictly guarded, in order to provide healthy, nourishing, safe and tasty quality products and for delivering healthy, touching and positive energies to peer enterprises, community and the public.

FINANCING

The Group continued to maintain a stable and healthy finance structure through the effective control of trade receivables, trade payables, cash and inventories. The Group believes it to be appropriate to maintain sufficient cash balances. At 31 December 2014, the Group's cash and bank deposits totaled US$1,183.103 million, a decrease of US$66.787 million from the previous year. The Group's total assets and total liabilities amounted to approximately US$9,206.057 million and US$5,110.393 million respectively, representing increases of US$781.736 million and US$612.459 million respectively when compared to 31 December 2013. The debt ratio increased by 2.12 ppt. to 55.51% as compared with the same period in 2013.

At the end of 2014, the Group's total borrowings increased by US$952.475 million to US$2,628.754 million. The borrowings were mainly used for acquisition of properties for the Group's Shanghai operation center and production facilities and general working capital. The Group has further adjusted the structure of borrowings by increasing the proportion of borrowings in Renminbi. As a result, the proportion of the total borrowings denominated in foreign currencies and Renminbi was 82% and 18%, last year was 88% and 12% respectively. The proportion between long-term loans and short-term loans was 47%: 53%, as compared with 39%: 61% in 2013. The Group's transactions were mainly denominated in Renminbi. During the year, the depreciation in Renminbi against the US Dollar of 2.27% brought an exchange loss in aggregate of US$117.740 million, the exchange loss of US$15.742 million and US$101.998 million have been included in the income statement and exchange translation reserve respectively.

Financial Ratio

	For the year ended 31 December	
	2014	2013
Finished goods turnover	**11.73 Days**	12.90 Days
Trade receivables turnover	**8.89 Days**	8.23 Days
Current ratio	**0.64 Times**	0.66 Times
Gearing ratio (Net debt to equity attributable to owners of the Company)	**0.48 Times**	0.15 Times
Debt ratio (Total liabilities to total assets)	**55.51%**	53.39%

Human Resources

Human Resource Division has been continuously dedicated in carving the keystone for the Group with human resource management and development while upholding the corporate mission and vision of "Promoting Chinese Food Culture" and "Establishing as a Prestigious Company". Aiming to achieve corporate goals and missions with a lean organization and efficient management, the employee number of the Group as at 31 December 2014 was 79,003, slightly adjusted from 80,541 as at the same time the previous year. In addition to improving and polishing fundamental HR practices in recruiting, employment, training, and compensation, the center of HR focus and activities in 2014 was to identify, nourish, and develop potential talents, aspiring to maintaining current HR competitive strengths, reinforcing talent pool excellences, as well as endowing the Group with innovative capacity for sustainable growth and prosperity in the coming decade.

The first priority of Human Resource Management projects in 2014 were high potential development program, critical-talent pipeline management, continual promotion of successor program, and implementation of talent development roadmap. As an example of outstanding achievements, 51% members of high level critical-talent pipeline program were promoted as regional general managers in 2014. High potential development program was aiming for elevating leadership and management skills of current and future managers, and to coordinate with organization reengineering to equip the Group with corporate core competence for sustainable growth. Tasks included talent core competence identification, introducing high potential evaluation system, and initiating training courses for all level employees.

Corresponding to the Group's development strategy: New Mindset for the next decade demonstrated as the relocation at the New Landmark, W Square, in Shanghai in early 2015, and preparing for the next giant leap on the New Stage, the HR objectives were set to contribute to the continual and flourishing success of the Group.

Quality management

It is a corporate responsibility to provide food that is safe, nutritious and of high quality, which is also a basis for sustainable growth. Master Kong is not only the leader in the instant noodle industry, but also plays an important role in the beverage and pastry industries. By adhering to continuous improvement in the technologies for the management of food safety, it is the most solid protection for providing satisfaction to consumers. With the support of international food safety team, enhancement for the food safety management system, supply chain assessment systems, food defense and environmental monitoring programs were facilitated. We cooperate with experts in food safety to evaluate raw materials and the risks of food safety in the production processes. We will prepare from different aspects in building our own laboratory of international standards to inspect unknown contaminant detection, identify adulterated adulteration, and basic research in processing by-product of doing basic research. We will continue to promote the construction of information system with retrospective tracing ability so as to enhance the tracing ability of products from a retrospective aspect. We will combine source management and process monitoring, and devote our best endeavours to improve and enhance on an ongoing basis, so as to provide consumers with food that is most safe, nutritious and healthy.

