

康師傅控股

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

康師傅控股有限公司\*

Stock Code: 0322

2023

INTERIM REPORT



欢乐饮食 美好生活™  
*Life + Delicacy*

Incorporated in Cayman Islands with limited liability

\* For identification purposes only

**SUMMARY**

<b>RMB'000</b>	<b>For the six months ended 30 June</b>		
	<b>2023</b>	<b>2022</b>	<b>Change</b>
• Revenue	40,907,456	38,216,878	↑ 7.04%
• Gross margin	30.47%	28.22%	↑ 2.25 ppt.
• Gross profit of the Group	12,465,643	10,786,231	↑ 15.57%
• EBITDA	4,301,711	3,417,618	↑ 25.87%
• Profit for the period	1,922,879	1,494,574	↑ 28.66%
• Profit attributable to owners of the Company	1,637,670	1,253,367	↑ 30.66%
• Earnings per share (RMB cents)			
Basic	29.07	22.25	↑ 6.82 cents
Diluted	29.04	22.24	↑ 6.80 cents

As at 30 June 2023, cash and cash equivalents was RMB21,315.616 million, representing an increase of RMB1,427.263 million when compared to 31 December 2022. Gearing ratio was -29.89%.

**2023 INTERIM RESULTS**

The Board (the “Board”) of Directors (the “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 six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022. These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company (the “Audit Committee”).

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the Six Months Ended 30 June 2023

	<i>Note</i>	<b>January to June 2023 (Unaudited) RMB'000</b>	<b>January to June 2022 (Unaudited) RMB'000</b>
<b>Revenue</b>	2	40,907,456	38,216,878
Cost of sales		(28,441,813)	(27,430,647)
Gross profit		12,465,643	10,786,231
Other revenue		273,229	331,281
Other net income		430,141	319,021
Distribution costs		(9,019,039)	(8,187,743)
Administrative expenses		(1,295,657)	(1,125,313)
Other operating expenses		(98,688)	(100,990)
Finance costs	4	(264,353)	(133,383)
Share of results of an associate and joint ventures		122,100	107,877
<b>Profit before taxation</b>	4	2,613,376	1,996,981
Taxation	5	(690,497)	(502,407)
<b>Profit for the period</b>		<u>1,922,879</u>	<u>1,494,574</u>
<b>Profit attributable to:</b>			
Owners of the Company		1,637,670	1,253,367
Non-controlling interests		285,209	241,207
<b>Profit for the period</b>		<u>1,922,879</u>	<u>1,494,574</u>
<b>Earnings per share</b>	6	<i>RMB</i>	<i>RMB</i>
Basic		<u>29.07 cents</u>	<u>22.25 cents</u>
Diluted		<u>29.04 cents</u>	<u>22.24 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the Six Months Ended 30 June 2023

	<b>January to June 2023 (Unaudited) RMB'000</b>	<b>January to June 2022 (Unaudited) RMB'000</b>
<b>Profit for the period</b>	1,922,879	1,494,574
<b>Other comprehensive (loss) income</b>		
<i>Items that are not reclassified to profit or loss:</i>		
Changes in the fair value of equity instruments designated as at fair value through other comprehensive income	(3,092)	421
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on consolidation	15,390	(802,672)
Cash flow hedges	(39,169)	19,582
<b>Other comprehensive loss for the period</b>	<u>(26,871)</u>	<u>(782,669)</u>
<b>Total comprehensive income for the period</b>	<u>1,896,008</u>	<u>711,905</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	1,608,900	516,392
Non-controlling interests	287,108	195,513
	<u>1,896,008</u>	<u>711,905</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2023

	<i>Note</i>	<b>At 30 June 2023 (Unaudited) RMB'000</b>	<b>At 31 December 2022 (Audited) RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		1,831,540	1,832,200
Property, plant and equipment		21,475,352	21,259,417
Right-of-use assets		3,566,031	3,625,714
Intangible assets		159,060	162,480
Goodwill		97,910	97,910
Interest in an associate		87,129	93,316
Interest in joint ventures		664,542	614,316
Financial assets at fair value through profit or loss		258,488	254,543
Equity instruments designated as at fair value through other comprehensive income		155,426	158,518
Deferred tax assets		478,831	481,923
Long-term time deposits		3,225,000	5,841,900
		31,999,309	34,422,237
<b>Current assets</b>			
Inventories		4,350,691	5,254,592
Trade receivables	8	2,102,362	1,808,281
Tax recoverable		14,344	20,354
Prepayments and other receivables		2,585,589	2,897,389
Derivative financial instruments		164,598	—
Current portion of long-term time deposits		3,806,900	1,710,000
Pledged bank deposits		26,381	12,531
Bank balances and cash		14,257,335	12,323,922
		27,308,200	24,027,069
<b>Total assets</b>		<b>59,307,509</b>	<b>58,449,306</b>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Note</i>	<b>At 30 June 2023 (Unaudited) RMB'000</b>	<b>At 31 December 2022 (Audited) RMB'000</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	9	196,681	235,741
Share premium		787,091	825,364
Reserves		11,365,815	12,310,421
<b>Total capital and reserves attributable to owners of the Company</b>		<u>12,349,587</u>	<u>13,371,526</u>
<b>Non-controlling interests</b>		<u>3,304,246</u>	<u>3,443,949</u>
<b>Total equity</b>		<u>15,653,833</u>	<u>16,815,475</u>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings	10	9,790,341	8,415,871
Lease liabilities		168,836	145,448
Employee benefit obligations		55,642	69,026
Deferred tax liabilities		1,225,978	1,298,948
		<u>11,240,797</u>	<u>9,929,293</u>
<b>Current liabilities</b>			
Trade payables	11	9,943,722	9,489,908
Other payables and deposits received		12,510,894	9,783,497
Current portion of interest-bearing borrowings	10	7,834,264	9,203,139
Lease liabilities		163,650	155,665
Derivative financial instruments		—	92,729
Advance payments from customers		1,521,306	2,571,730
Taxation		439,043	407,870
		<u>32,412,879</u>	<u>31,704,538</u>
<b>Total liabilities</b>		<u>43,653,676</u>	<u>41,633,831</u>
<b>Total equity and liabilities</b>		<u>59,307,509</u>	<u>58,449,306</u>
<b>Net current liabilities</b>		<u>(5,104,679)</u>	<u>(7,677,469)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2023

