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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2013

SUMMARY

US$'000	For the three months ended 30 June 2013	For the three months ended 30 June 2012 (Restated)	Change	For the six months ended 30 June 2013	For the six months ended 30 June 2012 (Restated)	Change
• Turnover	2,774,574	2,605,877	↑ 6.47%	5,422,795	4,533,359	↑ 19.62%
• Gross margin	30.45%	30.34%	↑ 0.11 ppt.	29.87%	29.81%	↑ 0.06 ppt.
• Gross profit of the Group	844,809	790,550	↑ 6.86%	1,619,931	1,351,605	↑ 19.85%
• EBITDA	287,584	289,936	↓ 0.81%	582,570	734,632	↓ 20.70%
• Profit for the period	127,633	119,417	↑ 6.88%	244,734	423,134	↓ 42.16%
• Profit – after excluding gain on bargain purchase	127,633	119,417	↑ 6.88%	244,734	232,552	↑ 5.24%
• Profit attributable to owners of the Company	91,779	87,245	↑ 5.20%	196,655	286,710	↓ 31.41%
• Profit attributable to owners – after excluding gain on bargain purchase	91,779	87,245	↑ 5.20%	196,655	191,410	↑ 2.74%
• Earnings per share (US cents)						
Basic	1.64	1.56	↑ 0.08 cents	3.52	5.13	↓ 1.61 cents
Diluted	1.64	1.56	↑ 0.08 cents	3.50	5.11	↓ 1.61 cents

At 30 June 2013, cash and cash equivalents was US$1,407.628 million and gearing ratio was 0.02 times.

2013 INTERIM RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2013 together with the restated comparative figures for the corresponding period in 2012. These unaudited condensed consolidated interim financial statements have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the Three Months and Six Months Ended 30 June 2013 (Unaudited)

	Note	April to June 2013 US$'000	January to June 2013 US$'000	April to June 2012 (Restated) US$'000	January to June 2012 (Restated) US$'000
Turnover	3	2,774,574	5,422,795	2,605,877	4,533,359
Cost of sales		(1,929,765)	(3,802,864)	(1,815,327)	(3,181,754)
Gross Profit		844,809	1,619,931	790,550	1,351,605
Other revenue and other net income		82,386	107,684	42,931	254,024
Distribution costs		(626,540)	(1,130,285)	(532,400)	(861,862)
Administrative expenses		(87,757)	(173,934)	(87,831)	(142,424)
Other operating expenses		(31,195)	(46,282)	(25,233)	(44,387)
Finance costs	6	(8,913)	(19,156)	(7,650)	(13,295)
Share of results of associates and jointly controlled entities		4,203	5,779	4,819	4,819
Profit before taxation	6	176,993	363,737	185,186	548,480
Taxation	7	(49,360)	(119,003)	(65,769)	(125,346)
Profit for the period		127,633	244,734	119,417	423,134
Attributable to:					
Owners of the Company		91,779	196,655	87,245	286,710
Non-controlling interests		35,854	48,079	32,172	136,424
Profit for the period		127,633	244,734	119,417	423,134
Earning per share	8				
Basic		US 1.64 cents	US 3.52 cents	US 1.56 cents	US 5.13 cents
Diluted		US 1.64 cents	US 3.50 cents	US 1.56 cents	US 5.11 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Three Months and Six Months Ended 30 June 2013 (Unaudited)

	April to June 2013	January to June 2013	April to June 2012 (Restated)	January to June 2012 (Restated)
	US$'000	*US$'000*	*US$'000*	*US$'000*
Profit for the period	127,633	244,734	119,417	423,134
Other comprehensive income				
Items that will not be reclassified subsequently to profit and loss:				
Actuarial gain on defined benefit obligations	—	—	1,754	3,508
Items that are or may be reclassified subsequently to profit and loss:				
Exchange differences on consolidation	43,022	54,298	(23,913)	(26,549)
Fair value changes in available-for-sale financial assets	3,951	11,173	(9,189)	(5,026)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period	(14,397)	(14,397)	—	—
	32,576	51,074	(33,102)	(31,575)
Other comprehensive income for the period, net of tax	32,576	51,074	(31,348)	(28,067)
Total comprehensive income for the period, net of tax	160,209	295,808	88,069	395,067
Total comprehensive income attributable to:				
Owners of the Company	112,903	232,995	63,701	266,990
Non-controlling interests	47,306	62,813	24,368	128,077
	160,209	295,808	88,069	395,067

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	Note	**At 30 June 2013 (Unaudited)** *US$'000*	**At 31 December 2012 (Restated)** *US$'000*	**At 1 January 2012 (Restated)** *US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		5,288,883	5,001,736	4,029,872
Intangible assets		28,434	28,811	—
Interests in jointly controlled entities		74,677	63,114	—
Interests in associates		22,598	21,324	—
Prepaid lease payments		287,751	284,040	186,276
Available-for-sale financial assets		21,603	55,032	104,422
Deferred tax assets		49,483	50,774	52,176
		5,773,429	5,504,831	4,372,746
Current assets				
Financial assets at fair value through profit or loss		12,760	640	560
Inventories		476,220	478,113	312,562
Trade receivables	10	300,469	233,104	155,040
Prepayments and other receivables		398,530	418,677	367,814
Pledged bank deposits		18,128	7,673	9,662
Bank balances and cash		1,389,500	830,225	590,390
		2,595,607	1,968,432	1,436,028
Total assets		8,369,036	7,473,263	5,808,774

