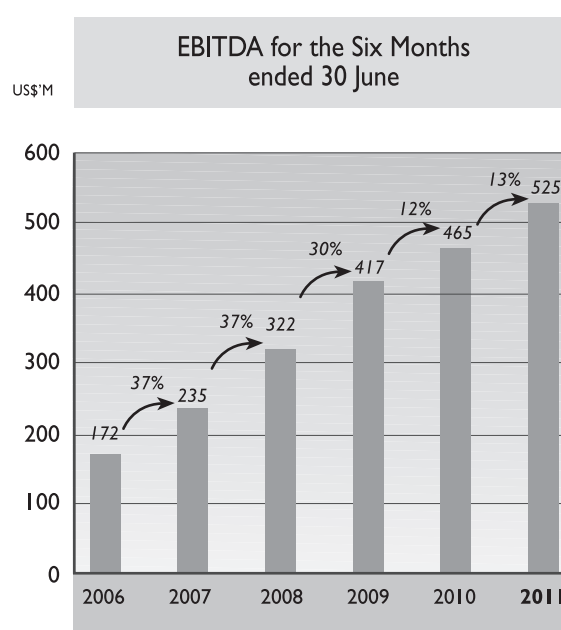
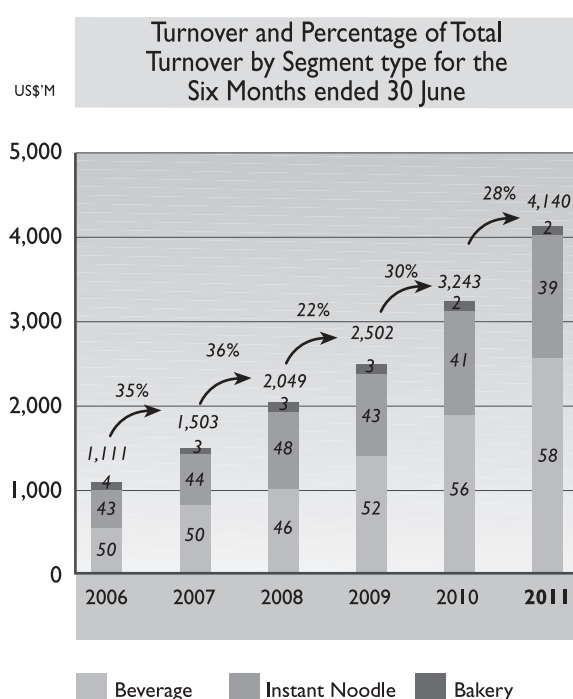


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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2011



SUMMARY

For the six months ended 30 June			
US\$ million	2011	2010	Change
• Turnover	4,139.642	3,243.357	↑ 27.63%
• Gross margin	26.14%	31.03%	↓ 4.89 ppt.
• Gross profit of the Group	1,082.308	1,006.393	↑ 7.54%
• EBITDA	524.738	464.533	↑ 12.96%
• Profit for the period	307.482	281.548	↑ 9.21%
• Profit attributable to Owners of the Company	229.033	197.637	↑ 15.89%
• Earnings per share (US cents)			
Basic	4.10	3.54	↑ 0.56 cents
Diluted	4.08	3.53	↑ 0.55 cents

At 30 June 2011, Cash and cash equivalents was US\$978.646 million and gearing ratio was -0.10 times.

2011 INTERIM RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 together with the unaudited comparative figures for the corresponding period in 2010. These unaudited interim financial statements have been reviewed by the Company’s Audit Committee.