	Attributable to owners of the Company					
	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Reserves (Unaudited) RMB'000	Total capital and reserves (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total Equity (Unaudited) RMB'000
<b>At 1 January 2022</b>	235,633	786,965	17,637,378	18,659,976	3,748,524	22,408,500
Profit for the period	—	—	1,253,367	1,253,367	241,207	1,494,574
<b>Other comprehensive (loss) income</b>						
Exchange differences on consolidation	—	—	(756,978)	(756,978)	(45,694)	(802,672)
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	—	—	421	421	—	421
Cash flow hedges	—	—	19,582	19,582	—	19,582
<b>Total other comprehensive loss</b>	—	—	(736,975)	(736,975)	(45,694)	(782,669)
<b>Total comprehensive income for the period</b>	—	—	516,392	516,392	195,513	711,905
<b>Transactions with owners of the Company</b>						
<i>Contributions and distribution</i>						
Equity settled share-based transactions	—	—	522	522	—	522
Shares issued under share option scheme	54	19,873	(4,802)	15,125	—	15,125
2021 final and special final dividend approved	—	—	(3,802,482)	(3,802,482)	(527,113)	(4,329,595)
<b>Total transactions with owners of the Company</b>	54	19,873	(3,806,762)	(3,786,835)	(527,113)	(4,313,948)
<b>At 30 June 2022</b>	<u>235,687</u>	<u>806,838</u>	<u>14,347,008</u>	<u>15,389,533</u>	<u>3,416,924</u>	<u>18,806,457</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2023

	Attributable to owners of the Company					
	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Reserves (Unaudited) RMB'000	Total capital and reserves (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total Equity (Unaudited) RMB'000
<b>At 1 January 2023</b>	235,741	825,364	12,310,421	13,371,526	3,443,949	16,815,475
Profit for the period	—	—	1,637,670	1,637,670	285,209	1,922,879
<b>Other comprehensive (loss) income</b>						
Exchange differences on consolidation	—	—	13,788	13,788	1,602	15,390
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	—	—	(3,092)	(3,092)	—	(3,092)
Cash flow hedges	—	—	(39,466)	(39,466)	297	(39,169)
<b>Total other comprehensive (loss) income</b>	—	—	(28,770)	(28,770)	1,899	(26,871)
<b>Total comprehensive income for the period</b>	—	—	1,608,900	1,608,900	287,108	1,896,008
<b>Transactions with owners of the Company</b>						
<i>Contributions and distribution</i>						
Shares issued under share option scheme	7	2,026	(501)	1,532	—	1,532
Effect on the change of functional currency	(39,067)	(40,299)	79,366	—	—	—
2022 final and special final dividend approved	—	—	(2,632,371)	(2,632,371)	(426,811)	(3,059,182)
<b>Total transactions with owners of the Company</b>	(39,060)	(38,273)	(2,553,506)	(2,630,839)	(426,811)	(3,057,650)
<b>At 30 June 2023</b>	<u>196,681</u>	<u>787,091</u>	<u>11,365,815</u>	<u>12,349,587</u>	<u>3,304,246</u>	<u>15,653,833</u>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Six Months Ended 30 June 2023

	<b>January to June 2023 (Unaudited) RMB'000</b>	<b>January to June 2022 (Unaudited) RMB'000</b>
<b>OPERATING ACTIVITIES</b>		
<b>Cash generated from operations</b>	3,821,835	1,917,870
The People's Republic of China ("PRC") enterprise income tax paid	(723,192)	(508,992)
Interest paid	(255,649)	(130,050)
<b>Net cash from operating activities</b>	2,842,994	1,278,828
<b>INVESTING ACTIVITIES</b>		
Interest received	286,158	331,281
Decrease/(Increase) in long-term time deposits	520,000	(1,410,000)
Dividend income received from joint ventures	60,320	—
Dividend income received from an associate	17,741	—
Purchase of financial assets at fair value through profit or loss	(4,139)	—
Purchase of property, plant and equipment	(1,402,834)	(1,654,886)
Net cash inflow on disposal of subsidiaries	213,533	79,897
Others	103,909	32,514
<b>Net cash used in investing activities</b>	(205,312)	(2,621,194)
<b>FINANCING ACTIVITIES</b>		
Dividends paid to non-controlling interests	(426,811)	(527,113)
Payments of lease liabilities	(113,895)	(115,442)
Proceeds from bank borrowings	10,666,968	8,391,744
Repayments of bank borrowings	(10,820,642)	(5,204,735)
Others	1,532	15,125
<b>Net cash (used in) from financing activities</b>	(692,848)	2,559,579
<b>Net increase in cash and cash equivalents</b>	1,944,834	1,217,213
<b>Cash and cash equivalents at 1 January</b>	12,336,453	15,859,238
Effect on exchange rate changes	2,429	43,260
<b>Cash and cash equivalents at 30 June</b>	14,283,716	17,119,711
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	14,257,335	17,108,455
Pledged bank deposits	26,381	11,256
	14,283,716	17,119,711

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group’s unaudited condensed consolidated interim financial statements. These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed consolidated interim financial statements should be read in conjunction with the 2022 annual financial statements (the “2022 Annual Report”). The accounting policies adopted in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2023 are consistent with those in the preparation of the Group’s 2022 Annual Report, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2023 as described below.

Adoption of new/revised HKFRSs

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of these amendments to HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior years.

Prior to 1 January 2023, United States Dollar (“US\$”) was the functional currency of the Company and its certain foreign subsidiaries. During the period, there is a change of the primary economic environment in which the Company and those subsidiaries operated. Accordingly, the Directors determined that the functional currency of the Company and those subsidiaries had been changed from US\$ to Renminbi (“RMB”) effective from 1 January 2023 (the “Effective Date”) as the Directors consider the change of functional currency of the Company and those foreign subsidiaries reflect more faithfully the economic effects of the underlying transactions, events and conditions of the Company and those foreign subsidiaries. The effect of the change in functional currency had been accounted for prospectively on the Effective Date in accordance with HKAS21.

