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**THIRD QUARTERLY RESULTS FOR THE THREE MONTHS AND
NINE MONTHS ENDED 30TH SEPTEMBER 2012**

SUMMARY

US\$'000	For the three months ended 30 September		
	2012	2011	Change
• Turnover	2,945,581	2,204,479	↑ 33.62%
• Gross margin	31.32%	27.14%	↑ 4.18 ppt.
• Gross profit of the Group	922,432	598,279	↑ 54.18%
• EBITDA	398,709	299,397	↑ 33.17%
• Profit for the period	211,454	157,465	↑ 34.29%
• Profit attributable to owners of the Company	155,860	130,593	↑ 19.35%
• Earnings per share (US cents)			
Basic	2.78	2.34	↑ 0.44 cents
Diluted	2.78	2.33	↑ 0.45 cents

At 30 September 2012, Cash and cash equivalents was US\$1,483.487 million and gearing ratio was -0.01 times.

2012 THIRD QUARTERLY 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 nine months ended 30 September 2012 together with the unaudited comparative figures for the corresponding period in 2011. These unaudited condensed consolidated third quarterly financial statements have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three Months and Nine Months Ended 30 September 2012

	<i>Note</i>	July to September 2012 (Unaudited) US\$'000	January to September 2012 (Unaudited) US\$'000	July to September 2011 (Unaudited) US\$'000	January to September 2011 (Unaudited) US\$'000
Turnover	2	2,945,581	7,478,940	2,204,479	6,344,121
Cost of sales		(2,023,149)	(5,204,903)	(1,606,200)	(4,663,534)
Gross profit		922,432	2,274,037	598,279	1,680,587
Other revenue and other net income		37,382	291,406	41,798	136,726
Distribution costs		(562,519)	(1,424,381)	(346,282)	(1,011,791)
Administrative expenses		(90,757)	(235,475)	(51,810)	(147,165)
Other operating expenses		(14,259)	(58,646)	(18,600)	(36,432)
Finance costs	5	(12,344)	(25,639)	(2,949)	(8,126)
Share of results of associates		7,052	11,871	—	—
Profit before taxation	5	286,987	833,173	220,436	613,799
Taxation	6	(75,533)	(200,879)	(62,971)	(148,852)
Profit for the period		211,454	632,294	157,465	464,947
Attributable to					
Owners of the Company		155,860	440,276	130,593	359,626
Non-controlling interests		55,594	192,018	26,872	105,321
Profit for the period		211,454	632,294	157,465	464,947
Earnings per share	7				
Basic		2.78 cents	7.87 cents	2.34 cents	6.44 cents
Diluted		2.78 cents	7.85 cents	2.33 cents	6.41 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months and Nine Months Ended 30 September 2012

	July to September 2012 (Unaudited) US\$'000	January to September 2012 (Unaudited) US\$'000	July to September 2011 (Unaudited) US\$'000	January to September 2011 (Unaudited) US\$'000
Profit for the period	211,454	632,294	157,465	464,947
Other comprehensive income				
Exchange differences on consolidation	33,628	7,079	35,950	80,513
Fair value change in available-for-sale financial assets	8,100	3,074	(17,417)	(28,440)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	4,656	4,656	—	—
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	<u>46,384</u>	<u>14,809</u>	<u>18,533</u>	<u>48,226</u>
Total comprehensive income for the period, net of tax	<u><u>257,838</u></u>	<u><u>647,103</u></u>	<u><u>175,998</u></u>	<u><u>513,173</u></u>
Total comprehensive income attributable to:				
Owners of the Company	186,763	447,951	141,345	387,708
Non-controlling interests	71,075	199,152	34,653	125,465
	<u><u>257,838</u></u>	<u><u>647,103</u></u>	<u><u>175,998</u></u>	<u><u>513,173</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2012