	Note	At 30 June 2013 (Unaudited) *US$'000*	At 31 December 2012 (Restated) *US$'000*	At 1 January 2012 (Restated) *US$'000*
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		27,969	27,964	27,951
Reserves		2,576,969	2,514,909	2,052,128
Total capital and reserves attributable to owners of the Company		2,604,938	2,542,873	2,080,079
Non-controlling interests		985,839	946,312	586,521
Total equity		3,590,777	3,489,185	2,666,600
Non-current liabilities				
Long-term interest-bearing borrowings		911,516	984,761	549,382
Other non-current liabilities		285	220	—
Employee benefit obligations		27,785	26,120	33,730
Deferred tax liabilities		176,899	178,466	131,092
		1,116,485	1,189,567	714,204
Current liabilities				
Trade payables	11	1,553,099	1,043,295	974,113
Other payables		1,447,903	1,110,292	660,995
Current portion of interest-bearing borrowings		551,170	499,711	700,695
Advance payments from customers		59,368	82,294	66,501
Taxation		50,234	58,919	25,666
		3,661,774	2,794,511	2,427,970
Total liabilities		4,778,259	3,984,078	3,142,174
Total equity and liabilities		8,369,036	7,473,263	5,808,774
Net current liabilities		(1,066,167)	(826,079)	(991,942)
Total asset less current liabilities		4,707,262	4,678,752	3,380,804

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated interim financial statements. These condensed consolidated interim 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 consolidated interim financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies adopted in preparing the condensed consolidated interim financial statements for the three months and six months ended 30 June 2013 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new/revised standard of Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2013:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
HKAS 19 (2011)	Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
HKAS 27 (2011)	Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
HKFRS 10	Consolidated financial statements (effective for annual periods beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
HKFRS 12	Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
Amendments to HKFRS 10, HKFRS 11, HKFRS 12	Additional transition relief — Consolidated financial statements, Joint Arrangements, Disclosures of Interests with Other Entities (effective for annual periods beginning on or after 1 January 2013)
HKFRS 13	Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
Various HKFRSs	Annual Improvements Project — 2009-2011 Cycle (effective for annual periods beginning on or after 1 January 2013)
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)

The adoption of these amendments to HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years except for HKAS 19 (2011).

2. Changes in accounting policies

HKAS 19 (2011): Employee Benefit

The new standard introduces a number of amendments to the accounting for employee benefits. Among them, HKAS 19 (2011) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit obligations could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income under remeasurement reserve within equity. In addition, under the revised standard, all past service costs (including unvested past service costs) are required to be recognised immediately in profit or loss. The revised HKAS 19 (2011) has been effective as from 1 January 2013, and retrospective adoption is required. The effects of the adoption of these amendments are as follows:

	As previously reported *US$'000*	**Effect of the adoption of HKAS 19 (2011)** *US$'000*	**As restated** *US$'000*
Condensed consolidated income statement for the three months ended 30 June 2012:			
Administrative expenses	88,978	(1,147)	87,831
Profit for the period	118,270	1,147	119,417
Attributable to:			
Owners of the Company	86,098	1,147	87,245
Non-controlling interests	32,172	–	32,172
Condensed consolidated statement of comprehensive income for the three months ended 30 June 2012:			
Actuarial gain recognised for defined benefit plan	–	1,754	1,754
Total comprehensive income for the period	85,168	2,901	88,069
Attributable to:			
Owners of the Company	60,800	2,901	63,701
Non-controlling interests	24,368	–	24,368
Earnings per shares for the three months ended 30 June 2012:			
Basic	US1.54 cents	US0.02 cents	US1.56 cents
Diluted	US1.53 cents	US0.03 cents	US1.56 cents
Condensed consolidated income statement for the six months ended 30 June 2012:			
Administrative expenses	144,718	(2,294)	142,424
Profit for the period	420,840	2,294	423,134
Attributable to:			
Owners of the Company	284,416	2,294	286,710
Non-controlling interests	136,424	–	136,424
Condensed consolidated statement of comprehensive income for the six months ended 30 June 2012:			
Actuarial gain recognised for defined benefit plan	–	3,508	3,508
Total comprehensive income for the period	389,265	5,802	395,067
Attributable to:			
Owners of the Company	261,188	5,802	266,990
Non-controlling interests	128,077	–	128,077
Earnings per shares for the six months ended 30 June 2012:			
Basic	US5.09 cents	US0.04 cents	US5.13 cents
Diluted	US5.07 cents	US0.04 cents	US5.11 cents
Condensed consolidated statement of financial position as at 31 December 2012:			
Employee benefit obligations	18,060	8,060	26,120
Reserves	2,522,969	(8,060)	2,514,909
– Remeasurement reserve	–	(14,288)	(14,288)
– Retained profits	1,559,147	6,228	1,565,375
Condensed consolidated statement of financial position as at 1 January 2012:			
Employee benefit obligations	14,064	19,666	33,730
Reserves	2,071,794	(19,666)	2,052,128
– Remeasurement reserve	–	(21,304)	(21,304)
– Retained profits	1,307,047	1,638	1,308,685

3. **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.