2. Segment information

Segment results

	For the Six Months ended 30 June 2023				
	Instant noodles (Unaudited) RMB’000	Beverages (Unaudited) RMB’000	Others (Unaudited) RMB’000	Inter-segment elimination (Unaudited) RMB’000	Total (Unaudited) RMB’000
<b>Revenue</b>					
Revenue from contract with customers	13,913,767	26,600,680	357,206	—	40,871,653
<b>Timing of revenue recognition:</b>					
Recognised at a point in time	13,913,767	26,600,680	357,206	—	40,871,653
Revenue from other sources:					
Rental income from investment properties	—	—	35,803	—	35,803
Inter-segment revenue	36,358	5,357	332,080	(373,795)	—
Segment revenue	13,950,125	26,606,037	725,089	(373,795)	40,907,456
<b>Segment results after finance costs</b>					
Share of results of an associate and joint ventures	1,091,221 (231)	1,435,915 122,888	(50,712) (557)	14,802 —	2,491,226 122,100
Unallocated income, net	—	—	50	—	50
<b>Profit (loss) before taxation</b>					
Taxation	1,090,990 (284,851)	1,558,803 (394,931)	(51,219) (10,715)	14,802 —	2,613,376 (690,497)
<b>Profit (loss) for the period</b>	806,139	1,163,872	(61,934)	14,802	1,922,879

2. Segment information (Continued)

	For the Six Months ended 30 June 2022				
	Instant noodles (Unaudited) RMB'000	Beverages (Unaudited) RMB'000	Others (Unaudited) RMB'000	Inter-segment elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
<b>Revenue</b>					
Revenue from contract with customers	13,521,336	24,295,072	360,311	—	38,176,719
<b>Timing of revenue recognition:</b>					
Recognised at a point in time	13,521,336	24,295,072	360,311	—	38,176,719
Revenue from other sources:					
Rental income from investment properties	—	—	40,159	—	40,159
Inter-segment revenue	26,256	2,495	338,474	(367,225)	—
Segment revenue	<u>13,547,592</u>	<u>24,297,567</u>	<u>738,944</u>	<u>(367,225)</u>	<u>38,216,878</u>
<b>Segment results after finance costs</b>	717,877	1,188,958	(24,771)	7,058	1,889,122
Share of results of an associate and joint ventures	(71)	108,531	(583)	—	107,877
Unallocated expenses, net	—	—	(18)	—	(18)
<b>Profit (loss) before taxation</b>	717,806	1,297,489	(25,372)	7,058	1,996,981
Taxation	(173,510)	(312,048)	(16,849)	—	(502,407)
<b>Profit (loss) for the period</b>	<u>544,296</u>	<u>985,441</u>	<u>(42,221)</u>	<u>7,058</u>	<u>1,494,574</u>

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. The Company's executive directors assess the performance of reportable segments and resources allocation based on the profit (loss) for the period and the profit (loss) before taxation, share of results of an associate and joint ventures and unallocated income (expenses), net.

2. Segment information (Continued)

Segment assets and liabilities

	At 30 June 2023				
	Instant noodles	Beverages	Others	Inter-segment	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment assets</b>	16,669,443	35,623,515	7,314,579	(1,385,504)	58,222,033
Interest in an associate	—	87,129	—	—	87,129
Interest in joint ventures	233	661,229	3,080	—	664,542
Unallocated assets					333,805
<b>Total assets</b>					<u>59,307,509</u>
<b>Segment liabilities</b>	8,576,158	22,710,058	13,500,907	(1,189,089)	43,598,034
Unallocated liabilities					55,642
<b>Total liabilities</b>					<u>43,653,676</u>

	At 31 December 2022				
	Instant noodles	Beverages	Others	Inter-segment	Total
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment assets</b>	20,015,049	34,145,275	4,710,542	(1,462,128)	57,408,738
Interest in an associate	—	93,316	—	—	93,316
Interest in joint ventures	464	610,216	3,636	—	614,316
Unallocated assets					332,936
<b>Total assets</b>					<u>58,449,306</u>
<b>Segment liabilities</b>	10,844,982	20,545,661	11,430,662	(1,256,500)	41,564,805
Unallocated liabilities					69,026
<b>Total liabilities</b>					<u>41,633,831</u>

Segment assets include all assets with the exception of interest in an associate and joint ventures and unallocated assets which include certain investment funds and equity securities recognised in financial assets at fair value through profit or loss or equity instruments designated as at fair value through other comprehensive income. Segment liabilities include all liabilities with the exception of employee benefit obligations.

3. 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.

**4. Profit before taxation**

This is stated after charging:

	<b>January to June 2023 (Unaudited) RMB'000</b>	<b>January to June 2022 (Unaudited) RMB'000</b>
<b>Finance costs</b>		
Interest on bank and other borrowings wholly repayable within five years	256,259	124,991
Finance costs on lease liabilities	8,094	8,392
	264,353	133,383
<b>Other items</b>		
Depreciation	1,693,791	1,615,294
Amortisation	3,420	3,241
	1,697,211	1,618,535

**5. Taxation**

	<b>January to June 2023 (Unaudited) RMB'000</b>	<b>January to June 2022 (Unaudited) RMB'000</b>
<b>Current tax</b>		
Current period	623,089	434,053
<b>Deferred taxation</b>		
Origination and reversal of temporary differences, net	(38,257)	(8,092)
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	105,665	76,446
	690,497	502,407
	690,497	502,407

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

For the six months ended 30 June 2023 and 2022, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax regime. Under the two-tiered profits tax regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The statutory PRC Enterprise Income Tax for the PRC subsidiaries is 25% (2022: 25%). According to the Tax Relief Notice (Announcement of the Ministry of Finance [2020] no.23) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Taxation Administration and National Development and Reform Commission, foreign investment enterprises located in the Western Region of the PRC (the "Western Region") with over 60% (2022: 60%) of principal revenue generated from the encouraged business activities are continuously entitled to a preferential income tax rate of 15% from 1 January 2021 to 31 December 2030. Accordingly, certain subsidiaries located in the Western Region are entitled to an income tax rate of 15% (2022: 15%).

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors. For the Group's PRC subsidiaries, the applicable rate is 5% (2022: 5%). Deferred tax liability is provided on the basis that the undistributed earnings of the Group's entities are expected to be distributed in the foreseeable future. The remaining net earnings of the Group's PRC subsidiaries that are not expected to be distributed in the foreseeable future would be subject to additional taxation when they are distributed.

**6. Earnings per share**

**a) Basic earnings per share**

	<b>January to June 2023 (Unaudited)</b>	<b>January to June 2022 (Unaudited)</b>
Profit attributable to ordinary equity shareholders (RMB'000)	1,637,670	1,253,367
Weighted average number of ordinary shares ('000)	5,634,218	5,631,997
Basic earnings per share (RMB cents)	29.07	22.25

**b) Diluted earnings per share**

	<b>January to June 2023 (Unaudited)</b>	<b>January to June 2022 (Unaudited)</b>
Profit attributable to ordinary equity shareholders (RMB'000)	1,637,670	1,253,367
<i>Weighted average number of ordinary shares (diluted) ('000)</i>		
Weighted average number of ordinary shares	5,634,218	5,631,997
Effect of the Company's share option scheme	4,474	3,464
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,638,692	5,635,461
Diluted earnings per share (RMB cents)	29.04	22.24

**7. Dividend**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022 special interim dividend: RMB44.38 cents per ordinary share, totalling RMB2,500,000,000).