	<i>Note</i>	At 30 September 2012 (Unaudited) US\$'000	At 31 December 2011 (Audited) US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,871,661	4,029,872
Intangible assets		7,503	—
Interest in joint venture		10,362	—
Interest in associates		90,056	—
Prepaid lease payments		268,541	186,276
Available-for-sale financial assets		53,563	104,422
Deferred tax assets		51,564	52,176
		<u>5,353,250</u>	<u>4,372,746</u>
Current assets			
Financial assets at fair value through profit or loss		622	560
Inventories		417,061	312,562
Trade receivables	9	355,183	155,040
Prepayments and other receivables		331,605	367,814
Pledged bank deposits		16,997	9,662
Bank balances and cash		1,466,490	590,390
		<u>2,587,958</u>	<u>1,436,028</u>
Total assets		<u><u>7,941,208</u></u>	<u><u>5,808,774</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		27,964	27,951
Reserves		2,504,773	2,071,794
		<u>2,532,737</u>	<u>2,099,745</u>
Total capital and reserves attributable to owners of the Company		<u>2,532,737</u>	<u>2,099,745</u>
Non-controlling interests		<u>1,001,282</u>	<u>586,521</u>
Total Equity		<u>3,534,019</u>	<u>2,686,266</u>
Non-current liabilities			
Long-term interest-bearing borrowings		1,003,937	549,382
Other non-current liabilities		172	—
Employee benefit obligations		17,601	14,064
Deferred tax liabilities		178,719	131,092
		<u>1,200,429</u>	<u>694,538</u>
Current liabilities			
Trade payables	10	1,514,426	974,113
Other payables		1,102,982	660,995
Current portion of interest-bearing borrowings		442,240	700,695
Advance payments from customers		56,045	66,501
Taxation		91,067	25,666
		<u>3,206,760</u>	<u>2,427,970</u>
Total liabilities		<u>4,407,189</u>	<u>3,122,508</u>
Total equity and liabilities		<u><u>7,941,208</u></u>	<u><u>5,808,774</u></u>
Net current liabilities		<u>(618,802)</u>	<u>(991,942)</u>
Total assets less current liabilities		<u><u>4,734,448</u></u>	<u><u>3,380,804</u></u>

Notes:

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated third quarterly financial statements. These condensed consolidated third quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies adopted in preparing the condensed consolidated third quarterly financial statements for the nine months ended 30 September 2012 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the amendments 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 2012:

Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after July 2011)
Amendments to HKAS 12	Income Taxes — Deferred tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)

The adoption of these amendments 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

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.

3. Segment information

Segment results

	For the Nine Months ended 30 September 2012					
	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	2,910,602	4,326,542	177,841	63,955	—	7,478,940
Inter-segment revenue	765	1,393	72	75,795	(78,025)	—
Segment revenue	<u>2,911,367</u>	<u>4,327,935</u>	<u>177,913</u>	<u>139,750</u>	<u>(78,025)</u>	<u>7,478,940</u>
Segment results after finance costs	368,545	255,541	4,034	6,838	(4,238)	630,720
Share of results of associates	—	11,871	—	—	—	11,871
Gain on bargain purchase, net of direct expenses related to acquisition (Note 1)	—	190,582	—	—	—	190,582
Profit before taxation	368,545	457,994	4,034	6,838	(4,238)	833,173
Taxation	(110,513)	(86,238)	(1,821)	(2,307)	—	(200,879)
Profit for the period	<u>258,032</u>	<u>371,756</u>	<u>2,213</u>	<u>4,531</u>	<u>(4,238)</u>	<u>632,294</u>
	For the Nine Months ended 30 September 2011					
	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Instant food (formerly "Bakery") (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Group (Unaudited) US\$'000
Turnover						
Revenue from external customers	2,585,600	3,552,819	152,528	53,174	—	6,344,121
Inter-segment revenue	87	1,795	615	65,547	(68,044)	—
Segment turnover and revenue	<u>2,585,687</u>	<u>3,554,614</u>	<u>153,143</u>	<u>118,721</u>	<u>(68,044)</u>	<u>6,344,121</u>
Segment results after finance costs and Profit before taxation	287,221	275,531	5,923	49,149	(4,025)	613,799
Taxation	(76,327)	(63,027)	(1,023)	(8,475)	—	(148,852)
Profit for the period	<u>210,894</u>	<u>212,504</u>	<u>4,900</u>	<u>40,674</u>	<u>(4,025)</u>	<u>464,947</u>

Segment result represents the profit after finance costs 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.

Note 1: Gain on bargain purchase of US\$190,582,000 is included under Beverages segment as this presentation reflects more appropriately the nature of transaction.

3. Segment information (continued)

Segment assets

	At 30 September 2012					Group (Unaudited) US\$'000
	Instant noodles (Unaudited) US\$'000	Beverages (Unaudited) US\$'000	Instant food (Unaudited) US\$'000	Others (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	
	Segment assets	2,839,827	4,706,464	179,179	253,205	
Interest in joint venture	—	—	10,362	—	—	10,362
Interest in associates	—	90,056	—	—	—	90,056
Unallocated assets						54,185
Total assets						<u>7,941,208</u>

	At 31 December 2011					Group (Audited) US\$'000
	Instant noodles (Audited) US\$'000	Beverages (Audited) US\$'000	Instant food (formerly "Bakery") (Audited) US\$'000	Others (Audited) US\$'000	Inter-segment elimination (Audited) US\$'000	
	Segment assets	2,520,574	3,442,346	173,846	175,570	
Unallocated assets						104,982
Total assets						<u>5,808,774</u>

Segment assets include all tangible assets, intangible asset and current assets with the exception of available-for-sale financial assets and financial assets at fair value through profit or loss. The identifiable assets acquired in the business combination during the period as disclosed in note 15 have been recognised in "Beverages" segment.