4. **Segment information**

Segment results

	For the Six Months ended 30 June 2013					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Turnover						
Revenue from external customers	1,992,919	3,249,603	99,085	81,188	–	5,422,795
Inter-segment revenue	26	625	24	49,503	(50,178)	–
Segment revenue	1,992,945	3,250,228	99,109	130,691	(50,178)	5,422,795
Segment results after finance costs	218,814	127,188	(5,308)	20,970	(3,706)	357,958
Share of results of associates and jointly controlled entities	–	6,637	(858)	–	–	5,779
Profit (loss) before taxation	218,814	133,825	(6,166)	20,970	(3,706)	363,737
Taxation	(64,128)	(46,338)	274	(8,811)	–	(119,003)
Profit (loss) for the period	154,686	87,487	(5,892)	12,159	(3,706)	244,734

	For the Six Months ended 30 June 2012 (Unaudited)					
	Instant noodles (Restated) *US$'000*	**Beverages (Restated)** *US$'000*	**Instant food (Restated)** *US$'000*	**Others (Restated)** *US$'000*	**Inter-segment elimination (Restated)** *US$'000*	**Group (Restated)** *US$'000*
Turnover						
Revenue from external customers	1,873,120	2,504,338	113,952	41,949	–	4,533,359
Inter-segment revenue	228	1,371	51	50,210	(51,860)	–
Segment revenue	1,873,348	2,505,709	114,003	92,159	(51,860)	4,533,359
Segment results after finance costs	222,609	124,068	1,173	8,860	(3,631)	353,079
Share of results of associates and jointly controlled entities	–	4,819	–	–	–	4,819
Gain on bargain purchase, net of direct expenses related to acquisition	–	190,582	–	–	–	190,582
Profit before taxation	222,609	319,469	1,173	8,860	(3,631)	548,480
Taxation	(71,723)	(51,371)	(610)	(1,642)	–	(125,346)
Profit for the period	150,886	268,098	563	7,218	(3,631)	423,134

4. **Segment information** *(continued)*

Segment results *(continued)*

Segment result represents the profit earned or loss incurred 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.

Segment assets and liabilities

	At 30 June 2013					
	Instant noodles (Unaudited) *US$'000*	**Beverages (Unaudited)** *US$'000*	**Instant food (Unaudited)** *US$'000*	**Others (Unaudited)** *US$'000*	**Inter-segment elimination (Unaudited)** *US$'000*	**Group (Unaudited)** *US$'000*
Segment assets	2,961,776	5,181,170	169,334	809,829	(884,711)	8,237,398
Interests in jointly controlled entities	–	51,391	23,286	–	–	74,677
Interests in associates	–	22,598	–	–	–	22,598
Unallocated assets						34,363
Total assets						8,369,036
Segment liabilities	1,002,695	3,390,012	60,530	1,133,890	(836,653)	4,750,474
Unallocated liabilities						27,785
Total liabilities						4,778,259

	At 31 December 2012					
	Instant noodles (Restated) *US$'000*	**Beverages (Restated)** *US$'000*	**Instant food (Restated)** *US$'000*	**Others (Restated)** *US$'000*	**Inter-segment elimination (Restated)** *US$'000*	**Group (Restated)** *US$'000*
Segment assets	2,916,279	4,328,382	188,739	573,601	(673,848)	7,333,153
Interests in jointly controlled entities	–	49,404	13,710	–	–	63,114
Interests in associates	–	21,324	–	–	–	21,324
Unallocated assets						55,672
Total assets						7,473,263
Segment liabilities	968,816	3,032,460	82,951	927,777	(1,054,046)	3,957,958
Unallocated liabilities						26,120
Total liabilities						3,984,078

Segment assets include all assets with the exception of available-for-sale financial assets, financial assets at fair value through profit or loss, interest in associates and interests in jointly controlled entities. Segment liabilities include all liabilities with the exception of employee benefit obligations.

5. **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.