**8. Trade receivables**

The majority of the Group's sales is cash-before-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 loss allowance) based on invoice date, at the end of the reporting period is as follows:

	<b>At 30 June 2023 (Unaudited) RMB '000</b>	<b>At 31 December 2022 (Audited) RMB '000</b>
0 - 90 days	1,970,780	1,686,700
Over 90 days	131,582	121,581
	2,102,362	1,808,281

**9. Issued capital**

	<b>At 30 June 2023 (Unaudited)</b>			<b>At 31 December 2022 (Audited)</b>		
	<b>No. of shares</b>	<b>US\$'000</b>	<b>Equivalent to RMB'000</b>	<b>No. of shares</b>	<b>US\$'000</b>	<b>Equivalent to RMB'000</b>
Authorised:						
Ordinary shares of US\$0.005 each	7,000,000,000	35,000		7,000,000,000	35,000	
Issued and fully paid:						
At the beginning of the period/year	5,634,164,360	28,171	235,741	5,630,972,360	28,155	235,633
Shares issued under share option scheme	192,000	1	7	3,192,000	16	108
Effect on the change of functional currency	—	—	(39,067)	—	—	—
At the end of the reporting period	5,634,356,360	28,172	196,681	5,634,164,360	28,171	235,741

During the reporting period, 192,000 options were exercised to subscribe for 192,000 ordinary shares of the Company at a total consideration of RMB1,532,000 of which RMB7,000 was credited to share capital and the balance of RMB1,525,000 was credited to the share premium account. In addition, RMB501,000 has been transferred from the share-based payment reserve to the share premium account.

**10. Interest-bearing borrowings**

	<b>At 30 June 2023</b>	<b>At 31 December 2022</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
The maturity of the interest-bearing borrowings:		
Within one year	7,834,264	9,203,139
In the second year	4,749,800	3,770,260
In the third to the fifth years, inclusive	5,040,541	4,645,611
	17,624,605	17,619,010
Portion classified as current liabilities	(7,834,264)	(9,203,139)
	9,790,341	8,415,871
Non-current portion	9,790,341	8,415,871

The interest-bearing borrowings consist of unsecured bank loans and unsecured notes.

The carrying value of the unsecured notes issued by the Company on 24 September 2020 (the “Notes”) at the end of the reporting period is US\$497,594,000 (equivalent to approximately RMB3,610,541,000) (2022: US\$497,072,000 (equivalent to approximately RMB3,470,308,000)) and is included in the interest-bearing borrowings with maturity in the third to fifth years (2022: in the third to fifth years). The Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the Notes as at 30 June 2023, based on the quoted market price, was US\$455,420,000 (equivalent to approximately RMB3,304,528,000) (2022: US\$449,065,000 (equivalent to approximately RMB3,135,147,000)).

During the six months ended 30 June 2023, the Group obtained bank loans in aggregate amount of RMB10,666,968,000 (2022: RMB8,391,744,000), repayments of bank loans amounting to RMB10,820,642,000 (2022: RMB5,204,735,000) were made in line with previously disclosed repayment term.

**11. Trade payables**

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

	<b>At 30 June 2023</b>	<b>At 31 December 2022</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 90 days	9,021,826	8,591,071
Over 90 days	921,896	898,837
	9,943,722	9,489,908
	9,943,722	9,489,908

**12. Disposal of a subsidiary**

During the period, the Group entered into a sale and purchase agreement with an independent third party for the disposal of entire equity interest in a subsidiary at a consideration of approximately RMB220,469,000. The disposal was completed before March 2023. The net assets of the subsidiary at the date of disposal were amounting to approximately in aggregate of RMB66,053,000. The gain on disposal of subsidiary of RMB154,416,000 was recognised in profit or loss and recorded as other net income.



13. Fair Value Measurements

(a) Financial assets and liabilities carried at fair value

The following table presents the financial assets and liabilities measured at fair value or required to disclose their fair value in these condensed consolidated financial statements on a recurring basis at 30 June 2023 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

	At 30 June 2023 (Unaudited)				At 31 December 2022 (Audited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>								
Financial assets at fair value through profit and loss								
– Investment funds	—	—	258,488	258,488	—	—	254,349	254,349
– Equity securities, listed	—	—	—	—	194	—	—	194
Derivative financial instruments	—	164,598	—	164,598	—	—	—	—
Equity instruments designated as at fair value through other comprehensive income								
– Equity securities, unlisted	—	—	155,426	155,426	—	—	158,518	158,518
	<u>—</u>	<u>164,598</u>	<u>413,914</u>	<u>578,512</u>	<u>194</u>	<u>—</u>	<u>412,867</u>	<u>413,061</u>
<b>Liabilities</b>								
Derivative financial instruments								
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>92,729</u>	<u>—</u>	<u>92,729</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>92,729</u>	<u>—</u>	<u>92,729</u>

During the six months ended 30 June 2023 and 2022, there was no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

13. Fair Value Measurements (Continued)

(a) Financial assets and liabilities carried at fair value (Continued)

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy for the six months ended 30 June 2023 and 2022 are shown as follows:

	30 June 2023 (Unaudited)			30 June 2022 (Unaudited)		
	Assets		Liabilities	Assets		Liabilities
	Financial assets at fair value through profit or loss	Equity instruments designated as at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Equity instruments designated as at fair value through other comprehensive income	
	Investment funds	Equity securities, unlisted	Contingent consideration payable	Investment funds	Equity securities, unlisted	Contingent consideration payable
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At beginning of the period	254,349	158,518	—	626,707	137,317	(9,959)
Purchases	4,139	—	—	6,992	—	—
Disposal	—	—	—	—	—	—
Total (losses) gains recognised:						
– in profit or loss	—	—	—	—	—	—
– other comprehensive income	—	(3,092)	—	—	421	—
Exchange difference	—	—	—	29,060	6,860	—
<b>At the end of the reporting period</b>	<b>258,488</b>	<b>155,426</b>	<b>—</b>	<b>662,759</b>	<b>144,598</b>	<b>(9,959)</b>
Change in unrealised gains for the period included in profit or loss for assets and liabilities held at the end of the reporting period	—	—	—	—	—	—

Valuation techniques and significant inputs used in Level 2 and Level 3 fair value measurement

(i) Financial assets at fair value through profit or loss: Investment funds

The fair value of these investment funds in Level 3 is mainly estimated either based on the net asset value of the investment fund reported to the investors by the investment manager or the fair values of the companies invested by the funds as at the end of the reporting period. All of the investment funds in Level 3 included both listed investments and unlisted investments. The fair values of listed investments are estimated with reference to quoted market price, while the fair values of unlisted investments are estimated by the respective investment managers using valuation techniques including mainly price-to-sales (P/S) ratio model and net asset value approach (31 December 2022: price-to-sales (P/S) ratio model and net asset value approach). In determining the fair value of unlisted investments, it includes assumptions that are not supported by observable market prices or rates, including expected annual growth rates and comparable companies' average price-to-sales (P/S) ratio.