The investment costs and amounts due from subsidiaries were previously included in segments assets and were eliminated in full. As a result of revised segment information reported to the chief operating decision-maker of the Group (i.e. Board of Directors of the Company), the investment costs and amounts due are not presented as segment assets of "Others" and the comparative figures of segment assets under "Others" and "Inter-segment elimination" have been adjusted to conform to current presentation.

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:

	July to September 2012 (Unaudited) US\$'000	January to September 2012 (Unaudited) US\$'000	July to September 2011 (Unaudited) US\$'000	January to September 2011 (Unaudited) US\$'000
Finance costs				
Interest on bank and other borrowings wholly repayable within five years	12,344	25,639	2,949	8,126
Other items				
Depreciation	110,568	300,237	84,767	228,581
Amortisation	1,584	3,924	967	2,294

6. Taxation

	July to September 2012 (Unaudited) US\$'000	January to September 2012 (Unaudited) US\$'000	July to September 2011 (Unaudited) US\$'000	January to September 2011 (Unaudited) US\$'000
Current tax – PRC Enterprise income tax				
Current period	62,383	169,732	52,152	119,816
Deferred taxation				
Origination and reversal of temporary differences, net	2,059	5,974	2,091	5,620
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	11,091	25,173	8,728	23,416
Total tax charge for the period	75,533	200,879	62,971	148,852

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 nine months ended September 2012 and 2011.

For the PRC subsidiaries not entitled to a preferential PRC enterprise income tax, the applicable PRC enterprise income tax is at a statutory rate of 25% (2011: 25%).

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

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

6. Taxation (continued)

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% enterprise income tax rate will be subjected to tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter. The subsidiaries that have been granted a preferential income tax rate of 15% in the Grand Development of Western Region shall continue to enjoy the preferential income tax rate until expiry.

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, the applicable rate is 10% and deferred tax liability is only provided on 50% of post-2007 earnings that are expected to be distributable in the foreseeable future.

7. Earnings per share

(a) Basic earnings per share

	July to September 2012 (Unaudited)	January to September 2012 (Unaudited)	July to September 2011 (Unaudited)	January to September 2011 (Unaudited)
Profit attributable to ordinary shareholders (US\$' 000)	155,860	440,276	130,593	359,626
Weighted average number of ordinary shares (' 000)	5,592,437	5,591,629	5,589,968	5,588,046
Basic earnings per share (US cents)	2.78	7.87	2.34	6.44

(b) Diluted earnings per share

	July to September 2012 (Unaudited)	January to September 2012 (Unaudited)	July to September 2011 (Unaudited)	January to September 2011 (Unaudited)
Profit attributable to ordinary shareholders (US\$' 000)	155,860	440,276	130,593	359,626
Weighted average number of ordinary shares (diluted) (' 000)				
Weighted average number of ordinary shares	5,592,437	5,591,629	5,589,968	5,588,046
Effect of the Company's share option scheme	19,541	19,918	27,273	24,677
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,611,978	5,611,547	5,617,241	5,612,723
Diluted earnings per share (US cents)	2.78	7.85	2.33	6.41

8. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the nine months ended 30 September 2012 (2011: nil).

9. Trade receivables

The majority of the Group's sales is cash-on-delivery. The remaining balances of sales are mainly at credit term ranging from 30 to 90 days. The 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 September 2012 (Unaudited) US\$'000	At 31 December 2011 (Unaudited) US\$'000
0 - 90 days	350,450	146,883
Over 90 days	4,733	8,157
	<u>355,183</u>	<u>155,040</u>

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 September 2012 (Unaudited) US\$'000	At 31 December 2011 (Audited) US\$'000
0 - 90 days	1,481,518	915,284
Over 90 days	32,908	58,829
	<u>1,514,426</u>	<u>974,113</u>

11. Business combination

Business combination occurred since the most recent annual financial statements

On 4 November 2011, the Company and PepsiCo Inc. (“PepsiCo”) entered into agreements for their strategic alliance in beverage business in the PRC (the “Strategic Alliance Arrangements”). Under the Strategic Alliance Arrangements, PepsiCo’s wholly-owned subsidiary, Far East Bottles (Hong Kong) Limited (“FEB”) has agreed to contribute its entire equity interest in PepsiCo’s non-alcoholic beverage bottling business in the PRC to Tingyi Asahi Beverages Holding Co., Ltd. (“TAB”), a non-wholly owned subsidiary of the Company, in exchange for a 9.5% direct equity interests in Master Kong Beverage (BVI) Co. Ltd. (“MKB”), which is a holding company of the Group’s beverage business in the PRC. As a consequence, FEB holds 5% indirect equity interest in TAB, details of this business combination are set out in the Circular of the Company dated 20 January 2012.