6. **Profit before taxation**

This is stated after charging:

	April to June 2013 (Unaudited) *USD'000*	January to June 2013 (Unaudited) *USD'000*	April to June 2012 (Unaudited) *USD'000*	January to June 2012 (Unaudited) *USD'000*
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	8,913	19,156	7,650	13,295
Other items				
Depreciation	112,930	218,141	106,190	189,669
Amortisatoin	1,850	3,753	1,459	2,340

7. **Taxation**

	April to June 2013 (Unaudited) *USD'000*	January to June 2013 (Unaudited) *USD'000*	April to June 2012 (Unaudited) *USD'000*	January to June 2012 (Unaudited) *USD'000*
Current tax – PRC Enterprise income tax				
Current period	39,016	99,379	55,380	107,349
Deferred taxation				
Origination and reversal of temporary differences, net	3,915	5,772	2,012	3,915
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	6,429	13,852	8,377	14,082
Total tax charge for the period	49,360	119,003	65,769	125,346

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

Hong Kong Profits Tax has not been provided as the Group entities either incurred losses for taxation purpose or had no assessable profit subject to Hong Kong Profits Tax for the three months and six months ended June 2013 and 2012.

The applicable PRC enterprise income tax for the PRC subsidiaries is at the statutory rate of 25% (2012: 25%).

According to the Tax Relief Notice (Cai Shui [2011] no. 58) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, foreign investment enterprises located in the western region of PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% for 10 years from 1 January 2011 to 31 December 2020. Accordingly, certain subsidiaries located in the Western Region are entitled to a preferential rate of 15% (2012: 15%).

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. For the Group's PRC subsidiaries, associates and jointly controlled entities, the applicable rate is 10%. Deferred tax liability is provided on 50% of post-2007 earnings of the Group's PRC subsidiaries that are expected to be distributable in the foreseeable future. The remaining 50% of post-2007 earnings of the Group's PRC subsidiaries and the earnings of the Group's PRC associates and jointly controlled entities, which are held indirectly through PRC subsidiaries that are not expected to be distributable in the foreseeable future would be subject to additional taxation if they are distributed.

8. Earnings per share

a) *Basic earnings per share*

	April to June 2013 (Unaudited)	January to June 2013 (Unaudited)	April to June 2012 (Restated)	January to June 2012 (Restated)
Profit attributable to ordinary shareholders (US$' 000)	91,779	196,655	87,245	286,710
Weighted average number of ordinary shares ('000)	5,593,896	5,593,605	5,592,093	5,591,220
Basic earnings per share (US cents)	1.64	3.52	1.56	5.13

b) *Diluted earnings per share*

	April to June 2013 (Unaudited)	January to June 2013 (Unaudited)	April to June 2012 (Restated)	January to June 2012 (Restated)
Profit attributable to ordinary shareholders (US$' 000)	91,779	196,655	87,245	286,710
Weighted average number of ordinary shares (diluted) ('000)				
Weighted average number of ordinary shares ('000)	5,593,896	5,593,605	5,592,093	5,591,220
Effect of the Company's share option scheme	16,769	17,687	16,984	20,390
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,610,665	5,611,292	5,609,077	5,611,610
Diluted earnings per share (US cents)	1.64	3.50	1.56	5.11

9. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the three months and six months ended 30 June 2013 (2012: nil).

10. 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 30 June 2013 (Unaudited) *US$'000*	At 31 December 2012 (Audited) *US$'000*
0 - 90 days	290,122	215,991
Over 90 days	10,347	17,113
	300,469	233,104

11. Trade payables

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

	At 30 June 2013 (Unaudited) *US$'000*	At 31 December 2012 (Audited) *US$'000*
0 - 90 days	1,510,690	1,019,916
Over 90 days	42,409	23,379
	1,553,099	1,043,295

12. Approval of interim financial statements

The interim financial statements of 2013 were approved by the board of directors on 26 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2013, the Gross Domestic Product (GDP) of the PRC increased by 7.6% year-on-year. The Consumer Price Index (CPI) increased by 2.4% year-on-year while the Producer Price Index (PPI) decreased by 2.2% year-on-year. Economic growth continued to slow down. Together with intense competition and unstable climate in the second quarter, the overall operating environment was full of challenges. Although under such an extremely challenging environment, the Group's turnover for the first half year increased by 19.62% to US$5,422.795 million year-on-year. Turnover for instant noodle and beverage increased by 6.38% and 29.71% respectively, while instant food dropped by 13.06%. During the period, efforts were dedicated to enhance the quality and quantity of products, and gross profit margin of the Group was maintained at similar level 29.87%, slightly increased by 0.06 ppt. as compared to last year, gross profit grew by 19.85%. Distribution costs as a percentage of sales increased by 1.83ppt. to 20.84% mainly attributable to the increase in advertisement and promotion spending to strengthen the Group's brand, stimulate consumption and preparation for the beverage peak season.

In the second quarter of 2013, the Group's turnover increased by 6.47% to US$2,774.574 million year-on-year. Gross profit margin of the Group increased by 0.11 ppt. to 30.45% and gross profit grew by 6.86% as compared to same period in last year. The Group's EBITDA and profit attributable to owners of the Company in the second quarter of 2013 decreased by 0.81% to US$287.584 million and grew by 5.20% to US$91.779 million respectively. The basic Earning per Share ("EPS") in the second quarter of 2013 was US1.64 cents.