(ii) Equity instruments designated as at fair value through other comprehensive income: Unlisted equity securities

The fair value of the unlisted equity securities in Level 3 are mainly determined by the investment manager using price-to-sales (P/S) ratio model. In determining the fair value of the unlisted equity securities, it includes assumptions that are not supported by observable market prices or rates, including expected annual growth rates and comparable companies' average price-to-sales (P/S) ratio.

(iii) Derivative financial instruments: Foreign currency forward contracts

The fair value of the foreign currency forward contracts in Level 2 is determined by the banks using present value of future cash flows based on the forward exchange rate at the end of the reporting period.

**13. Fair Value Measurements (Continued)****(a) Financial assets and liabilities carried at fair value (Continued)****Valuation techniques and significant inputs used in Level 2 and Level 3 fair value measurement (Continued)**

There was no change in valuation techniques during the reporting period. The assumptions of the unobservable inputs used in Level 3 fair value measurement at the end of the reporting period have no significant difference with those used in the Group's annual financial statements for the year ended 31 December 2022.

**Sensitivity to changes in significant unobservable inputs**

In the opinion of the Directors, the impact of changes in significant unobservable inputs on the Level 3 fair value measurement and the Group's profit and other comprehensive income for the period have no significant difference with those in the Group's annual financial statements for the year ended 31 December 2022, as there was no significant change in the reasonably possible range of significant unobservable inputs for Level 3 fair value measurements as at 30 June 2023 comparing to 31 December 2022.

**Valuation processes used in Level 3 fair value measurement**

In estimating the fair value of investment funds and unlisted equity securities within Level 3 of the fair value hierarchy, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group obtains the valuations provided by the respective investment managers or trust administrator for the investment funds.

The Group's finance department includes a team that reviews the valuations performed by the investment managers or trust administrator of the investment funds for financial reporting purposes. The team reports directly to the senior management. Discussions of valuation processes and results are held between the management, investment managers or trust administrator of the investment funds at least once every year. At each financial year end, the finance department works closely with the investment managers or trust administrator of the investment funds to establish the appropriate valuation techniques and inputs to the valuation models, verifies all major unobservable inputs in the valuations, assesses valuations movements when compared to the prior year valuation report and holds discussions with the investment managers or trust administrator of the investment funds. At the end of the reporting period, the finance department assessed fair values of an asset or a liability within Level 3 of the fair value hierarchy based on the valuations performed by investment managers or trust administrator at preceding financial year end taking into account of any significant changes in the assumptions of the unobservable inputs used in fair value measurements during the reporting period.

**(b) Fair values of financial assets and liabilities carried at other than fair value**

In the opinion of the directors, no other financial assets and liabilities of the Group are carried at amount materially different from their fair values as at 30 June 2023 and 31 December 2022.

**14. Capital expenditure commitments**

	<b>At 30 June 2023</b>	<b>At 31 December 2022</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
Expenditures on property, plant and equipment	772,710	541,830
Expenditures on financial assets at fair value through profit or loss	31,898	—
	804,608	541,830
	804,608	541,830

**15. Related party transactions**

In addition to the transactions disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions in the ordinary course of the Group's business.

	<b>January to June 2023</b>	<b>January to June 2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(a) Sales of goods to:</b>		
Companies controlled by a substantial shareholder of the Company	63,952	57,052
An associate	15,494	5,289
Joint ventures	455,357	438,771
	534,803	501,112
<b>(b) Purchases of goods from:</b>		
A group of companies controlled by the family members and relatives of the Company's directors	3,031,420	3,176,023
Joint ventures	4,944	4,586
	3,036,364	3,180,609
<b>(c) Distribution costs paid to:</b>		
A group of companies controlled by the family members and relatives of the Company's directors	886,256	858,490
	886,256	858,490

**16. Approval of interim financial statements**

The interim financial statements of 2023 were approved by the Board of Directors on 22 August 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Macro and Industry Environment

In the first half of 2023, as everyday activity returned to normal and the government issued various policies to stimulate domestic demand, the Chinese economy began to recover, with GDP growing by 5.5% year-on-year. Traffic and offline consumption scenarios recovered, the demand for consumption outside home settings rebounded, and the total retail sales of social consumer goods increased by 8.2% year-on-year. However, the CPI remained at a low level. Consumers exhibited more rational behavior by pursuing nutritious, healthy and cost-effective products, and community group buying channels continued to grow. All of these factors created opportunities and challenges for the development of the Group.

### Business Review

The Group pressed ahead by executing its strategy to “Consolidate, Reform and Develop”. It consolidated its core products, while constantly expanding product flavors and sizes. It also furthered its endeavors in both modern and traditional channels, developed new retail channels, and provided consumers with delicious, healthy, diversified and convenient consumption options.

For the first half of 2023, the Group’s revenue increased by 7.04% year-on-year to RMB40.907bn. Revenue from instant noodles increased by 2.97% year-on-year, while revenue from beverages increased by 9.50% year-on-year. The gross profit margin in the first half of the year increased by 2.25 percentage points year-on-year to 30.47%. The ratio of distribution costs to revenue increased by 0.63 percentage point year-on-year to 22.05%. EBITDA increased by 25.87% year-on-year to RMB4.302bn. With the impact of the year-on-year improvement in gross profit margin, profit attributable to shareholders of the Company increased by 30.66% year-on-year to RMB1.638bn. Basic earnings per share increased by RMB6.82cents to RMB29.07cents.

### Instant Noodles Business

In the first half of 2023, the Group’s revenue from the instant noodle business was RMB13.95bn, representing year-on-year growth of 2.97%, and accounting for 34.10% of the Group’s total revenue. During the period, the gross profit margin of instant noodles increased by 5.20 percentage points year-on-year to 25.83%, due to favorable selling prices and raw material prices. As a result of the year-on-year improvement in gross profit margin, the profit attributable to shareholders of the Company in the instant noodle segment increased by 48.11% year-on-year to RMB806m in H1 2023.

