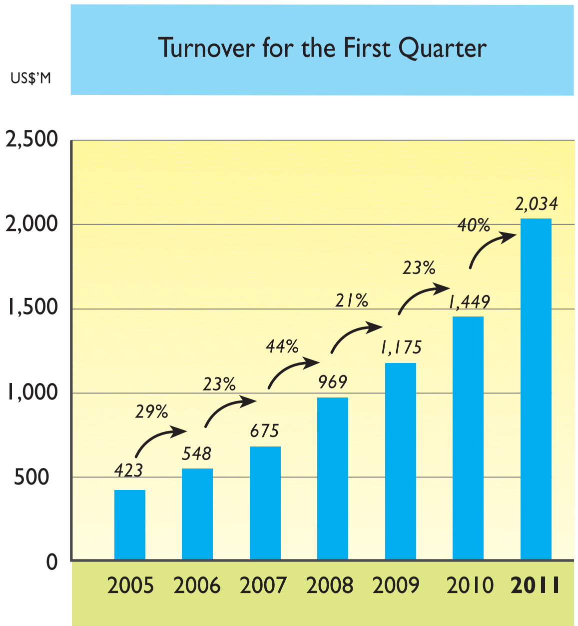
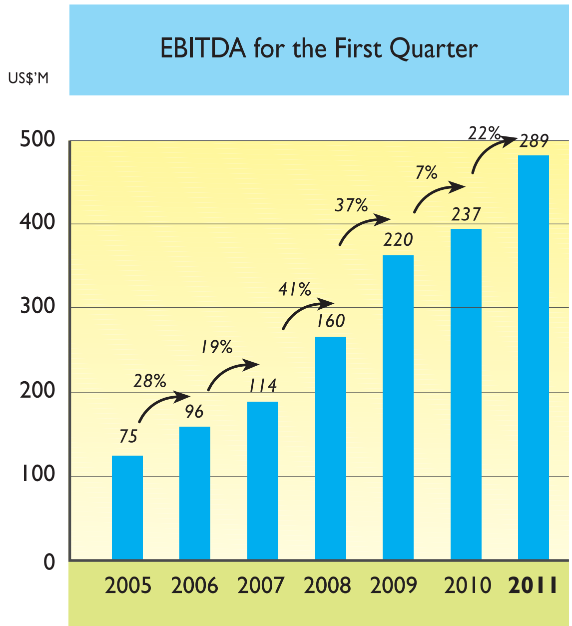
康師傅控股有限公司*
TINGYI (CAYMAN ISLANDS) HOLDING CORP.
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 322)

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 2011





SUMMARY

	For the three months ended 31 March		
US$ million	**2011**	**2010**	**Change**
• Turnover	2,033.912	1,449.369	↑ 40.33%
• Gross margin	26.67%	30.35%	↓ 3.68 ppt.
• Gross profit of the Group	542.527	439.922	↑ 23.32%
• EBITDA	289.317	236.672	↑ 22.24%
• Profit for the period	167.484	141.957	↑ 17.98%
• Profit attributable to Owners of the Company	123.035	102.171	↑ 20.42%
• Earnings per share (US cents)			
Basic	2.20	1.83	↑ 0.37 cents
Diluted	2.19	1.82	↑ 0.37 cents

At 31 March 2011, Cash and cash equivalents was US$1,430.251 million and gearing ratio was -0.40 times.

2011 FIRST QUARTERLY RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated first quarterly financial statements of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2011 together with the unaudited comparative figures for the corresponding period in 2010. These unaudited first quarterly financial statements have been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement
For the Three Months Ended 31 March 2011

		For the three months ended 31 March	
		2011	**2010**
		(Unaudited)	**(Unaudited)**
	Note	*US$'000*	*US$'000*
Turnover and revenue	2	2,033,912	1,449,369
Cost of sales		(1,491,385)	(1,009,447)
Gross profit		542,527	439,922
Other net income		24,876	13,219
Distribution costs		(280,560)	(227,421)
Administrative expenses		(47,072)	(31,051)
Other operating expenses		(10,045)	(10,241)
Finance costs	5	(2,737)	(2,489)
Share of results of associates		—	2,956
Profit before taxation	5	226,989	184,895
Taxation	6	(59,505)	(42,938)
Profit for the period		167,484	141,957
Attributable to:			
Owners of the Company		123,035	102,171
Non-controlling interests		44,449	39,786
Profit for the period		167,484	141,957
Earnings per share	7		
Basic		US2.20 cents	US1.83 cents
Diluted		US2.19 cents	US1.82 cents