When compared to the first half of 2012, the Group's EBITDA and profit attributable to owners of the Company decreased by 20.70% to US$582.570 million and decreased by 31.41% to US$196.655 million respectively. The basic Earnings per Share (EPS) in the first half of 2013 was US 3.52 cents. In June 2013, the Group disposed of the entire interests in Wei Chuan Foods Corporation and recognised a realised gain after deducting related expenses and tax of US$10.544 million. If the net realized gain on disposal of investment in Wei Chuan Foods Corporation of US$10.544 million and the gain on bargain purchase of US$191 million arising from the strategic alliance with PepsiCo in the first quarter of 2012 had been excluded, the Group's EBITDA and profit attributable to owners of the Company would have been increased by 5.14% and decreased by 2.77% respectively.

FOOD BUSINESS

Instant Noodles

In the first half of 2013, the Group's instant noodles continued to maintain growth with a year-on-year increase by 6.38% to US$1,992.945 million, accounting for 36.75% of the Group's total turnover. According to AC Nielsen, in the first half of 2013, the instant noodle market as a whole recorded a growth in sales value of only 4.50% year-on-year, and the growth rate of the Group's instant noodles was slightly higher than the industry's average level. Given the economic downturn, efforts were made to expand sales through the enhancement of quality and quantity of products to benefit the consumers, resulting in a slight decrease in gross margin by 0.25 ppt to 29.18%. In the first half of the year, profit attributable to shareholders for the instant noodle business was US$154.686 million, representing an increase of 2.52% year-on-year.

According to AC Nielsen's latest survey, in June 2013, Master Kong's instant noodles recorded a market share of 44.1% and 55.4% respectively in terms of sales volume and value of instant noodle, and remained as the top player in the market.

Master Kong's braised beef and spicy beef, the major brands of the Group, continued to dominate the market share of such product categories, and the braised beef category even ranked the first in the overall market, far ahead of the second-place category in terms of market shares. For the flavour of pickled mustard, the Master Kong's pickled mustard series continued to attract consumers with enriched product contents, including "Free Ham Sausage" and "Doubled Pickled Mustard". Besides, Xu Zheng and Wang Baoqiang, who are starred in the high box office and high popularity movie "Lost in Thailand" this year, were engaged as brand ambassadors to successfully curb the growth of major competitors, hence establishing the leading position of Master Kong's pickled mustard series in terms of growth rate. The "Homemade Mushroom Pack" was added to the "Lu Xiang Beef" series, with the first creation of compound flavours of Lu Xiang and mushroom. Through the dissemination of the new theme of "Strong Lu Xiang, Nutritious Mushrooms", Master Kong's market share in the braised pork market exceeded its major competitors.

While strengthening existing products, the Group also continued to develop new products, and have successively launched various innovative products - brittle kelp, preserved vegetables and crisp bamboo shoots, which all performed satisfactorily after being launched for sale in the market. Subsequently, Master Kong will increase the delivery of goods to business districts and carry on the foretaste promotion.

Meanwhile, the Group also focused efforts on the development of fried crispy noodle market, the market share of which in terms of sales volume increased from 8.2% in the first quarter to 12.3% in the second quarter, ranked third in the fried crispy noodle market and posing a threat to the brands ranking first and second. In the market of fried crispy noodle is priced at RMB0.5 yuans, "Xiang Bao Cui" continued to target mainly at the grassroots market. The new product, "Cui Xuan Feng", used innovative technology and was substantially unique. After the launching in February, portal websites and print media were used to enhance awareness of Master Kong with innovative products. Promotion activities were launched in school campus and places for leisure activities to complement the launching and circulation, causing a shortage in supply of the products.

In the second quarter, all factories of the Group have completed repair works and reformation during the relatively quiet season, and focused on providing professional training for department heads. The production-sales coordination efficiency was enhanced continuously to further improve supply chain services. On production management, standardized operation process was implemented to ensure quality, refinement of equipment and technical processes were completed, increase in production capacity was accelerated, and proposals have been made to further improve cost rationalization, hence paving the way for the growth in turnover in the second half year.

In the first half of the year, the CPI of China increased by 2.4% only, reflecting a relatively stable trend in the general price level of China, which was favorable to the cost of instant noodles. However, pork prices is expected to continue to rise and vegetable prices may also increase, exerting certain pressures on rising cost on instant noodles. In response to this, Master Kong's instant noodle business will focus more on the development of major brands and the launching of new products into the market in the second half of the year to increase its market share and the gross profit of the products. The overall instant noodle market is expected to perform better as compared with the first half of the year under the leadership of Master Kong's products, and the sales growth of the Group's instant noodles would outperform the general market.

Instant Food

According to AC Nielsen, in the first half of 2013, demand was weak for the general instant food market and growth slowed down in the sandwich cracker market. To reflect the cost, the Group made a one-time price adjustment to some of the major products in the first half of the year, leading to a year-on-year decrease in sales of the instant food business by 13.06% to US$99.109 million, representing approximately 1.83% of the Group' total turnover. During the period, the gross profit margin recorded a slight year-on-year decrease by 0.82 ppt. to 36.89%. Furthermore, to implement a multi-category operation strategy for the instant food business, brand marketing and channel building were strengthened leading to depressed profit and a loss of US$5.892 million during the period.