During the period, the instant noodle business leveraged its scale advantages and made consistent efforts to meet consumers’ diversified demands with a varied offering in terms of price bands, flavors and sizes. Emphasis was placed on consolidating core products, promoting innovative new product flavors, and setting the stage for premium products. Taking advantage of price rationalization, the business intensified its channel development and brand investment efforts while maintaining its firm commitment to product quality and for that, won the title of “China Space Program Support Supplies Partner” in the convenience food category.

### **High-priced Noodles**

In the high-priced noodles segment, the Group strengthened core products and actively promoted multiple product sizes, including the Master Kong Mini Bucket, the Master Kong Dried Noodles and the BIG Bucket/Package. “Roasted Beef Noodles” produced a fun micro-variety show featuring Lay Zhang, its brand ambassador, presenting an immersive on-site exploration of its factory production line. “Hot Beef Noodles” brought gourmet experiences featuring “three fragrances and one spicy element” to consumers. “Tomato Egg Beef Noodles” worked with its brand ambassador, Yang Zi, to create a comprehensive social advertising and communication campaign, and achieved a high level of sales. “Golden Stock Beef Noodles” partnered with the famous IP “Minions” to launch a variety of co-branded products. “Mini Bucket” introduced new packaging with illustrations. “Dried Noodles” strengthened promotional efforts during its peak season. “BIG Bucket/Package” strengthened communication for occasions such as sports and traveling.

### **Premium Noodles/Super-premium Noodles**

In the premium and super-premium noodles segment, the lineup of premium products was strengthened and product flavors and sizes were enriched to meet middle class consumers’ demand for upgraded consumption options. “RanHun Noodles” appealed to the consumers’ sense of fashion and personality, promoted the dinner and the night snack scenario and broadened the market for new categories with “Handmade Sun-bathed Stewed Noodles”. “Dried Noodles Collection” draws on traditional culinary heritage to match the unique cooking technique of “Noodles with different cooking”, with specially made noodle assortments that came with fragrant sauce or condiments to satisfy the discerning tastes of younger consumers, and led the consumption upgrade across the dried noodles market. “Yu-Pin Banquet” focused on the young white-collar workers and the middle-class population, and promoted the consumption of more premium instant noodle products by leveraging a campaign from brand ambassador Luo Yonghao to trigger discussion.

### **Mid-priced Noodles/Snack Noodles**

The cost-effective and delicious large-portion product “Master Kong 50% Plus” focused on flavors and achieved sales growth. “Flavored and Crunchy” snack noodles, with students as the core demographic, reached a wider population in the leisure snack market, introduced 100+ different packaging designs in association with the IP “Pokémon”, and developed rich product peripheries to continue enhancing brand awareness and brand preference.

### **Beverage Business**

In the first half of 2023, revenue from the beverage business was RMB26.606bn, representing year-on-year growth of 9.50%, and accounting for 65.04% of the Group’s total revenue. During the period, the gross profit margin of beverages increased by 0.52 percentage point year-on-year to 32.66% due to favorable raw material prices and product-mix. Due to the year-on-year increase in gross profit margin, the profit attributable to the shareholders of the Company in the beverage segment increased by 18.06% year-on-year to RMB879m in H1 2023.

During the period, the beverage business established scale advantage, focused on core category operation, continuously launched and nurtured new products, and seized the trend towards health. Its efforts were geared consistently towards optimizing the product portfolio across channels and consumption occasions such as at-home, tourism and dining out. The business strengthened interaction with consumers and pursued marketing approaches targeted towards the younger population such as on social networks and E-commerce, delivering significant results in terms of brand building. The construction of a data pool made progress. The business optimized its production capacity and streamlined its distribution channels. In response to the demand in the peak season, capital expenditure to support outdoor consumption was moderately increased, with increased investment in refrigerators.

**RTD Tea**

The RTD Tea business focused on core products and capitalized on the sugar-free trend. “Master Kong Ice Tea” teamed up with brand ambassador Wang Yibo to create a visual blockbuster and created its own catering IP, “Happy Friday”. “Tropical Flavor” partnered with brand ambassadors Teens in Times to appeal to Generation Z. The packaging and flavor of “Sugar-free Ice Tea” received upgrades. “Jasmine Series” launched the virtual brand ambassador, Liu Yexi. “Green Tea” packaging was revamped, and the brand cooperated with brand ambassador Wu Lei to showcase its brand image associated with healthy activities. “Green Plum Green Tea” series had its packaging upgraded, and built on the momentum of the IP “Mario” to promote “Huangshan Big Green Plum”, further creating product topics. “Pure Sugar-free Tea Beverage” introduced a new flavor of Alpine Oolong.

**Carbonated Soft Drinks**

The Group made efforts to continuously drive innovation in flavors with a full suite of sizes, packages and reduced-sugar offerings to meet consumers’ needs in various drinking occasions. “Pepsi-Cola” continued to build the “Pepsi Concept Store” meta-universe and gastronomic platform, etc. “Pepsi No Sugar” collaborated with the mobile game IP “League of Legends” to engage young consumers. New product “Raw Cola” was launched. “Mirinda” was the name sponsor for the 4th season of the “Great Escape”, and launched the mixed fruit flavors of Passion Fruit & Pineapple and Passion Fruit & Coconut, and juice bubble drinks introduced orange flavor/apple flavor, both of which were aimed at creating a mid-end and premium-end market for juice carbonated soft drinks. “7UP” packaging was upgraded, and the sugar-free citrus lemon flavor was launched as a trial. The “Bubly” Osugar 0kcal 0fat multi-flavor mixed package was jointly marketed with a number of Disney IPs.

**Juices**

The Group capitalized on the advantages of the multiple size and flavor options, as well as the fusion of the Chinese and Western styles to create a culture of “Chinese Style Drinks with Meal”. “Rock Candy Pear” Chinese juice strengthened the brand image of “Moistening the Throat for Every Moment” and cooperated with Dunhuang Museum’s IP to promote the drinking occasion of moistening the throat for a good voice with traditional culture. “Sour Plum Juice Drink with Dried Tangerine Peel” was newly launched, highlighting the benefits of vintage tangerine peel of its thirst quenching, refreshing and palate cleansing effects. Western-style juices “Fresh Orange”, “Peach” and “Crystal Grape” had their flavors upgraded and their packaging revamped. “Honey Pomelo” was upgraded with the addition of royal jelly and the appeal to “Natural Pomelo Vitality” was enhanced. “Tropicana 100%” met consumers’ demand for 100% juice at ambient temperature. The “Tropicana” brand focused on mixed fruit flavors.