Condensed Consolidated Statement of Comprehensive Income
For the Three Months Ended 31 March 2011

	For the three months ended 31 March	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
	US$'000	*US$'000*
Profit for the period	167,484	141,957
Other comprehensive income		
Exchange differences on consolidation	18,427	(428)
Fair value change in available-for-sale financial assets	(12,831)	—
Other comprehensive income for the period, net of tax	5,596	(428)
Total comprehensive income for the period, net of tax	173,080	141,529
Total comprehensive income attributable to:		
Owners of the Company	124,019	101,636
Non-controlling interests	49,061	39,893
	173,080	141,529

Condensed Consolidated Statement of Financial Position
At 31 March 2011

	Note	At 31 March 2011 (Unaudited) *US$'000*	At 31 December 2010 (Audited) *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		3,212,775	2,922,936
Prepaid lease payments		128,253	117,799
Available-for-sale financial assets		99,828	112,659
Deferred tax assets		50,656	50,451
		3,491,512	3,203,845
Current assets			
Financial assets at fair value through profit or loss		884	771
Inventories		394,240	309,801
Trade receivables	9	129,773	127,730
Prepayments and other receivables		315,347	280,704
Pledged bank deposits		15,278	12,024
Bank balances and cash		1,414,973	881,316
		2,270,495	1,612,346
Assets classified as held for sale		75,386	75,221
Total assets		5,837,393	4,891,412
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		27,934	27,934
Reserves		1,918,773	1,793,324
Total capital and reserves attributable to Owners of the Company		1,946,707	1,821,258
Non-controlling interests		596,990	547,929
Total Equity		2,543,697	2,369,187
Non-current liabilities			
Long-term interest-bearing borrowings		172,422	177,259
Other non-current payables		797	791
Employee benefit obligations		12,582	12,097
Deferred tax liabilities		114,996	104,165
		300,797	294,312
Current liabilities			
Trade payables	10	1,198,562	1,083,913
Other payables		702,706	572,249
Current portion of interest-bearing borrowings		480,945	456,876
Advance payments from customers		562,892	86,940
Taxation		45,155	25,315
		2,990,260	2,225,293
Liabilities associated with assets classified as held for sale		2,639	2,620
Total liabilities		3,293,696	2,522,225
Total equity and liabilities		5,837,393	4,891,412
Net current liabilities		(719,765)	(612,947)
Total asset less current liabilities		2,847,133	2,666,119

Notes:

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited interim financial statements. These unaudited first quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed quarterly financial statements should be read in conjunction with the 2010 annual financial statements. The accounting policies adopted in preparing the unaudited first quarterly financial statements for the three months ended 31 March 2011 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the new/revised standards, amendments and interpretations to Hong Kong Financial Reporting Standards ("HKFRS") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2011:

Amendments to HKFRS 1 (Revised)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010)
HKAS 24 (Revised)	Related party Disclosures (effective for annual periods beginning on or after 1 January 2011)
Amendments to HKAS 32	Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)
Improvement to HKFRS 2010:	Improvement to HKFRS 2010 (effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate)
• HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2011)
• HKFRS 3	Business Combinations (effective for annual periods beginning on or after 1 July 2010)
• HKFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011)
• HKAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011)
• HKAS 34	Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2011)
• HK(IFRIC) - Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011)
• Transition requirements for amendments arising as a result of Consolidated HKAS 27 and Separate Financial Statements	Transition requirements for amendments arising as a result of HKAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010)

The adoption of these new/revised standards, amendments and interpretations to HKFRS did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years.

2. Turnover and revenue

The Group's turnover and revenue represent the invoiced value of goods sold to customers, net of returns, discounts and Value Added Tax.