Condensed Consolidated Income Statement

For the Six Months Ended 30 June 2011

		For the six months ended 30 June	
		2011 (Unaudited) US\$'000	2010 (Unaudited) US\$'000
	Note		
Turnover and revenue	2	4,139,642	3,243,357
Cost of sales		(3,057,334)	(2,236,964)
Gross profit		1,082,308	1,006,393
Other net income		94,928	30,959
Distribution costs		(665,509)	(598,970)
Administrative expenses		(95,355)	(60,242)
Other operating expenses		(17,832)	(19,693)
Finance costs	5	(5,177)	(3,820)
Share of results of associates		—	5,294
Profit before taxation	5	393,363	359,921
Taxation	6	(85,881)	(78,373)
Profit for the period		307,482	281,548
Attributable to:			
Owners of the Company		229,033	197,637
Non-controlling interests		78,449	83,911
Profit for the period		307,482	281,548
Earnings per share	7		
Basic		US4.10 cents	US3.54 cents
Diluted		US4.08 cents	US3.53 cents

Condensed Consolidated Statement of Comprehensive Income
For the Six Months Ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Profit for the period	307,482	281,548
Other comprehensive income		
Exchange differences on consolidation	44,563	9,323
Fair value change in available-for-sale financial assets	(11,023)	—
Reclassification adjustment for exchange differences release upon disposal of assets classified as held for sale	(3,847)	—
Other comprehensive income for the period, net of tax	29,693	9,323
Total comprehensive income for the period, net of tax	337,175	290,871
Total comprehensive income attributable to:		
Owners of the Company	246,363	204,119
Non-controlling interests	90,812	86,752
	337,175	290,871

Condensed Consolidated Statement of Financial Position
At 30 June 2011

		At 30 June 2011 (Unaudited) US\$'000	At 31 December 2010 (Audited) US\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		3,429,811	2,922,936
Prepaid lease payments		167,852	117,799
Available-for-sale financial assets		101,637	112,659
Deferred tax assets		51,054	50,451
		<u>3,750,354</u>	<u>3,203,845</u>
Current assets			
Financial assets at fair value through profit or loss		590	771
Inventories		490,732	309,801
Trade receivables	9	169,175	127,730
Prepayments and other receivables		395,044	280,704
Pledged bank deposits		22,042	12,024
Bank balances and cash		956,604	881,316
		<u>2,034,187</u>	<u>1,612,346</u>
Assets classified as held for sale		<u>—</u>	<u>75,221</u>
Total assets		<u><u>5,784,541</u></u>	<u><u>4,891,412</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		27,945	27,934
Reserves		1,808,771	1,793,324
Total capital and reserves attributable to Owners of the Company		<u>1,836,716</u>	<u>1,821,258</u>
Non-controlling interests		565,068	547,929
Total Equity		<u>2,401,784</u>	<u>2,369,187</u>
Non-current liabilities			
Long-term interest-bearing borrowings		168,990	177,259
Other non-current payables		825	791
Employee benefit obligations		13,353	12,097
Deferred tax liabilities		122,409	104,165
		<u>305,577</u>	<u>294,312</u>
Current liabilities			
Trade payables	10	1,316,712	1,083,913
Other payables		1,064,942	572,249
Current portion of interest-bearing borrowings		618,343	456,876
Advance payments from customers		61,587	86,940
Taxation		15,596	25,315
		<u>3,077,180</u>	<u>2,225,293</u>
Liabilities associated with assets classified as held for sale		<u>—</u>	<u>2,620</u>
Total liabilities		<u>3,382,757</u>	<u>2,522,225</u>
Total equity and liabilities		<u><u>5,784,541</u></u>	<u><u>4,891,412</u></u>
Net current liabilities		<u>(1,042,993)</u>	<u>(612,947)</u>
Total asset less current liabilities		<u><u>2,707,361</u></u>	<u><u>2,666,119</u></u>