On 31 March 2012 (“date of acquisition”), the Strategic Alliance Arrangements was completed. The Group has obtained the control of China Bottlers (Hong Kong) Limited (“CBL”) which owns equity interest in PepsiCo’s non-alcoholic beverage bottling business in the PRC by acquiring the entire equity interest and voting rights in CBL. As a result, CBL has become a wholly-owned subsidiary of TAB and an indirect non wholly-owned subsidiary of the Company.

Under the Strategic Alliance Arrangements, TAB is exclusively responsible for manufacturing, selling and distributing PepsiCo’s nonalcoholic beverage bottling business in the PRC. The Group expects that the strategic alliance with PepsiCo will bring innovative new products to market faster across PepsiCo and the Company brand offerings and improve choice for consumers.

Consideration transferred

Pursuant to the Strategic Alliance Arrangements, TAB has issued 52,637 ordinary shares to MKB and MKB has issued 5,263 ordinary shares to FEB. Consequently, the issuance of shares of the Company’s subsidiaries for the consideration transferred caused that the Group’s effective equity interest in TAB decreased from 50.005% to 47.5125%. A deemed disposal of 9.5% equity interest in MKB as well as a deemed disposal of 2.4925% equity interest in TAB was resulted.

FEB was granted an option (“Issued Option”) to increase its indirect interest in TAB from 5% to 20% on a fully diluted basis.

In addition, PepsiCo and The Concentrate Manufacturing Company of Ireland (“CMCI”), a wholly-owned subsidiary of PepsiCo (collectively, the “PepsiCo group”) and TAB have entered into Framework Exclusive Bottling Agreement (“FEBA”) and the Company, FEB and PepsiCo have entered into Option Agreements (“OA”). These options could be executed only when certain termination/triggering events occur, the details are as follows:-

- PepsiCo group was granted a call option (“FEBA Call Option”). TAB is required to sell assets and/ or undertakings primarily used in the production of carbonated soft drink (“CSD”) or products licensed to PepsiCo group at the aggregate book value of the assets being acquired at the date of exercise of FEBA Call Option upon the occurrence of any termination events;
- TAB was granted a put option (“FEBA Put Option”). PepsiCo group is required to buy assets and/ or undertakings primarily used in the production of CSD or products licensed from TAB at the aggregate book value of the assets being acquired at the date of exercise of FEBA Put Option upon the occurrence of any termination events;
- The Company granted FEB a put option (“OA Put Option”). The Company is required to buy all of FEB’s equity interest in MKB and TAB at fair market value after the occurrence of put triggering events;
- The Company was granted a call option (“OA Call Option”). FEB is required to sell all of its equity interest in MKB and TAB at fair market value after the occurrence of call triggering events; and
- The Company was also granted a sell-down option (“Sell-Down Option”). FEB/PepsiCo is required to sell its equity interests in TAB to the Company after the occurrence of sell-down triggering events.

11. Business combination (continued)

Consideration transferred (continued)

The following summarises the consideration transferred and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interests recognised at the date of acquisition:

	Provisional fair value <i>US\$'000</i>
Consideration transferred:	
Issuance of 5% shares of TAB, at fair value	420,000
Issuance of Issued Option, FEBA Call Option, FEBA Put Option, OA Put Option, OA Call Option, Sell-Down Option ("Financial Instruments"), at fair value	27,000
Total consideration transferred	<u>447,000</u>
	<i>US\$'000</i>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	534,507
Prepaid lease payments	73,415
Intangible assets	7,600
Interests in associates	78,185
Deferred tax assets	4,484
Cash and cash equivalents	151,264
Trade and other receivables	170,908
Inventories	120,087
Indemnification assets	155,122
Trade and other payables	(342,448)
Bank and other borrowings	(254,616)
Deferred tax liabilities	(21,850)
Total identifiable net assets	676,658
Non-controlling interests	(11,108)
Provisional gain on bargain purchase	(218,550)
Total consideration transferred	<u>447,000</u>
	<i>US\$'000</i>
Net cash flow on acquisition of subsidiaries:	
Bank and cash balances acquired from subsidiaries	151,264
Direct expenses relating to the acquisition	(27,968)
	<u>123,296</u>

The Financial Instruments granted under the Strategic Alliance Arrangements are measured at fair value on provisional basis. The provisional fair value of the contingent consideration is estimated with reference to share price volatilities on assumed financial multiples of companies deemed to be similar to TAB and assumed adjustments due to lack of control on TAB that market participants would consider when estimating the fair value of the contingent consideration.