Currently, snack biscuits have overtaken sandwich crackers to become the largest category in the biscuits market. With Master Kong's mousse sandwich balls, being a strategic snack product, and strengthened promotional activities, sales volume recorded a double digit growth. Master Kong's 3+2 Brand Festival "Dance in my own style" organized a roadshow performance of "Dancing game in real personal feeling" for the first time in five major cities across China to enhance positive brand awareness. A nationwide special promotion "Joyful Shopping" campaign has been conducted to boost sales of products, muffin, egg rolls, delicious cake and egg yolk crispy cake. Calbee leisure puffed food products have been launched into the markets of major regions, among which "Calbee potato stick" was ranked the second in terms of sales volume of potato-made leisure food products in Family Mart Shanghai, and received warm response from the market.

According to AC Nielsen's latest retail research information in June 2013, in terms of sales value, market share for Master Kong's egg rolls was 23.8%, ranked No. 1 in the market. The Group's cracker gained 6.7% market share, ranked No.2 in the overall cracker market. Master Kong's sandwich cracker had a market share of 20.2%, also ranked No. 2 in the sandwich cracker market.

In the second half of the year, the Group's instant food business will focus on the three core categories, biscuits, egg rolls and muffin, to consolidate market shares and increase profit. In respect of new products, the theme activity of "FUN potato holidays, taste fresh prices" has been started for Calbee leisure puffed food to strengthen sales efforts during the market launch to increase the purchasing motivation of consumers and add a new source of profit growth to instant food business. In addition, strategic cooperation and plans for instant food business with new business are proceeding in full swing. Kangpu (Wujiang) Food Co., Ltd, a joint venture with Prima Meat Packers Ltd. which focused on production of frozen meat, is expected to commence production in December 2013, and will introduce sausage, ham and bacon in Shanghai and several eastern China cities at the beginning stage. Besides, other cooperation projects are expected to complete in the second half of the year, and products are also ready for launch into the market.

BEVERAGE BUSINESS

In the first half of 2013, there was a downturn in the domestic economy of China, spending power was below expectation, together with unfavourable weather conditions, the overall beverage market presented a downward trend with sales volume only grew by 6.4%. In the first half of the year, turnover of the beverage business of the Group increased by 29.71% to US$3,250.228 million as compared to the same period last year which was mainly attributable to the growth of RTD tea and the contribution of Pepsi business, representing 59.94% of the Group's total turnover. Gross profit margin of beverages increased by 0.25ppt. year-on-year to 30.20%. Profit attributable to owners of the Company was US$40.194 million, which increased by 9.01% after excluding the gain on bargain purchase which derived from the business combination of PepsiCo. With the gain, Profits attributable to owners of the Company decreased by 69.59% compared to the same period in 2012.

The Group continued to strengthen the brands of RTD tea. A number of campaigns for various products were launched through aerial, online and print media in the second quarter to attract the attention of consumers. According to the latest retail research information from AC Nielsen in June 2013, in terms of sales volume, the market share of the Group in the RTD tea market was 52.6%, increased by 4.4 ppt. as compared to the same period last year and remained as the top player in the market. Of which, the market share of RTD tea (non-dairy) was 57.7%, increased by 4.6 ppt. as compared to the same period last year, while the market share of milk tea was 21.3%, increased by 11.5 ppt. as compared to the same period last year. Competition was still intensive in the bottled water market, the Group continued to supply products to consumers by upholding the philosophy of "drink safely, enjoy healthy". The new type of bottle launched this year became very popular in the market, market share of bottled water in volume increased steadily to 24.0% since its launching and regained the top player position. Under the innovative concepts developed by the Group in fruit juices, the creation of "New Taste for Traditional Drink" and "Traditional Fruit Mix" led to the emergence and popularity of Chinese style fruit juices in China. After success launching of Crystal Sugar Pear Juice, the other tastes of Lemon Juice, Honey Pomelos, Honey Dates, Sugar Cane and Water Chestnut have also been launched in the market. 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 the largest at 27.7%, increased by 1.3 ppt. as compared to the same period last year, while market share in the diluted fruit juice market increased to 31.7%, which was also at the top position.

Since April, Pepsi Music returned as a strong wave, the theme campaigns "Strongest Pepsi Music" and "The Voice of China" penetrated through all tertiary education colleges in China, which was the largest scale of youth marketing campaign across the nation. According to the data of Canadean, among cola products, the market share of Pepsi coke in the second quarter was 51.1%, which further enhanced the leading position of the No. 1 brand in China. The theme TV commercial of "Happy Mirinda" went online in April, the voice volume was more than double that of competitors. Brand new spokesperson "Happy Family" was used to disseminate the "Happy" concept of the brand. Meanwhile, the expansion strategy of multiple tastes was fully implemented, pretty good sales volume was brought by juicy peach and ebony flavored products, while Mirinda maintained double digit growth and increased its distance from the No.2 brand. Under Tropicana, the non-carbonated beverage series, a new taste Fruit Fun Golden Orange Kiwi Fruit Juice was launched nationwide in the second quarter, large packet size of Fruit Grain was well-received by the market and further reinforced the growth of the Tropicana brand. Lipton Milk Tea expanded the market coverage of its product launched in the second quarter with active promotion in distribution and tasting for consumers to capture the fast developing opportunities for milk tea products. The Gatorade Campus Basketball Tournament and the sponsoring of the road show activities of the NBA Basketball Empire in 12 cities utilized the strong branding resources of Gatorade for getting closer to consumers and enhanced interactions.