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 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 quarterly financial statements should be read in conjunction with the 2010 annual financial statements. The accounting policies adopted in preparing the unaudited interim financial statements for the six months ended 30 June 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 Six Months ended 30 June 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	1,617,805	2,392,423	94,455	34,959	—	4,139,642
Inter-segment revenue	45	1,780	545	39,992	(42,362)	—
Segment turnover and revenue	<u>1,617,850</u>	<u>2,394,203</u>	<u>95,000</u>	<u>74,951</u>	<u>(42,362)</u>	<u>4,139,642</u>
Segment results after finance costs and Profit before taxation						
Taxation	146,691 (39,479)	204,868 (45,889)	2,800 80	40,282 (593)	(1,278) —	393,363 (85,881)
Profit for the period	<u>107,212</u>	<u>158,979</u>	<u>2,880</u>	<u>39,689</u>	<u>(1,278)</u>	<u>307,482</u>
For the Six Months ended 30 June 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	1,321,614	1,818,291	77,629	25,823	—	3,243,357
Inter-segment revenue	19	1,640	630	44,385	(46,674)	—
Segment turnover and revenue	<u>1,321,633</u>	<u>1,819,931</u>	<u>78,259</u>	<u>70,208</u>	<u>(46,674)</u>	<u>3,243,357</u>
Segment results after finance costs						
Share of results of associates	145,387	204,569	2,288	3,889	(1,506)	354,627
	—	—	—	—	—	5,294
Profit before taxation	145,387	204,569	2,288	3,889	(1,506)	359,921
Taxation	(35,069)	(40,146)	(1,587)	(1,571)	—	(78,373)
Profit for the period	<u>110,318</u>	<u>164,423</u>	<u>701</u>	<u>2,318</u>	<u>(1,506)</u>	<u>281,548</u>

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.

On 16 June 2011, the Company completed the disposal of a non-wholly owned subsidiary and an associate previously classified as assets held for sale at a consideration in aggregate of US\$ 98,333,000 to a related party. Gain on the disposals of US\$39,175,000 has been recognised in the segments results under "Others" segment and included in the other net income in the Condensed Consolidated Income Statement in this period.

3. Segment information (continued)

Segment assets

	At 30 June 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	1,936,352	3,410,331	140,455	881,522	(737,400)	5,631,260
Unallocated assets						153,281
Total assets						5,784,541

	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.

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 six months ended 30 June	
	2011 (Unaudited) US\$'000	2010 (Unaudited) US\$'000
Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	5,177	3,820
Other items		
Depreciation	143,814	107,724
Amortisation	1,327	2,603

6. Taxation

	For the six months ended 30 June	
	2011 (Unaudited) US\$'000	2010 (Unaudited) US\$'000
Current tax – PRC Enterprise Income Tax		
Current period	67,664	60,986
Deferred taxation		
Origination and reversal of temporary differences, net	3,529	2,610
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	14,688	14,777
Total tax charge for the period	<u>85,881</u>	<u>78,373</u>

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 six months ended June 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.

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 Western Region are entitled to a preferential rate of 15% (2010:15%).

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 six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Profit attributable to ordinary shareholders (US\$'000)	<u>229,033</u>	<u>197,637</u>
Weighted average number of ordinary shares ('000)	<u>5,586,839</u>	<u>5,586,793</u>
Basic earnings per share (US cents)	<u>4.10</u>	<u>3.54</u>

7. Earnings per share (continued)

(b) Diluted earnings per share

	For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Profit attributable to ordinary shareholders (US\$'000)	229,033	197,637
<i>Weighted average number of ordinary shares (diluted) ('000)</i>		
Weighted average number of issued ordinary shares	5,586,839	5,586,793
Effect of the Company's share option scheme	23,984	18,974
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,610,823	5,605,767
Diluted earnings per share (US cents)	4.08	3.53

8. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 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 30 June 2011 (Unaudited) US\$'000	At 31 December 2010 (Audited) US\$'000
0 - 90 days	162,786	121,849
Over 90 days	6,389	5,881
	169,175	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 30 June 2011 (Unaudited) US\$'000	At 31 December 2010 (Audited) US\$'000
0 - 90 days	1,237,978	1,066,760
Over 90 days	78,734	17,153
	1,316,712	1,083,913