The intangible assets represent exclusive rights granted to the Group for manufacturing, bottling, packaging, distributing and selling PepsiCo's CSD and Gatorade branded products on a royalty free basis under a specific trademark in the PRC, which are measured at provisional fair value and would be amortised over a straight-line basis over CCT agreements period of 39 years.

11. Business combination (continued)

Consideration transferred (continued)

The fair value of trade and other receivables at the date of acquisition amounted to US\$170,908,000. The gross contractual amounts of those trade and other receivables acquired amounted to US\$173,693,000 at the date of acquisition. The best estimate at the date of acquisition of the contractual cash flows not expected to be collected amounted to US\$2,785,000.

Pursuant to the Strategic Alliance Arrangements, PepsiCo has agreed to contribute its entire equity interest in CBL with adjusted net asset value of US\$600 million at the date of acquisition. Indemnification assets represent the excess of US\$600 million over the adjusted net asset value of CBL as at 31 March 2012. The provisional amount of the indemnification assets is determined based on unaudited adjusted net asset value of CBL at 31 March 2012.

The Group has selected to measure the non-controlling interests at its proportionate interest in the identifiable assets and liabilities of the acquiree.

The transaction costs relating to legal and professional fees and other charges of US\$27,968,000 have been excluded from the consideration transferred and have been recognised as expenses including in the Company's gain on bargain purchase of approximately US\$190,582,000 within the "Other revenue and other net income" in the condensed consolidated income statement.

The gain on bargain purchase of US\$218,550,000 arising from the business combination is mainly attributable to decline in fair value valuation of issuance of TAB shares. The gain from this bargain purchase was recognised in "Other revenue and other net income" in the condensed consolidated income statement.

The deemed disposal of 2.4925% equity interest in TAB that do not result in the loss of control is accounted for as equity transaction. The carrying amount of the 2.4925% equity interest in TAB on the date of disposal was US\$239,532,000. As a result of the deemed disposal, the non-controlling interests was increased by US\$239,532,000, and the difference of US\$180,468,000 between the amount by which the non-controlling interests have increased and the fair value of the consideration received was recognised in equity and attributable to the owners of the Company, which was recorded in "Other reserve" within the equity in the condensed consolidated statement of financial position.

Since the business combination, the revenue contributed by the acquiree amounted to US\$988,995,000 and the net results attributable to the owners of the Company contributed by the acquiree was not significant to the Group for the period ended 30 September 2012.

If the business combinations effected on 31 March 2012 had been taken place at the beginning of the period, the Group's revenue would have been US\$7,896,534,000 for the nine months period ended 30 September 2012 and the profit attributable to owners of the Company would not have been materially different from US\$440,276,000 for the nine months period ended 30 September 2012.

As at the date of this quarterly report, the Group has not finalised the fair value assessments for the consideration transferred and acquiree's identifiable assets and liabilities as at the date of acquisition due to short period of time after the completion of the acquisition.

The relevant fair values of consideration transferred and net assets acquired stated above are on a provisional basis and may be subject to significant changes in future period when the valuations performed by independent valuer have been finalised.

12. Approval of third quarterly financial statements

The third quarterly financial statements of 2012 were approved by the board of directors on 19 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first three quarters of the year, the Gross Domestic Product (GDP) of the PRC grew by 7.7%, while the GDP growth in the third quarter fell to 7.4%, hitting a new low over the last 14 quarters. Meanwhile, the price level of the third quarter was low, and the Consumer Price Index (CPI) increased by 1.9% year-on-year but fell by 1 ppt. as compared to the second quarter. Foodstuff prices increased by 2.8% as compared to the same period last year, and dropped 2.9 ppt. as compared to the previous quarter. Non-food prices increased by 1.5% year-on-year and remained almost same as the previous quarter.