3. **Segment information**

Segment results

For the Three Months ended 31 March 2011

	Instant noodles (Unaudited) *US$'000*	Beverages (Unaudited) *US$'000*	Bakery (Unaudited) *US$'000*	Others (Unaudited) *US$'000*	Inter-segment elimination (Unaudited) *US$'000*	Group (Unaudited) *US$'000*
Turnover and Revenue						
Revenue from external customers	928,722	1,042,156	46,788	16,246	—	2,033,912
Inter-segment revenue	26	7	21	18,168	(18,222)	—
Segment turnover and revenue	928,748	1,042,163	46,809	34,414	(18,222)	2,033,912
Segment results after finance costs and Profit before taxation	107,854	117,593	1,821	187	(466)	226,989
Taxation	(30,656)	(28,363)	(300)	(186)	—	(59,505)
Profit for the period	77,198	89,230	1,521	1	(466)	167,484

For the Three Months ended 31 March 2010

	Instant noodles (Unaudited) *US$'000*	Beverages (Unaudited) *US$'000*	Bakery (Unaudited) *US$'000*	Others (Unaudited) *US$'000*	Inter-segment elimination (Unaudited) *US$'000*	Group (Unaudited) *US$'000*
Turnover and Revenue						
Revenue from external customers	716,505	680,349	39,277	13,238	—	1,449,369
Inter-segment revenue	9	393	377	21,846	(22,625)	—
Segment turnover and revenue	716,514	680,742	39,654	35,084	(22,625)	1,449,369
Segment results after finance costs	83,203	95,798	2,322	1,336	(720)	181,939
Share of results of associates	—	—	—	—	—	2,956
Profit before taxation	83,203	95,798	2,322	1,336	(720)	184,895
Taxation	(23,165)	(18,266)	(602)	(905)	—	(42,938)
Profit for the period	60,038	77,532	1,720	431	(720)	141,957

Segment result represents the profit earned by each segment. Segment information is prepared 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.

3. **Segment information** *(continued)*

Segment assets

	At 31 March 2011					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Bakery (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Segment assets	2,013,909	3,449,261	135,292	640,708	(628,531)	5,610,639
Unallocated assets						226,754
Total assets						5,837,393

	At 31 December 2010					
	Instant noodles (Audited) *US$'000*	**Beverages (Audited)** *US$'000*	**Bakery (Audited)** *US$'000*	**Others (Audited)** *US$'000*	**Inter-segment elimination (Audited)** *US$'000*	**Group (Audited)** *US$'000*
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

Segment assets include all intangible assets, tangible assets and current assets with the exception of available-for-sale financial assets, deferred tax assets, financial assets at fair value through profit or loss and assets classified as held for sale.

4. **Seasonality of operations**

Due to the seasonal nature of the beverages segment, higher revenue is usually expected in the second and third quarters. Higher sales during the period from June to August are mainly attributed to the increased demand for packed beverages during the hot season.

5. **Profit before taxation**

This is stated after charging:

	For the three months ended 31 March	
	2011 (Unaudited) *US$'000*	**2010 (Unaudited)** *US$'000*
Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	2,737	2,489
Other items		
Depreciation	66,274	52,333
Amortisation	647	1,314

6. Taxation

	For the three months ended 31 March	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
	US$'000	*US$'000*
Current tax – PRC Enterprise Income Tax		
Current period	48,683	33,823
Deferred taxation		
Origination and reversal of temporary differences, net	1,643	1,215
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	9,179	7,900
Total tax charge for the period	59,505	42,938

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 Company did not have any assessable profit subject to Hong Kong Profit Tax for the three months ended March 2011 and 2010.

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 ("EIT") 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.

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

Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies 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% EIT 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.

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 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.