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2011, main attributes of the Chinese economy consisted of tight monetary policies, rising general prices and strong regulations. The GDP grew 9.6% year-on-year during the first half of the year, further establishing its position as the world's second largest economy. During the same period, Consumer Price Index (CPI) rose by 5.4% year-on-year and Producer Price Index (PPI) increased by 7.0% year-on-year, in which both peaked at 6.4% and 7.1% respectively in June under significant inflationary pressure. During the period, the People's Bank of China continued with its prudent monetary policy measures by increasing the statutory reserve ratio for deposits 6 times to 21.5%, and increased the one-year interest rate for Renminbi deposits twice to 3.25%, to curb inflation. Although the domestic economy recorded stable growth, however, due to the negative impact of unfavorable factors such as the plasticizer incident and colder climate, consumer demand for food and beverages notably declined as compared to the same period last year. In addition, the prices of energy, bulk commodities such as agricultural products, as well as raw materials continued to rise, exerting greater pressure on production cost, hence, directly affecting the gross profit margin of the food and beverage industry.

During the first half of 2011, sales performance of Tingyi reached a record high through making flexible adjustments to marketing strategies, cost structure and continuous optimization of the distribution network. During the period, the Group was able to alleviate the negative impact rising 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 half of 2011, increased by 27.63% to US\$4,139.642 million. During the period, the abnormal weather and the price increase for raw materials, affected the Group's gross profit. The Group's gross margin dropped by 4.89 ppt. to 26.14% and gross profit grew 7.54% to US\$1,082.308 million, when compared to the same period last year. With effective management to maintain transportation stable, and good control of advertising and promotion costs, distribution cost as a percentage of sales decreased by 2.39 ppt. to 16.08%. EBITDA increased 12.96% to US\$524.738 million. Profit attributable to owners of the Company increased by 15.89% to US\$229.033 million and earnings per share increased by 0.56 US cents to 4.10 US cents when compared to the first half of 2010.

The operation concept "Food Safety First" had always been highly regarded by Tingyi. Thus, the Group takes responsibility of food safety as its primary duty and consistently monitors food safety to ensure safety throughout the whole production process of products, creating a virtuous cycle in the safe product quality management system.

In 2011, of the list of "Top 1,000 Asian Brands" for the current year announced by the famous international consultancy firm, TNS, and the Campaign magazine and the list of the Top 10 Most Valuable Brands in various regions, Tingyi was ranked as the second "Most Valuable Brand in China". This honour indicates the significant position of Tingyi among consumers and trustworthiness of the brand MasterKong, its products are recognized as high quality products, reflecting great confidence in the Group, as well as encouraging the Group to improve production management constantly, enhancing its confidence to supply products of outstanding quality.

Instant Noodle Business

In the second quarter of 2011, recovery of the international economies slowed down, while the rising trend of the CPI in the domestic economy remained unchanged. Prices of bulk commodities and raw materials maintained at high levels, creating upward pressure on enterprise production costs; the overall composite cost of raw materials incurred by Tingyi increased by 18%.

In the first half of 2011, turnover of instant noodles business grew by 22.41% year-on-year to US\$1,617.805 million, representing 39.00% of the Group's total turnover. During the period, the growth in sales of the high margin bowl noodles and high-end packet noodles reached 28.74% and 22.38% respectively; gross margin decreased by 2.60 ppt. to 25.11%. Owing to the rapid rise in the overall raw material prices during the period, and continuous support provided to the national policy of price stability, product price adjustment was suspended by Tingyi. Thus, although greater improvement in gross profit was achieved by refining products, however, due to the inventory control in sales channel and the increase of labour cost, the benefits were not reflected in this quarter and profit for the second quarter was lower than the same period last year. Profit attributable to owners of the Company slightly decreased by 2.73% to US\$106.717 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" (Pickled Mustard Chicken flavor was launched in September 2010), were popular amongst consumers in general, resulting in the market leader position of Master Kong in the instant noodles sector. In the first half of 2010, 13 new flavours were launched after continuous promotions among end consumers and were well received in the market. Among these new flavours, "Dong Bei Dun", "Da Lu Xiang Yan", "Jiangnan Delicacy", "Ben Bang Shao" and "Chen Pao Feng Yun" benefited from the new flavor promotional activities and were well received with high acceptance level among local consumers, sales volume during the year was rising continuously.