Overall sales volume of Pepsi beverages in the second quarter recorded a double digit growth. According to the information of Canadean, the sales growth of Pepsi's carbonated business in the second quarter 2013 was ahead of competitors for two consecutive quarters with market share at 35.0%, representing an increase of 2.7 ppt. as compared to the same period last year. Non-carbonated drinks also achieved high double digit growth by expansion through new packages and new tastes. During the period, benefits of the Master Kong & PepsiCo alliance were gradually realized and the cumulative losses of Pepsi beverages during the first half of the year were significantly lower than the same period last year.

In July 2013, Master Kong established a beverage management centre in Shanghai and was one step closer to the intensely competitive frontline market with further understanding, more talents were recruited and the advantages of the Master Kong and PepsiCo alliance were further utilized. Looking forward in the third quarter, beverages will be fully stretched to capture the sales opportunities in the peak season of this year. Iced tea will organize a superman campaign "Icy cool power super winner", green tea will focus on positive youthful energy and winning grand prize by cap opening, and Jasmine tea will organize a campaign, "meet Jasmine for a romantic summer". The Crystal Sugar Series will communicate through "nourishing for lungs" in autumn season and continued to promote the quick launching of "dried tangerine peel and sour plum" and "longan and Chinese wolfberry" beverages, classic milk tea will be promoted through "admire autumn scenery in tea aroma", and Master Kong mineral water will undergo a comprehensive enhancement of brand image. In the business of carbonated drinks, new advertising themes such as "Icy cool episode" and "Jolin Tsai episode" will be launched, while Mirinda will launch Back to School Happily and Gatorade will launch NBA training camp and the 600 ml package will be giving "100 ml free" to strengthen communication with consumers. Looking ahead, the overall economic environment in China is still full of challenges, therefore, we will adopt a prudent view on the market environment and strive to enhance the performance of our operations.

FINANCING

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

As at 30 June 2013, the Group's cash and bank deposits totaled US$1,407.628 million, an increase of US$569.730 million from 31 December 2012. In addition, the Group's total assets and total liabilities amounted to approximately US$8,369.036 million and US$4,778.259 million respectively, these represented increases in US$895.773 million and US$794.181 million respectively compared to 31 December 2012 (restated). The debt ratio increased by 3.78ppt. to 57.09% compared to 31 December 2012.

As at 30 June 2013, the Group's total borrowings decreased by US$21.786 million to US$1,462.686 million. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi, kept stable as compared to 31 December 2012, were 88% and 12% respectively as at 30 June 2013. The proportion between the Group's long-term borrowings and short borrowings was 62% and 38% respectively, as compared to 66% and 34% respectively as at 31 December 2012. In addition, the Group's transactions are mainly denominated in Renminbi. During the period, the appreciation in Renminbi against the US Dollar of 1.34% brought an exchange gain in aggregate of US$62.456 million, the exchange gain of US$8.158 million and US$54.298 million have been included in the income statement and exchange translation reserve respectively.

Financial Ratio

	As at 30 June 2013	**As at 31 December 2012 (Restated)**
Finished goods turnover	12.44 Days	12.11 Days
Trade receivables turnover	8.90 Days	7.69 Days
Current ratio	0.71 Times	0.70 Times
Debt ratio (Total liabilities to total assets)	57.09%	53.31%
Gearing ratio (Net debt to equity attributable to owners of the Company)	0.02 Times	0.25 Times

HUMAN RESOURCES

As at 30 June 2013, the Group had 78,180 employees (79,437 employees at 31 December 2012). Tingyi continued to provide personnel training and development as one of the missions of the Group by focusing on the long-term accumulation and nurturing of human resources. During the period under review, the Group continued to improve the selection and cultivation mechanism for reserves of human resources, personnel development channels were planned and implemented, human resources were stabilized and further developed. Meanwhile, plans for successor teams and development plans for human resources were implemented continuously to discover and train potential talents. Human-based principle was upheld to create a harmonious and positive working environment, and the overall management performance of the Group was enhanced effectively.

CORPORATE SOCIAL RESPONSIBILITY

Immediately after strong earthquakes occurred in Ya'an, Sichuan and Minxian and Zhangxian, Gansu on 20 April and 22 July, respectively, Master Kong initiated plans for supporting the disaster areas within the shortest possible time and delivered support materials such as instant noodle, mineral water and Pepsi Aquafina Water to the disaster areas from the plants closest to the disaster areas. Meanwhile, Master Kong's relief soup noodle vehicles also arrived at the disaster areas. The soup noodle vehicles had its own drinking water and coal gas supply and provided hot soup noodle for victims and officials there. The disasters were ruthless but Master Kong would accompany the people in the disaster areas to pull through the difficulties with its sincere heart and addressed their urgent needs for food and drink.