Production scale

In order to boost the production efficiency, Master Kong will continue to expand the production scale of products with potentials in development, while optimizing production equipment, so as to support the leading position of the Group in the food industry in China in terms of production efficiency. As at 31 December 2014, the Group had 129 production plants and 697 production lines in operation.

With respect to the instant noodle business, as the world's single largest instant noodle factory, Tianjin and Hangzhou have already commenced production and being supported with advanced computer logistics and warehousing facilities. The development strategy deployed by the production operation of the beverage business is still focused on accelerating the supply of water station. At the same time the supply network of product will further improve by targeting at the market demand and increasing the production capacity as appropriate. The creation of Master Kong & PepsiCo alliance brought synergies, which gradually increased the production capacity of carbonated drinks in 2014, making the production bases for Pepsi carbonated beverage continued to expand. At the same time, by leveraging on the advantages of the allocation of the bottled water factories of Master Kong, the OEM sites for Pepsi's bottled water were added in the Master Kong drinking water factories network. This had effectively improved availability of products at new markets and reduced the logistics costs.

Prospects

In 2014, facing difficulties and challenges in the operating environment in general, despite the Group's results were below expectation, all products were able to maintain a leadership position in the market. Amid changing business environments such as continuous decrease in growth rate of the economy, rapid structural change of consumer markets and rising operating costs, in order to enhance the Group's overall performance and achieve future sustainable development to enable steady growth of results, the Group consolidated the management of positions with headquarters staff functions for its previous food business and beverage business on 1 November 2014 and progressively streamlined its organizational structure in the fourth quarter to cope with the rapidly changing environmental and achieve the three major milestones of cost cutting, efficiency enhancement and innovation. In January 2015, the Shanghai operational centre has commenced operation and the top management with training and development for years are successively in place, coupled with enhanced performance of modern office equipment and system, the Group will be able to realize efficient use of resources and more effective operation.

It is expected the operating environment in 2015 will still bring enormous challenges. Facing the sluggish economy and the rapid change in the consumer market, the overall operation of the Group will sustain a steady operation, exercise sound control over costs and capital expenditures, and innovate new segments/products. At the same time we have to strengthen our adaptability so as to improve team skills, tackle enormous challenges and create synergies, which will bring sustainable growth in the results of the Group. We will leverage on the solid and rich infrastructure, well-established sales network and favourable market advantages to enhance brand value continuously, invest in product innovation capabilities to enrich product items and categories, further develop sales channels to increase penetration ability, maintain communication with consumers to strengthen the system on rapid response to market to stimulate per capita consumption in order to increase growth of sales, and in turn enhance the market leading position of the Group in all product categories. Meanwhile, production efficiency will be refined, quality management will be strictly controlled, food safety will be ensured, organization structure and training for talents will be strengthened in order to enhance the overall operation efficiency. Strong and sound financial conditions will be maintained to be well-prepared for capturing future business expansion opportunities.

With respect to the food business, we will focus on the innovation in the type of instant noodles and launch high-end products. At the same time we will consolidate the operation with modern channels and electricity appliance vendors' channels. With respect to the instant food business, we will focus on the operation of core products and will proactively research and develop new products. Through the innovation of products and brands, we will provide more exuberant, safe and delicious food to the consumers. As to the beverage business, we will continue to consolidate the market share of leading products, whilst the innovation of new segments and products will speed up. Services with terminals will be optimized and the operation skills with the new channels will enhance. Emphasis will be placed on enhancing the synergies, optimizing the channel structure and perfecting the management system of supply chain for Pepsi beverages.

Under the joint efforts of its excellent operation teams and all employees, and the support from consumers and network partners, the Group will constantly strengthen the recognition and reputation of the "Master Kong" brand, and expand the influence of the brand to further strengthen its leadership in the China market in terms of each products and to drive sustainable and solid growth in the future so as to bring returns to the society and its shareholders with better performance.