7. Earnings per share

(a) Basic earnings per share

	For the three months ended 31 March	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
Profit attributable to ordinary shareholders (US$'000)	123,035	102,171
Weighted average number of ordinary shares ('000)	5,586,793	5,586,793
Basic earnings per share (US cents)	2.20	1.83

7. **Earnings per share** *(continued)*

(b) *Diluted earnings per share*

	For the three months ended 31 March	
	2011 (Unaudited)	**2010 (Unaudited)**
Profit attributable to ordinary shareholders (US$'000)	123,035	102,171
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of issued ordinary shares	5,586,793	5,586,793
Effect of the Company's share option scheme	20,305	19,009
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,607,098	5,605,802
Diluted earnings per share (US cents)	2.19	1.82

8. **Dividend**

The Board of Directors does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: nil).

9. **Trade receivables**

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are mainly at credit terms ranging from 30 to 90 days. The aging analysis of the 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:

	At 31 March 2011 (Unaudited) *US$'000*	**At 31 December 2010 (Audited)** *US$'000*
0 - 90 days	125,147	121,849
Over 90 days	4,626	5,881
	129,773	127,730

10. **Trade payables**

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

	At 31 March 2011 (Unaudited) *US$'000*	**At 31 December 2010 (Audited)** *US$'000*
0 - 90 days	1,060,396	1,066,760
Over 90 days	138,166	17,153
	1,198,562	1,083,913

MANAGEMENT DISCUSSION AND ANALYSIS

In the first quarter of 2011, the economy of China pursued a trend of high growth and high inflation. The GDP grew 9.7% year-on-year and 2.1% quarter-on-quarter, accompanied by a year-on-year CPI increase of 5.0%. PPI increased by 7.1% year-on-year. The inflationary pressure was evident. During the period, the consumer product market maintained steady growth. Total retail sales of consumer products grew 16.3% year-on-year, a decrease of 1.6 percentage points when compared to the same period of last year. The growth rate declined but was still higher than the average level in recent years. The decline was mainly attributed to a decrease in the sales of housing and transport commodities such as cars and furniture. The per capita disposable income of urban residents for the first quarter was RMB5,963, an increase of 12.3% year-on-year. After deducting the price factor, the actual growth was 7.1%. The per capita cash income of village residents was RMB2,187, an increase of 20.6%. The actual growth was 14.3%. The overall income level of urban and village residents showed a trend of steady increase, which provided strong support to the growth of the food and beverage industry in China.

During the period, the Group was able to alleviate the negative impact arising from the rise in production cost by adjusting its product structure, effective sales network, flexible sales strategy and continuous communication with consumers. The Group's year-on-year turnover for the first quarter of 2011, increased by 40.33% to US$2,033.912 million. During the period, prices for the raw materials increased sharply, resulting in a margin squeeze. The Group's gross margin dropped by 3.68 ppt. to 26.67% but gross profit grew 23.32% to US$542.527 million, when compared to the same period last year. Effective control of advertising and promotion costs and transportation cost led to distribution costs, as a percentage of sales, decreasing by 1.90 ppt. to 13.79%. EBITDA increased 22.24% to US$289.317 million. Profit attributable to owners of the Company increased by 20.42% to US$123.035 million and earnings per share increased by 0.37 US cents to 2.20 US cents when compared to the first quarter of 2010.

For more than a decade, Master Kong has consistently adhered to the Group's philosophy of "integrity, innovation and pragmatism" and persisted in maintaining comprehensive communication with consumers and has launched its products in accordance with consumer needs. In January 2011, Master Kong won the 5th "People Social Responsibility Prize" awarded by people.com. Meanwhile, during the 2nd "3.15" food industry online survey activity held this year, Master Kong gained support from a majority of Internet users and was elected the "Favourite Leisure Brand of Internet Users and the Most Trusted Food Brand of Internet Users". This series of prizes was recognition of the Group's operating philosophy of persistence in its beliefs and continued improvement. Master Kong will continue to optimize its brand to reward the community with even better products.

Instant Noodle Business

In the first quarter of this year, the international society was extremely turbulent. While the adverse social economic conditions in the Middle East and North Africa and the earthquake in Japan affected the recovery of the global economy, prices of bulk commodities experienced significant fluctuations. The total cost of raw materials for instant noodles of Master Kong surged by 17%. When compared to same period of last year, prices for the Group's main raw materials such as palm oil and flour increased 46% and 23% respectively, potato starch increased 121%, onion increased 29% and dried vegetables increased 17%.