World Prestigious School Scholarship Scheme: The Group initiate the "World Prestigious School Scholarship Scheme" with total subsidies of RMB180 million which aim to encourage and support elite students in China to realize their dreams of studying in world-class schools. Up to the present, a total of 226 students from China, Taiwan and Hong Kong further their studies in the Waseda University and the subsidies offered exceeded RMB90 million in total.

Master Kong Creative Challenges: It was the fourth year the event was held. Almost 1,000 young students from China and Taiwan learned and competed with each other in the six-month welfare competition and turned the willingness to participate in welfare undertakings to actual action through creative ideas. The US PepsiCo has also joined as a supporting unit for "Master Kong Creative Challenges" since 2013. All 2013 finalists were undergraduates who were born in 1990s. The contents of the proposals involved hot topics such as environmental protection, the three agricultural problems, child education and cultural inheritance. The top 10 players would also make use of the project practice funds offered by Master Kong to carry out practices for one month and realize their welfare dreams.

AWARDS AND HONOURS

While pursuing continuous development, Tingyi is also committed in contributing to society for sustainable operation of the corporate brands. The Group was awarded the prize of 【China Charity Awards】 – "The Most Caring Donation Enterprise" on 19 April 2013. This was the fifth time the Group was awarded this special honour. In the same month, Master Kong was also awarded the honour of "The Reliable Brand for Consumers" in an activity which was 100% assessed by consumers under the first BrandSpark 【Consumers' Choice】 campaign, ahead of all food enterprises. Moreover, in the branding test and assessment results of 170 types of consumer spending items relating to consumer lifestyle released in Beijing under the third C-BPI (China Brank Power Index), Master Kong was in leadership position in the three consumer spending categories of instant noodles, bottled water and tea beverages. C-BPI was the most influential branding appraisal activity promoted by the Ministry of Industry and Information Technology. Apart from confirming the branding position of Master Kong in the China market, it is more important that the above award represents the support and recognition received from consumers.

PROSPECTS

In the second half of 2013, the economy of China will still be in a stage of facing a low inflation as well as a shrinking PPI, together with intensive competition, the overall operations will remain challenging. The Group 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 and maintain communications with consumers 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, organization structure will be strengthened and training for talents will be provided to enhance the overall operation efficiency. Strong and sound financial conditions will be maintained to be well-prepared for capturing future business expansion opportunities. We firmly believe that the economy of China will develop along a stable and sound path, there will be enormous growth space for the instant food and beverage markets in China, and we are fully confident in the future prospects of the Group.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the "Old 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") was amended and revised as the Corporate Governance Code (the "CG Code") which became effective on 1 April 2012. We have, throughout the period ended 30 June 2013, complied with the code provisions of the Old Code and the CG Code as and when they were/are applicable and in force, 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. Mr. Wei Ing-Chou currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. However, at present, the Chairman of each of the Company's subsidiaries is responsible for the operation of the respective subsidiary. Due to the need of business development considerations, Mr. Wei lng-Chou is required to act as the Chairman of certain subsidiaries. Except for these subsidiaries, the Chief Executive Officer of the Group has not act as the Chairman of other subsidiaries. In practice, there is effective separation of the roles between the Chairman of the Company's subsidiaries and the Chief Executive Officer of the Group. Mr. Wei Ing-Chou has been in charge of the overall management of the Company since the listing of the Company in 1996. Although Mr. Wei Ing-Chou does not need to retire by rotation and assumes the role of both the Chairman and the Chief Executive Officer of the Company, the Company considers that such arrangement at this stage helps to promote the efficient formulation and implementation of the Company's strategies which will enable the Group to further develop its businesses effectively. With the above balancing mechanism of Chairman of subsidiaries and the supervision of the Board and the Independent Non-executive Directors, the interests of the shareholders are adequately and fairly represented. The Company has been gradually adopted appropriate measures to ensure that the Company's corporate governance practices comply with the Code. With effect from 1 January 2013, food and beverage business units have been established, executive officer of the two business units have been appointed to monitor and be responsible for the strategic planning and operations of their respective business units.

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 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. Hiromu Fukada. 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. 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
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

For the period of six months ended 30 June 2013, 1,000,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK$9.32 and the weighted average market closing price before the date of exercise was HK$20.50.

BOARD OF DIRECTORS

As at the date of this report, Mr. Wei Ing-Chou, Mr. Ryo Yoshizawa, Mr. Wei Ying-Chiao, Mr. Wu Chung-Yi and Mr. Junichiro Ida are Executive Directors of the Company. Mr. Takeshi Ida deceased on 20 August 2013. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are Independent Non-executive Directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 26 August 2013

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

* *For identification purposes only*