For star brands, “Shimianbafan”, promoted under “The journey for Fried Noodle delicacy” through box and bag packaging, was the top leading brand in the fried noodle market. SOUP NOODLE, clear vermicelli in soup, was launched into the market in November 2010 and became popular amongst pink-collar workers in cities. As at the end of the second quarter of this year, it was the second top selling brand of clear vermicelli in Shanghai Tesco; “Mianba” products were re-launched in the market under the new concept of “Mianba Zhumian” after new adjustments and brand re-positioning.

In the medium/low-end market segments, through restructuring and improvements in distribution, both results and market shares increased, enhancing the effectiveness of the Group. A new brand of fried crispy noodles, “Xiang Bao Cui”, will be introduced into the market in Autumn, increasing the range of medium/low-end products for active expansion into the market for fried crispy noodles.

According to ACNielsen’s survey in June 2011, in terms of sales volume and value of instant noodles, the Group’s market share in the overall PRC market increased to 41.8% and 57.1% respectively. In terms of sales value, the market share of the Group’s bowl noodles and high-end packet noodles were 70.0% and 70.1% respectively, allowing them to gain No.1 position for more than ten years.

As for production, Master Kong continued to drive the construction of high-speed, automatic manpower and effort, saving new second-generation plants and second-generation workshops. With the commencement of operation of the warehouse in Tianjin, internal logistics were improved and the delivery efficiency increased significantly. Under the unfavourable conditions of increasing overall wages by 12% and rising energy price by 8%, Master Kong was capable of turning fixed costs into variable costs through optimizing production resources and layout, stringent management, planning of professional maintenance and outsourcing logistics operations, as a result the total fixed costs were effectively controlled.

Meanwhile, production technology was upgraded to match with marketing strategies, introduction of new products was strictly controlled, product swaps were more frequent in order to reach the anticipated costs faster and generate the highest productivity. In the second quarter of 2011, the plants in Guangzhou, Hangzhou and Xi’an passed the TPM continuing inspection for the first time successfully, which was the result of deeper penetration of the management system continuously by Tingyi and drove the implementation of TPM to a higher level.

Looking ahead to the third quarter, Tingyi will continue to pursue the current operation strategies and focus on the theme of “strengthening the growth of instant noodles and development of noodle products” and commence a product entry and exit mechanism in an orderly manner. Channel distributions will focus on the basic needs and the sales structure will be strengthened for more precise marketing. Specific planning will be focused on 4 areas: expansion of spending per capita and improvement in product distribution, optimization of product costs and increase in profits, reconstruct the direct sales system, better accuracy on the sales categories and items and the market entry and exit of products.

Beverage Business

In the first half of 2011, the sharp increase in raw material costs in the food and beverage industry together with the plasticizer incident, caused the beverage market to go through a confidence crisis before entering the peak selling season this summer. The cooler weather in various regions across the nation compared to previous years resulted in more rainy days, affecting the total beverage sales in China’s domestic market, presenting a declining trend.

In the first half in 2011, benefited from new products’ active promotion and the “One More Bottle” lucky draw campaign launched since March, turnover for the beverage business grew by 31.58% year-on-year to US\$2,392.423 million, representing 58% of the Group’s total turnover. However, rising costs of raw materials, transportation and labour, along with the unfavourable weather factor impeded the profitability potential of Group’s beverage business. During the period, the gross profit margin of the Group decreased by 6.42ppt. year-on-year to 26.71% compared with the same time last year. Profit attributable to equity holders of the Company decreased slightly by 1.99%, to US\$79.765 million.