Considering the lagging effect of the expected unfavourable climate factors such as floods in the southern region and droughts in the northern region in the coming few quarters of 2011, as well as a continued increase in operating costs such as raw material prices, sales network development costs, employee wages and office rents, all these will continuously narrow the space for profits. To ensure the sustainable and healthy development of the enterprise, Master Kong planned to adjust prices of certain products at the beginning of the year.

Since the announcement of the proposed price adjustment plan, the public has voiced opinions of concern. After clear communication with the relevant authority of the government, Master Kong decided to temporary delay the price adjustment plan in order to support the government's policy of stabilizing commodity prices and suppressing inflation.

Under increasing cost pressure, the Group, through continuously adjusting the production structure, expanded sales with quality products and stabilized its profit performance by improving production equipment and the cost structure. In the first quarter of 2011, turnover of instant noodle grew by 29.62% year-on-year to US$928.722 million, representing 45.66% of the Group's total turnover. During the period, the growth in sales of the high margin bowl noodle and high-end packet noodle reached 38.13% and 29.28% respectively, gross margin decreased by 1.68 ppt. to 26.05% and EBIT increased by 26.65% year-on-year. Profit attributable to owners of the Company increased by 28.98% to US$76.988 million.

Master Kong's five classic instant noodle products, namely "Noodles with Braised Beef", "Noodles with Spicy Beef", "Noodles with Stewed Mushroom and Chicken", "Noodles with Fresh Shrimp and Fish" and "Pickled Mustard Beef", are well recognized by customers all over the country. To increase the brand awareness and satisfy the taste buds of our consumers around the country, in the first quarter of 2011, we continued to put effort to promote the 13 new flavours (including "Dong Bei Dun", Da Lu Xiang Yan", "Jiangnan Delicacy", "Ben Bang Shao" and "Chen Pao Feng Yun") launched in last year to the consumers. These flavours are well liked and accepted by local consumers and sales are increasing steadily. The Group's auxiliary brands, "Shimianbafan" continued its promotion through marketing by means of box and bag packaging, which further consolidated Master Kong's leading position in the mixed fried noodle market segment. In the meantime, "Soup Noodle", launched under the theme "refreshing tastiness" which targets the needs of pink-collar workers in cities, has been well accepted by consumers. "Mianba La Mian" re-launched with "cook noodle" as the theme of its promotion. "Jin Shuang La Mian", "Hao Zi Wei" and "Super Fumanduo" have also made their foray in the medium/low-end market segments. Snack noodles have a dedicated production line to ensure quality, continued to upgrade product quality.

According to ACNielsen's survey in March 2011, in terms of sales volume and value of instant noodle, the Group's market share in the overall PRC market increased to 42.7% and 57.2% respectively. In terms of sales value, the market share of the Group's bowl noodle and high-end packet noodle were 70.1% and 70.7% respectively, establishing them firmly in the No.1 position.

In order to improve efficiency and reduce production cost, Master Kong continues to enhance the combined box production model and establishes the "2nd generation" factory which is better in terms of improving automatic operations as well as saving energy and manpower. In the meantime, Master Kong initiated the activity of "energy saving and discharge reduction, low-carbon plant" to improve the concepts, awareness and code of conduct of employees. By improving the effectiveness of equipment and facilities on a project basis, Master Kong managed to reduce energy costs under unfavourable external conditions. As the stereo-warehouse will soon be put into use and the future operating model will be continuously studied for further improvement, Master Kong will refine its internal logistics activity and plan to reduce logistical costs to reduce hiring of number of external warehouses during the slack season.

During the period, Wuhan and Tianjin plants succeeded in challenging the TPM Award, which was recognition of Master Kong's continued improvement in the production management system and continued refinement of product quality.

Beverage Business

"Natural disasters and wars" in the first quarter of 2011 caused prices of raw materials, which were already maintained at high levels, to continually rise. The fast-growing and ever changing market also exacerbated the intense competition in the beverage industry. By improving the product mix, continuously constructing production bases, expanding the production capacity and introducing more advanced technology, Master Kong optimized the sales network and established the sales advantage, resulting in outstanding performance in both turnover and profits.