During the third quarter of 2012, the Group's turnover increased by 33.62% to US\$ 2,945.581 million as compared to the same period last year. During the period, costs of major raw materials dropped, the Group's gross margin improved by 4.18 ppt. to 31.32% and gross profit increased by 54.18% to US\$922.432 million year-on-year. The third quarter gross margin was higher than the past eight quarters'. Due to the increase in labor and other costs, the administrative costs to the Group's turnover increased slightly by 0.73 ppt. to 3.08%. Distribution costs as a percentage of sales increased by 3.39 ppt. to 19.10%. The Group's EBITDA increased by 33.17% to US\$398.709 million. Profit attributable to owners of the Company increased by 19.35% to US\$155.860 million and earnings per share increased by 0.44 US cents to 2.78 US cents when compared to the same period of 2011.

As a leader in the PRC's food industry, Master Kong is not only devoted to providing consumers with quality, safe and delicious food, but also dedicates itself to social charity works. In July 2012, "New generation with creativity and sound bite Master Kong – Waseda University Creative Challenges" ("創響新生代" 康師傅-早稻田大學創新挑戰賽) was awarded the silver prize under the newly established "Public Welfare Communication" category in the Tenth China Golden Awards for Excellence in Public Relations (第十屆中國最佳公共關係案例大賽). This represents not only the recognition of Master Kong's efforts in supporting charity works and fulfilling corporate social responsibilities, but also the acceptance and affirmation of our operation philosophy of "practising give-and-take spirit in the society and achieving sustainable operation". On 29 August, Forbes announced the list of "Top 50 Best Listed Companies in Asia for 2012 (Fab50)", and Tingyi (Cayman Islands) Holding Corp. was selected for the fifth time. In September, Master Kong was ranked the fifth in the Survey of "Top Taiwan Global Brands 2012" by InterBrand, UK, with a brand value of US\$1.308 billion. Master Kong has ranked top five consecutively for the past ten year, which fully demonstrated the value of Master Kong's brand success and long-term outlook. In the future, Master Kong will continue to strengthen its brand development and maintenance and strive to develop the brand into a world-class brand.

Instant Noodle Business

In the third quarter of 2012, turnover of instant noodle business grew by 7.20% year-on-year to US\$1,037.482 million, representing 35.22% of the Group's total turnover. Due to the drop in palm oil prices and better product mix, gross margin improved by 2.73 ppt. to 31.02% year-on-year. Better control of operating expenses also resulted in the improvement of profit attributable to owners of the Company by 4.33% to US\$106.996 million.

According to AC Nielsen's survey in September 2012, in terms of sales volume and value of instant noodle, the Group's market share in the overall PRC market were 44.2% and 56.9% respectively. In terms of sales value, the market share of the Group's bowl noodle and high-end packet noodle were 65.6% and 70.2% respectively, establishing them firmly in the leading position in the market.

In the third quarter, Master Kong upgraded the noodle ingredients and launched new packaging for its instant noodle products under national and local popular brand names, and therefore the market competitiveness of our major products, including bowl noodle and packet noodle, was greatly enhanced, and this move also enables consumers to enjoy a new and unique experience. To reward consumers with practical benefits, Master Kong increased the ingredients in pickled packs by 50% for its "Pickled Mustard" series, and launched a promotional activity for its "Lu Xiang" series, for which consumer can enjoy a free ham sausage for every bowl noodle. For the medium-priced brands, namely "Treasures", "Jin Shuang La Mian", "Hao Zi Wei" and "Super Fumanduo", we endeavored to expand our market share in the mid-end market and achieved double-digit growth in sales volume.

On the production management front, the establishment of distribution centre during the period contributed to the enhancement of service competitiveness, and resulted in a significant improvement in overall performance. Besides, Master Kong also accelerated production standardization and implemented standardized integration in factory management, shipment management and distribution centre management, so as to build a solid foundation to support smooth and efficient operations in future.

As for cost control, Master Kong continued to improve its gross profit through the implementation of production standardization and efficiency-enhancement measures. To effectively reinforce competitiveness, Master Kong reduced its fixed cost by cutting cost on new plants, and it was also well-prepared to initiate marketing activities in terms of production and transportation capacity before the peak season started.

In the next quarter, Master Kong will continue to take full advantage of its brand recognition for its instant noodle business, and constantly develop new products and new flavors based on the well-established advantageous position of its cash flow-generating products, so as to provide consumers with extensive choices. In the meantime, Master Kong will also continue to expand its sales network and enhance efficiency of its marketing system in order to deal with any market competition in a flexible manner.

Beverage Business

In the third quarter of 2012, the turnover of the beverage business increased by 57.03% year-on-year to US\$1,822.204 million, representing 61.86% of the Group's total turnover. Meanwhile, because costs of raw material had declined, the gross margin of beverages increased by 5.48 ppt. year-on-year to 31.38%. Profits attributable to owners of the Company sharply increased by 90.68% to US\$48.178 million when compared to the same period in 2011.