RTD tea series: Master Kong’s tea drinks continued to maintain its position as market leader. Following a new packaging tea drinks were widely welcomed by consumers, with product lines ranging from green tea, iced red tea, iced green tea, jasmine tea series to Tie Guan Yin and oolong tea; and the diverse range of product varieties and categories, the best quality products, were provided to consumers, while the message on leisure and healthy lifestyle was also passed on to them.

Fruit juice series: In order to satisfy the consumers’ needs of a healthy, diversified and quality lifestyle, Master Kong continued to develop and introduce new products and new flavours, while at the same time promoting new flavors of fresh orange lemon juice, grapefruit and mango juice launched in the previous quarter, allowing more consumers to enjoy the natural and healthy drinks of Master Kong. Master Kong’s “new taste for traditional drink”, Sour Plum Juice and Wild Jujube Juice, were well-received by consumers since their launch into the market and occupied a share of the highly competitive juice market. In the second half of the year, Master Kong will continue to develop and further introduce more traditional Chinese beverages.

Bottled water: Master Kong has taken an interest and has been an active participant in the social community. Its mineral water, which was hugely popular amongst consumers, had launched an innovative light green bottle to raise the awareness of energy saving and carbon reduction and foster a healthy lifestyle attitude on “Contributing efforts for Environmental Protection” together.

During the reporting period, brand new product concept was introduced. “U-Joymore” lactic acid drink, was launched into the market to satisfy the changing tastes of the city consumers. In line with the quality, healthy and trendy characteristics of Master Kong’s drinks and not least the focus on texture, various flavours were available for selection by consumers. Products focusing on health qualities had received overwhelming responses from consumers.

According to ACNielsen’s latest survey in June 2011, in terms of sales volume, Master Kong’s RTD tea and bottled water’s market share in the overall PRC market increased to 54.2% and 24.6% respectively, ranking it No.1 in the market. By using duo brands Fresh Daily C and Master Kong, the Group’s fruit juice drinks have gained 21.1% market share, ranking it No.2 in the diluted juice market.

Under the more competitive environment and the harsh conditions of raw material prices, Master Kong will adjust the product mix in the second half of the year, continue to expand the production base for increasing production capacities, upgrade production equipment, improve production techniques and enhance the sales network, in order to increase sales volume and size for more profits.

Bakery Business

In the first half of 2011, turnover for bakery increased by 21.67% year-on-year reaching US\$94.455 million, representing 2% of the Group’s total turnover. Gross margin decreased by 2.04 ppt. to 34.77% and gross profit increased by 14.95%. Profit attributable to owners of the Company was US\$3.091 million, an increase of 214.96%. The increase was mainly due to the sales growth and price adjustment which offset the cost increasing from raw material and labor.

According to ACNielsen’s survey in June 2011, in terms of sales value, Master Kong gained 7.5% market share in China bakery market and ranked second in the market, Master Kong sandwich cracker had a market share of 22.1% and ranked second in the sandwich cracker market. Market share for Master Kong egg rolls were 28.8% and ranked number one in the market.

Master 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 30 June 2011, the Group’s cash and bank deposits totaled US\$978.646 million, an increase of US\$85.306 million from 31 December 2010. As at 30 June 2011, the Group’s total assets and total liabilities amounted to approximately US\$5,784.541 million and US\$3,382.757 million respectively, representing increases of US\$893.129 million and 860.532 million respectively when compared to 31 December 2010. The debt ratio increased by 6.92 ppt. to 58.48% as compared with 31 December 2010. The increase in debt ratio was mainly because of (1) 2010 final dividend payable is included under other payables and (2) the increase of trade payables for purchasing of more raw materials due to the seasonal demand.