**Bottled Water**

The bottled water business met the needs of different consumers with products of various sizes and price bands, intensified the operation by whole boxes and different sizes, and tapped into the consumption demands of indoor and outdoor occasions for water consumption. “Master Kong Bottled Drinking Water” joined hands with One Foundation to launch a charity campaign to donate for the construction of rural children’s sports grounds. “Drink Boiled Water” communicated the message of “drinking boiled water for starting on anything”, by applying it to the context of Generation Z, expanded the drinking occasions, and promoted the positive features of boiled water. “Aquafina” cooperated with the players of the China Women’s National Football Team, continued to penetrate into daily outdoor water replenishment and at-home drinking occasions, meeting the needs of consumers in different occasions with a full suite of sizes. “Soda Sparkling Water” established a differentiated brand image, cooperated with well-known eatery/coffee brands, and expanded sales for diversified occasions.

**Coffee Drinks/Functional Drinks/Probiotics**

The Coffee drinks business met consumers’ demands across multiple price bands. “Starbucks Ready-to-Drink Coffee” upgraded the Starbucks Select packaging across the whole line and launched the “Pike Place” PET package, further strengthening the competitiveness of PET product line. The “Bernachon Coffee” light and fresh series met consumers’ demands for low-fat health. The functional beverage “Gatorade” continued to intensify the brand image of sports drinks, and the “Gatorade Light” series met the demands of urban sports and daily hydration. “Wei Chuan Ambient Probiotics Drink” focused on operation in core flavors. “Xiao Lao Duo Duo”, the lactobacillus beverage, built on its momentum of rapid growth and expanded the penetration into the younger population through cooperation with the DUCKYO FRIENDS IP.

## Financial Operation

Through its prudent cash strategy, proficient control of capital expenditures and effective promotion of asset activation, the Group is expected to generate stable net cash inflows. During the period, the Group had a net cash inflow of RMB2.843bn from operating activities and a net cash outflow of RMB205m from investing activities. During the period, the Group promoted asset activation to yield a net cash inflow of RMB214m.

The Group continued to maintain a robust financial structure through effective control of trade receivables, trade payables and inventories, with sufficient cash holdings. As of June 30, 2023, the Group's bank deposits and cash amounted to RMB21.316bn, an increase of RMB1.427bn compared to December 31, 2022. As of June 30, 2023, the Group's interest-bearing borrowings amounted to RMB17.625bn, an increase of RMB6m compared to December 31, 2022. The net cash totaled RMB3.691bn, an increase of RMB1.422bn compared to December 31, 2022. At the end of the period, the ratio of borrowings denominated in foreign currency to RMB was 26%:74%, versus 31%:69% at the end of the previous year. The ratio of long-term to short-term borrowings was 56%:44% versus 48%:52% at the end of the previous year.

The Group's total assets and total liabilities were RMB59.308bn and RMB43.654bn, respectively, as of June 30, 2023, an increase of RMB858m and RMB2.020bn, respectively, compared to December 31, 2022. The debt ratio was 73.61%, up 2.38 percentage points compared to December 31, 2022. The gearing ratio decreased from -16.97% as of December 31, 2022 to -29.89% in the current period.

## Financial Ratio

	<b>2023</b>	2022
	<b>Jun. 30th</b>	Dec. 31st
Turnover of Finished Goods	<b>18.70 Days</b>	20.77 Days
Turnover of Trade Receivables	<b>8.65 Days</b>	8.93 Days
Current Ratio	<b>0.84 times</b>	0.76 times
Debt ratio (Total liabilities to Total assets)	<b>73.61 %</b>	71.23%
Gearing ratio (Net borrowings to shareholders' equity) <sup>1</sup>	<b>-29.89 %</b>	-16.97%

## Human Resources

The Group had 65,956 employees, as of June 30, 2023.

Talents and teams are the key factors to business success. The Group is driven by the talent system and is committed to training core management. The case of "E-learning promotes the growth of employees and Company together" was selected into Forbes' annual list of "Inspiring Cases". Each HR module has had its operations largely digitalized.

The Group has always been committed to deepening university-enterprise cooperation. The Group's cooperation efforts have grown to include 66 higher education institutions and 32 vocational schools nationwide. By actively responding to national policies, conducting more than 100 online and offline recruitment campaigns and organizing tours for both teachers and students, hundreds of thousands of people had been reached in total, providing employment for fresh graduates.

Partnerships with many top universities at home and abroad were deepened as well. Senior executives of the Group participated in a case study seminar of Harvard Business School and shared the successful experience of Master Kong with executives of global agribusinesses. The Group also maintained in-depth cooperation with Peking University in the areas of talent training and joint exploration in scientific research and innovation. The Integrative Practical Projects (IPP) were jointly rolled out with School of Economics and Management, Tsinghua University to create business strategy. The summer internship programs with Stanford GMIX and Waseda University, as well as social practice with Yuanpei College, Peking University and other top universities at home and abroad were also restarted.

<sup>1</sup> Long-term time deposits are also taken into account for the calculation of the Group's gearing ratio, as management believe that this basis of calculation would more accurately reflect the Group's capital structure.



## Corporate Social Responsibility

As a responsible national brand, the Group has been committed to its mission of “Promoting Chinese Food & Beverage Culture” and its vision of “Being the Most Respected Food & Beverage Company”, and has consistently upheld the sustainable development concept of “Keep Our Nature Green”.

Food safety serves as an important foundation for the long-term development of enterprises in the food and beverage industry. The Group benchmarked against aerospace-quality, focused on consumers, put forward five strategies for satisfaction of “consumers, society, partners, employees and shareholders”, and maintained zero-tolerance towards food safety risks. The Group proactively arranged theme events such as the Food Safety Month campaigns, organized internal and external food safety training and product tracking drills, and publicized knowledge on food safety for consumers. Thanks to its innovative R&D capabilities, the Group received the certificate of multinational R&D center from the mayor of Shanghai.

The Group actively responded to the national guideline of “Carbon Peaking and Carbon Neutrality”. The Group participated in the roundtable session of the “2023 Shanghai International Carbon Neutrality Expo in Technologies, Products and Achievements” as a representative of enterprises in the food and beverage industry, sharing Master Kong’s green, low-carbon and high-quality development path. The Group was invited to the “2023 United Nations Deputy Secretary-General’s Visit to China and CEO Roundtable”, where it shared Master Kong’s philosophy and successful practices regarding sustainable development. For the first time, the Group took part in the Consumer Goods Forum (CGF) Global CEO Summit to learn about and exchange ideas on the topics of ESG, consumers and food safety, among others. The Group initiated the project of manufacturing “everything” with rPET. In association with multiple other businesses, the Group launched the carbon reduction theme event, “Reimagine with Bottles and Live with all Life Forms” on World Earth Day and kicked off the theme event of “Infinite Rebirth” on World Environment Day. Projects such as sewage water recycling and waste gas and methane recycling and treatment were actively carried out.