According to AC Nielsen's survey in September 2012, in terms of sales volume, market share for the Group's Ready-to-drink (RTD) tea was 48.1% and bottled water was 23.5%. Master Kong continued to maintain its No.1 market position, although in face of increased number of new brands and product types, more sophisticated product segmentation and intense competition. The Group's market share in the diluted fruit juice market was 28.9%, ranking its No.2 in the market. According to Canadean's September survey, in terms of sales volume, market share for the Group's Pepsi carbonated drinks in the third quarter was 34.1%, increased 2.1 ppt. when compared to same period last year, ranking its No.2 in the market.

For RTD tea, as the RTD tea market becomes more mature and is divided into smaller market segments, Master Kong continue to introduce new products and fresh flavors which cater for different consumer preferences and make contribution to the development of the entire market. In view of the rapid increasing popularity of sugar-free beverage, the sugar-free Teahouse series, including mellow green tea, jasmine tea, oolong tea and Tie Guan Yin, was introduced. The new product, Longjing Refreshing Tea, fully demonstrates the refreshing and stress-relieving benefits of drinking Longjing Tea, and is positioned as high-end tea product. Master Kong's classic milk tea series has been well received by consumers since its introduction and has achieved continued growth in sales volume.

For bottled water series, the bottled water industry has maintained sound development momentum from 2012 onwards. Bottled water has become a daily necessity for people and one of the most popular products among consumers, leveraging on such favorable trend and its flexible promotion mechanism, Master Kong achieved the most outstanding performance in sales of its mineralized water and natural mineral water and was ranked No.1 in the market.

For fruit juice series, the "Crystal Sugar Pear Juice" was rapidly promoted and widely accepted by consumers due to its sweet and warm taste, and became one of the hottest cool drinks in this summer. After introducing the "New Taste for Traditional Drink" series which initiated the innovation trend, Master Kong introduced another category called "Traditional Fruit Mix (傳養果薈)", which embedded traditional Chinese color and health preservation functions, with an aim to further develop Chinese food culture, promote the new lifestyle of happy health preservation, and allow traditional food cultures to continue and regain exuberant vitality through modern preparation processes. So far, we have introduced two new series, namely "Honey Pomelos (蜂蜜柚子)" and the "Crystal Sugar Hawthorn (冰糖山楂)", and have received favorable comments from consumers since their introduction.

For carbonated beverage series, sales volume of Pepsi products achieved high single-digit growth in the third quarter. In the market, we took more proactive actions to quickly replace 500ml bottles with 600ml bottles, providing consumers with more benefits through "more containments without higher price". The alliance between Master Kong Beverage Co., Ltd. and PepsiCo further deepened during the period. With the integration of the processing system and the logistics and delivery system, the economy of scale and synergies began to realize and gross profit and overall EBIT for the period improved significantly.

In the future, reliance on the cooperation of production and marketing between Master Kong Beverage and Pepsi Beverage will enable both parties to fully exert their respective strengths and achieve strong ties with strong combination. Leverage the strengths of the brand of PepsiCo and low production and distribution cost of Master Kong, we will introduce more products which cater for the taste of customers with reasonable price, in order to satisfy different needs of customers. Zhengzhou Pepsi facility (Zhengzhou Pepsi) officially established on 25 October. Zhengzhou Pepsi is the first plant opened since the two companies formed their strategic alliance. The plant has both carbonated beverage production lines and non-carbonated beverage production lines. The new operation expands the Group's development in the central and western regions. Zhengzhou Pepsi also delivers on the pledge made by both companies to support economic development in China's central and western regions.

As the Group is confident of the long-term development prospect of the beverage industry, it will continue to increase its investments in equipment and capacity to meet the requirements of future growth. Going forward, the beverage industry will enter into the traditional low season in the fourth quarter. Having regard to the seasonality of the coming Spring Festival, the Company will adopt prudent strategies to get itself well prepared and prepare some forward-looking policies to make positive arrangements for its operation in 2013.

Instant Food Business

We continue to boost the sales of instant food through constant strengthening of our sales network coverage. In the third quarter of 2012, turnover for instant food business increased by 10.01% year-on-year to US\$63.889 million, representing 2.17% of the Group's total turnover. During the period, prices for major raw material decreased, the gross margin for instant food business increased by 2.23 ppt to 39.57% and gross profit grew by 16.56% year-on-year. Due to the increase in labor cost and marketing expenses, profit attributable to owners of the Company decreased by 19.00% to US\$1.646 million.