As at 30 June 2011, the Group’s total borrowings increased by US\$153.198 million to US\$787.333 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 21% and 79%, 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 2.11% brought an exchange gain of US\$52.353 million, the exchange gain of US\$7.790 million and US\$44.563 million have been included in the income statement and reserve from exchange translation respectively.

Financial Ratio

	As at 30 June 2011	As at 31 December 2010
Finished goods turnover	12.49 Days	8.62 Days
Trade receivables turnover	6.46 Days	6.65 Days
Current ratio	0.66 Times	0.72 Times
Debt ratio (Total liabilities to total assets)	58.48%	51.56%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-0.10 Times	-0.14 Times

Human Resources

As at 30 June 2011, the Group employed 63,649 (31 December, 2010: 64,436) employees.

To present, Tingyi has constantly upheld the management principles of improving personnel training, technology development, system development and teamwork. Tingyi will continue to strengthen personnel training, fully apply the selection, education, deployment and retention principles to create human value, enhance various personnel development policies, in order to develop and retain outstanding talents continuously for the Group.

During the reporting period, the Group had improved the selection and training system for reserving human resources through the establishment of a reserve system for heads of various levels and refined the training courses for reserved officers. Meanwhile, the attitude on performance was more deeply rooted, the utilization of a computerized performance appraisal system was promoted. In addition, to proper discharge of social responsibility and enhancement of corporate image, sponsorship was provided to National Sun Yat-sen University in Taiwan for organizing a masters degree course on Asia Pacific Human Resources Management to educate high level human resources management talents. To train and prepare management cadre for succession of key management functions, the Group co-operates with Japan Waseda University to train the Group's staff.

Tingyi has been consistent in the emphasis on personnel training, development and retention, human resource is considered as the cornerstone for corporate development, and firmly believes this is one of the core essential elements for the Group to grow rapidly and achieve outstanding results.

PROSPECTS

The global economy continues to recover in 2011 and the overall conditions are in line with expectations. However, the recovery progress is not smooth, uncertainties in economic growth and instability in the financial markets have increased significantly. It is expected that the full-year economic growth of 2011 will continue to be in the pattern of beginning at the higher end and reaching the lower towards the end of the year. The economy of China is affected by the withdrawal of the consumption stimulation policy and the macroeconomic controls of the real estate market. The GDP growth rate has slowed down for two consecutive quarters. But the slower economic growth is mainly attributable to the active policy controls, performance of investments and imports remain strong according to statistical data, this shows the domestic driving force for domestic economic growth remain strong. And the risk for a "hard landing" for the economy in the second half of the year is small. Under the backdrop of "structural adjustment, promoting consumption", and with the new consumer demand and maturity in consumption brought by urbanization, the instant food product and beverage industry in China still have enormous room for growth and development opportunities. The Group will continue its active development strategies, deepen market penetration, increase product innovation, research and development, and develop new profit growth spots, in order to promote sales growth and increase market shares.

Currently, there are various factors leading to the rising prices of raw materials, and a general increasing trend is anticipated in future. With the additional effects from higher labour costs and excessing money supply, it may take a longer period of time for prices to return to a lower level, the pressure of rising cost will continue in the second half of the year. Facing such circumstances, the Group will continue to strengthen cost controls, optimize production plans, enhance production technologies and impose stricter management measures in order to alleviate the cost pressure. Meanwhile, product specifications will be enhanced through the optimization of product mix, improving the product items and accelerating the frequency of product swaps, as well as increasing the unit profit margin of products. Moreover, by full utilization of our own advantages in production, channels and branding to further strengthen our market leading position in the vast consumer product market in China, Tingyi will continue to maintain stable growth for creating better returns for shareholders.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the period ended 30 June 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 Ing-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. Daisuke Okada. 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. Daisuke Okada. 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

For the period of six months ended 30 June 2011, 2,154,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was \$11.85 and the weighted average market closing price before the validity period was \$23.27.

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. Daisuke Okada are Independent Non-executive Directors of the Company.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 23 August 2011

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

* For identification purpose only