CORPORATE GOVERNANCE

We have, throughout the period ended 31 December 2014, complied with the code provisions of the Corporate Governance Code (the "CG 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 for the deviations from code provisions A.2.1 and A.4.1. The reasons for these deviations are explained below.

Code provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. For the year ended 31 December 2014, Mr. Wei Ing-Chou assumed the role of both the Chairman and the Chief Executive Officer of the Company. Mr. Wei Ing-Chou had been in charge of the overall management of the Company since the listing of the Company in 1996 and the Company considered that such arrangement would promote the efficient formulation and implementation of the Company's strategies which would enable the Group to further develop its businesses effectively. In order to comply with the requirements of the CG Code, the Company has gradually adopted appropriate measures to separate the roles of the Chairman and Chief Executive Officer. Since 1 January 2013, food and beverage business units have been established with executive officer appointed to monitor and be responsible for the strategic planning and operations of these two business units. In this respect, on 1 January 2015, the Group has appointed Mr. James Chun-Hsien Wei as the Chief Executive Officer of the Group. Mr. James Wei was the former Chief Executive Officer of the Food Business Division of the Group. With the appointment of Mr. James Wei as the Chief Executive Officer, the Company has fully complied with code provision A.2.1.

Code provision A.4.1

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. Our Company deviates from this provision because the non-executive Directors and independent non-executive Directors of our Company do not currently have specific terms of appointment. However, the articles of association of our Company provide that all the Directors are subject to retirement by rotation at least once every three years and at each annual general meeting, one- third of the Directors for the time being or, if the number is not a multiple of three, then, the number nearest to but not less than one-third, shall retire from office by rotation and offer themselves for re-election. As such, the Board considers that sufficient measures have been put in place to ensure our Company's corporate governance practice in this aspect provides sufficient protection for the interests of shareholders to a standard commensurate with that of the code.

We will periodically review and improve our corporate governance practices with reference to the latest corporate governance developments.

Directors' responsibility for the financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance and Accounting Department which is under the supervision of the Chief Financial Officer of the Company, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

Scope of Work of Mazars CPA Limited

The figures contained in the preliminary announcement of our Group's results for the year have been agreed by our Group's auditor, Mazars CPA Limited, to the amounts set out in our Group's consolidated financial statements for the year ended 31 December 2014. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

Audit Committee

The Audit Committee currently has three Independent Non-executive Directors, Mr. Lee Tiong-Hock, Mr. Hsu Shin-Chun and Mr. Hiromu Fukada. Mr. Lee Tiong-Hock is the chairman of the Committee. The latest meeting of the Committee was held to review the results of the Group for this period.

Remuneration and Nomination Committee

This Committee now comprises three Independent Non-executive Directors, Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada. Mr. Hsu Shin-Chun is the chairman of the Committee. The Committee was set up to consider and approve the remuneration packages of the senior employees of the Group, including the terms of salary and bonus schemes and other long- term incentive schemes. The Committee also reviews the structure, size and composition of the Board from time to time and recommends to the Board on appointments of Directors and the succession plan for Directors.

Internal Control

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, to safeguard assets against unauthorised use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

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 standard as set out in the Model Code throughout the review period.

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 period.

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	Exercisable 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
26 April 2012	9,700,000	26 April 2017 to 25 April 2022	$20.54	1,368,000
27 May 2013	11,492,000	27 May 2018 to 26 May 2023	$20.16	1,390,000
17 April 2014	12,718,500	17 April 2019 to 16 April 2024	$22.38	1,486,000

For the period of twelve months ended 31 December 2014, 7,354,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK$9.78 and the weighted average market closing price before the date of exercise was HK$21.82.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "Annual General Meeting") be held on 27 May 2015. 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 US3.57 cents per ordinary share of the Company in respect of the year ended 31 December 2014. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on or about 16 June 2015.

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

The register of members of the Company will be closed from 22 May 2015 to 27 May 2015 (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 21 May 2015.

(2) To qualify for the final dividends

The register of members of the Company will be closed from 3 June 2015 to 6 June 2015 (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 2 June 2015.

BOARD OF DIRECTORS

As at the date of this report, Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Wu Chung-Yi, Mr. Teruo Nagano and Mr. Wei Hong-Ming 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

Shanghai, the PRC, 23 March 2015

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

* *For identification purpose only*