According to AC Nielsen's survey in September 2012, in terms of sales value, Master Kong's sandwich crackers had a market share of 22.2% and ranked No.2 in the sandwich cracker market. With the effect of small package launched and enhanced display in sales network, market share for Master Kong's egg rolls increased to 31.2%, continued ranking No.1 in the market.

Further investments on brand building for our instant food business will continue to be strengthened in the next quarter. Complementary promotional activities will be launched to enhance our brand image. In the sandwich crackers division, we will develop new flavors, new packages, new advertisements and new promotional activities to capture market share in the peak season. Meanwhile, we will also continue to adopt the multi-category operating strategy for instant food through strategic alliance. More leisure food products will be launched next year to provide consumers with more diversified, delicious and nutritious quality products.

FINANCING

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

As at 30 September 2012, the Group's cash and bank deposits totaled US\$1,483.487 million, an increase of US\$883.435 million from 31 December 2011. In addition, the Group's total assets and total liabilities amounted to approximately US\$7,941.208 million and US\$4,407.189 million respectively, representing increases of US\$2,132.434 million and US\$1,284.681 million respectively when compared to 31 December 2011. The debt ratio increased by 1.74 ppt. to 55.50% compared with 31 December 2011.

As at 30 September 2012, the Group's total borrowings increased by US\$196.100 million to US\$1,446.177 million. The Group's proportion of the total borrowings denominated in foreign currencies and Renminbi were 89% and 11% respectively, as compared with 94% and 6% respectively as at 31 December 2011. The proportion between the Group's long-term borrowings and short-term borrowings was 69% and 31%, as compared with 44% and 56% respectively as at 31 December 2011. In addition, the Group's transactions are mainly denominated in Renminbi. During the period, the exchange rate between Renminbi and US dollars maintained stable and had no significant impact on the Group.

Financial Ratio

	As at 30 September 2012	As at 31 December 2011
Finished goods turnover	9.13 Days	8.87 Days
Trade receivables turnover	9.35 Days	6.56 Days
Current ratio	0.81 Times	0.59 Times
Debt ratio (Total liabilities to total assets)	55.50%	53.76%
Gearing ratio (Net debt to equity attributable to owners of the Company)	-0.01 Times	0.31 Times

HUMAN RESOURCES

As at 30 September 2012, with the combination of PepsiCo, the Group employed 77,857 (31 December 2011: 64,309) employees. Master the cultivation and development of talents is one of the Group's mission, focusing on long-term accumulation of human resources and training. Constant improvement of talent development strategies in the selection, training, deployment and retention of talents will be implemented to enhance the Group's competitiveness.

During the period, the Group continued to perfect the personnel recruitment and training mechanism, develop reserves human of recruitment channel, plan and implement talent development; while have carried out successor plans and talent development plans, found and training potential talent, and constantly perfect education training system, to pragmatic of attitude design courses, makes education training system and talent development system effective convergence, upgrade serving personnel led force and management force. The Group planned and implemented a series of staff caring activities, which continuously helped improve the corporate image of the Group.

Master Kong has consistently placed emphasis on personnel training, development and reserve, and believes making talents as the cornerstone for the development of the enterprise as one of the core competitive strengths that enable the Group to grow rapidly.

PROSPECTS

The growth for the PRC economy fell narrowing in the third quarter compared with the first half of the year. According to the economic indicators for September, most key indicators were improving at an accelerated pace. The national economic situation is changing from "stability amid slowdown" to "bottom-out" at present and the annual economic growth target of 7.5% is expected to realize. In view of the loosening fiscal and monetary policies, we expect the economic situation to improve in the fourth quarter, but to a limited extent. We believe the fact that the structural overcapacity in the PRC cannot be changed in the near future will restrict future economic growth to fluctuate at a low level.

Facing various uncertainties in the external environment and increasingly intense competition in the food and beverage industry, the Group will actively master the consumer trend and enhance its efforts in research and development of new products and flavors, so as to provide consumers with diversified products that are safer, more delicious and more nutritious. Sticking to our established positive development strategy, the Group will continue to strengthen its investment in brand building, enhance cost control and optimize its production network to respond to the changes in market situation. The Group intends to further its sales and market share, and reward shareholders with better performance.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the period ended 30 September 2012, 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. 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

For the period of nine months ended 30 September 2012, 2,784,000 options had been exercised under the Share Option Scheme. Weighted average exercise price was HK\$10.737 and the weighted average market closing price before the date of exercise was HK\$22.67.

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

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 19 November 2012

* *For identification purposes only*

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