In the first quarter in 2011, turnover for beverage grew by 53.18% year-on-year to US$1,042.156 million, representing 51.24% of the Group's total turnover. During the period, the growth in sales of the core product RTD tea of 67.88% and sales growth for juice drink was 30.70%. However prices of raw materials continued to be high which significantly impacted the profitability of beverage industrial. During the period, the gross profit margin of beverages decreased by 5.41ppt. year-on-year to 27.15% but gross profit grew by 27.72%. Due to the effective control of operating costs, profit attributable to equity holders of the Company increased by 15.47% to US$44.382 million.

RTD tea series: Master Kong's tea drinks continued to occupy half of the market. In the first quarter of 2011, iced black tea and iced green tea with a stylish appearance were launched. The new streamlined bottle shape facilitates consumers to grasp. This fully reflects the enterprise's philosophy of meeting every need of consumers and communication proposition of "Iced Tea is My Favourite".

Juice drink: During the period, Master Kong's fruit juice gave consumers a fresh experience in terms of specifications, packaging and bottle shape. With a differentiated product strategy and rich product lines, Master Kong launched new flavours such as fresh orange lemon juice, grapefruit and mango juice to offer more choices and give a healthy new experience to consumers. Master Kong's "new taste for traditional drink", Sour Plum Drink and Wild Jujube Juice, were well-received by consumers and occupied a fair share of the highly competitive juice market. In the future, Master Kong will launch products with a higher juice content to further meet the healthy needs of consumers.

Bottled water: Through continuous communication with consumers, Master Kong's Mineral Water gained increased recognition and affinity. In 2011, Master Kong's Mineral Water invited Madam Yang Lan, an intellectual beauty, to act as the spokesperson and promote the communication proposition of "Contributing efforts for Environmental Protection", with the launch of the 12g light green bottle in the market aiming to provide continued "natural, healthy and pure" drinking water for consumers.

According to ACNielsen's survey in March 2011, in terms of sales volume, Master Kong's RTD tea's market share in the overall PRC market increased to 52.8%. Market share of Master Kong bottled water was 22.5%, ranking it No.1 in the market. By using duo brands Fresh Daily C and Master Kong, the Group's juice drinks have gained 18.5% market share, ranking it amongst No.2 in the diluted juice market.

In the coming quarters of 2011, the economic growth situation in China is relatively optimistic. The overall economic situation is changing to a development model dominated by consumption. The consumable goods nowadays are customer oriented, and consumers with the mentality of pursuing variability and freshness, are increasingly demanding to deliver in respect of product customization and differentiation. An enterprise can continue to develop and grow only if it continuously launches innovative products. In the upcoming beverage peak season, apart from ensuring the continued optimization of production capacity and network, Master Kong will research and develop and launch various new products to continuously expand the product scope and range, and at the same time, improve the packaging of products, optimize the bottle design and gradually reduce the bottle weight. In 2011, the Group continued to drive the lucky draw activity of "One More Bottle" for the entire range of its RTD tea and fruit juice drinks throughout the country, and continued to enhance communication between its brand and consumers so as to reward consumers for their enthusiasm and support for Master Kong.

Bakery Business

In the first quarter of 2011, turnover for bakery increased by 19.12% year-on-year to US$46.788 million, representing 2.30% of the Group's total turnover. During the period, gross margin decreased by 3.84 ppt. to 33.98% and gross profit increased 7.02% to US$15.899 million. Profit attributable to owners of the Company was US$1.628 million, a decrease of 13.45%. The decrease was mainly due to the increase of raw material price and labor cost.

According to ACNielsen's survey in March 2011, in terms of sales value, Master Kong gained 6.8% market share in China bakery market and ranked second in the market , Master Kong sandwich cracker had a market share of 21.8% and ranked second in the sandwich cracker market. Market share for Master Kong egg rolls were 21.2% and ranked number one in the market. Masker Kong will continue to enhance the efficiency of bakery equipment and will actively control marketing expenses and expand with the growth of core products through launching new products. Different modes of strategic cooperation will be considered in order to enrich the no. of product types and enlarge the investment in core production technologies.

FINANCING

The Group continued to maintain a stable and healthy finance structure for working capital use through the effective control of trade receivables, trade payables and inventories.

At 31 March 2011, the Group's cash and bank deposits totaled US$1,430.251 million, an increase of US$536.911 million from 31 December 2010. As at 31 March 2011, the Group's total assets and total liabilities amounted to approximately US$5,837.393 million and US$3,293.696 million respectively, representing increases of US$945.981 million and 771.471 million respectively when compared to 31 December 2010. The debt ratio increased by 4.86 ppt. to 56.42% as compared with 31 December 2010. The increase in debt ratio was mainly because of the sharp increase in advance payments from customers in the high season of the beverage segment.

As at 31 March 2011, the Group's total borrowings increased by US$19.232 million to US$653.367 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 were 99% and 1% respectively, as compared with 98% and 2% respectively as at 31 December 2010. The proportion between the Group's long-term loans and short-term loans was 26% and 74%, as compared with 28% and 72% respectively as at 31 December 2010. In addition, the Group's transactions are mainly denominated in Renminbi. During the period, the appreciation in Renminbi against the US Dollar of 0.73% brought an exchange gain of US$21.554 million, the exchange gain of US$3.127 million and US$18.427 million have been included in the income statement and reserve from exchange translation respectively.

Financial Ratio

	As at 31 March 2011	**As at 31 December 2010**
Finished goods turnover	9.79 Days	8.62 Days
Trade receivables turnover	5.70 Days	6.65 Days
Current ratio	0.76 Times	0.72 Times
Debt ratio (Total liabilities to total assets)	56.42%	51.56%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-0.40 Times	-0.14 Times

Human Resources

As at 31 March 2011, the Group employed 65,545 (2010:64,436) employees. Master Kong has consistently placed emphasis on personnel training, development and reserve and believes making talents as the cornerstone for the development of the enterprise is one of the core competitive strengths that enable the Group to grow rapidly.

To improve the personnel recruitment and training mechanism, the Group implemented the campus recruitment project and implemented the retraining plantargeting personnel recruited from the campus. Meanwhile, to develop more competitive group salary and promotion systems and improve a more equitable group appraisal system, the Group implemented the salary structure adjustment project and performance culture project. Besides, the Group implemented the "Ting Hsin International Group -Master Kong Waseda Scholarship" to fulfill its social responsibility and enhance its corporate image.

In the future, the Group will continue to implement the human resources development objective of creating human value and accumulation of long-term competitiveness, 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.

PROSPECTS

2011 is the beginning year of the 12th Five Year Plan. Affected by policy factors such as the expansion of domestic demand and the adjustment of individual income tax by the government, the future consumer product market is bound to maintain strong growth momentum, and the income distribution reform and the improvement of social security facilitates the release of a large amount of suppressed medium and low end demand, creating new growth opportunities for the instant food and beverage industry in China.

The Group will grasp the pulse and pace of the market and actively develop new markets on the basis of consolidating the existing market. Guided by categories and tastes, the Group will strengthen product research and development and innovation and will refine the product mix so as to expand sales and further increase the market share. Being confronted with continued inflationary pressure, the Group will control production and distribution costs by continuously optimizing the operating system and refining the production technology, and increase the cost effectiveness by improving the internal operating efficiency. The current domestic and international environments are still extremely complex, with many unstable and uncertain factors. However, being rooted in the huge consumer product market of China and relying on our own advantages in such aspects as production, network and brand, we believe the Group will continue to maintain steady growth to reward shareholders with even better results.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the period ended 31 March 2011, the Company has complied with 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 subsidiaries. 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.

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 Qualified Accountant 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.

Audit Committee

The Audit Committee currently has three Independent Non-executive Directors, Mr. Lee Tiong-Hock, Mr. Hsu Shin-Chun and Mr. Michihko Ota. 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. Michihko Ota. 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	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

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange and the Company's website www.masterkong.com.cn in due course.

BOARD OF DIRECTORS

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. Michihko Ota are Independent Non-executive Directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 13 May 2011

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

* *For identification purposes only*