The Group also actively supported social welfare. Together with the China Foundation for Rural Development, the Group aided rural households on rural development and assisted the national strategy of rural revitalization. The Group donated care supplies to students, police, and public welfare organizations, etc. The Group also supported sports events, such as marathons, dragon boat races, and cycling, etc., held in various places. The Group was recognized as 2023 Environmental, Social and Governance (ESG) Case of the Year by People’s Daily, selected as the 2023 Forbes ESG Inspiring Case, and won the titles of “2022 Excellent Water-saving Enterprise in China Beverage Industry” and “2022 Excellent Energy-saving Enterprise in China Beverage Industry” granted by China Beverage Industry Association, as well as the Platinum Award in the 1st Edition of Outstanding ESG Practice Enterprise in the Greater Bay Area.

## Prospects

In the second half of 2023, China’s economy is expected to continue to recover, and consumption will continue to drive economic growth. Domestic circulation will still be the main engine of domestic economic growth in the future, and the operating environment will be full of competition and opportunities.

The Group remains committed to its strategy to “Consolidate, Reform and Develop” and will keep working to expand and strengthen its business in the domestic market. The instant noodle business will continue to meet the diversified demands of consumers with products that come in multiple price bands, multiple sizes and multiple flavors, and continue to drive the scale expansion of the entire industry. The beverage business will continue to focus on core categories and promote product mix adaptations to accommodate the needs of consumers for different consumption occasions and drive sales growth through the peak season.

Amidst the trend of digitalization, the Group will accelerate its transformation in the aspects of supply chain management, data platform construction and information security, etc. Investment will be increased in basic research, and talent development will be accelerated. Efforts will be made to advance safe operations and carry out crisis drills. The Group advocates green consumption and is willing to share its forward-looking research and technological advantages in food safety and sustainable development with the industry.

The Group will dedicate itself to its mission of “Promoting Chinese Food and Beverage Culture”, its supreme purpose of “Serving the Needs of Consumers”, its vision of “Being the Most Respected Food & Beverage Company”, and its cornerstone of “Food Safety”, whilst relying on the “Five Pillars” of scale, brand, innovation, talent and team, and system, to develop in a robust and sustainable manner, thus creating value for consumers and shareholders.

## CORPORATE GOVERNANCE

We have, during the six months ended 30 June 2023, complied with the code provisions of the Corporate Governance Code which became effective in the year (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the deviation from code provision B.2.2 and B.2.4.

According to code provision B.2.2, each director (including those with a specific appointment period) shall be subject to retirement by rotation at least once every three years. According to the Company’s Memorandum and Articles of Association, the chairman of the Board is not subject to retirement by rotation. He is not included in the number of directors who are required to retire each year. The Board believes that the continuity of the leadership of the chairman of the Board is critical to the stability of the Group’s development and the planning, formulation and implementation of long-term strategies and business plans. Accordingly, the Board considers that although the provisions of the above rules deviate from Code Provision B.2.2, it is in the best interests of the Company.

According to Code Provision B.2.4, if all independent non-executive directors have served more than nine years on the board of directors of an issuer, the issuer should appoint a new independent non-executive director at the forthcoming AGM (and the appointment shall take effect in the financial year commencing on or after 1 January 2023). All the three independent non-executive Directors of the Company have served on the Board for more than nine years. Mr. Hsu Shin-Chun has served on the Board for 22 years, Mr. Lee Tiong-Hock has served on the Board for 18 years and Mr. Hiromu Fukada has served on the Board for 11 years. The Board considers that these three independent non-executive Directors have a thorough understanding of the Company’s business operation, and have expressed objective views and given independent guidance to the Company in the past. The Board is also of the view that these three independent non-executive Directors are firmly committed to their responsibilities and ongoing role, and that the long service of these three independent non-executive Directors will not affect their independent judgments. The Board considers these three independent non-executive Directors to remain independent under the Listing Rules despite the fact that they have served the Company for more than nine years. The Board is satisfied that they have the necessary integrity, honesty and experience to continue in their role as independent non-executive Directors. The Board believes that the continued tenure of these three independent non-executive Directors will bring stability to the Board and the Board will benefit greatly from the experience of these three independent non-executive Directors, who have over time gained valuable insight into the Group. Therefore, the Company did not appoint a new independent non-executive Director at the AGM held during the year, which, despite deviation from Code Provision B.2.4, would not be detrimental to the Company.

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

### **Directors’ responsibility for the financial statements**

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

### **Audit Committee**

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

### **Risk Management and Internal Control**

The principal spirit of the internal control and risk management procedures established by the Group is in compliance with five elements in the COSO structure, i.e. control environment, risk assessment, control activities, information and communication, and monitoring. The goal of risk management is to keep the overall risk of the Group within acceptable levels and to lay a good foundation for the Group’s long-term development. Meanwhile, it can achieve the goal of defining the management structure and authorization so as to enhance the operational performance and efficiency as well as asset safety protection, which ensures the reliability of financial reports while complies with the requirements of national regulations.

Under the supervision of the Board, the Group has established an organization structure, responsibility and authority in the construction of three lines of defense for risk management. The Audit Committee will assist the Board to review the design and operation effectiveness of the risk management and internal control system of the Group. As of 30 June 2023, the Group has been carrying out self-assessment of internal control where a prudent and effective self-inspection system has been established to achieve full coverage of external and internal inspection on each aspect thought the management circle. Meanwhile, more efforts have been put in supervision over subsidiaries where management regulations have been formulated with a priority to processes of higher risk. In addition, the Group has been promoting the monitoring work in respect of laws and regulations, anti-fraud and the construction of internal control culture. According to the internal audit of the internal inspection department, we have not identified any material deficiency in risk management and internal control. Therefore, the Board and the Audit Committee believe that the Group’s risk management and internal control system are effective.

**Model Code For Directors’ Securities Transactions**

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 standards 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 under review.

**SHARE OPTION SCHEME**

At the extraordinary general meeting (the “EGM”) of the Company held on 20 March 2008, the shareholders approved the adoption of the share option scheme (the “2008 Share Option Scheme”), with a term of ten years from the date of adoption.

In view of the expiry of the 2008 Share Option Scheme, the shareholders of the Company adopted the new share option scheme (the “2018 Share Option Scheme”) at the EGM held on 26 April 2018, with a term of ten years from the date of adoption.

**(a) 2008 Share Option Scheme**

During the six months ended 30 June 2023, no share options were granted by the Company in accordance with the terms of the 2008 Share Option Scheme.

The terms of the 2008 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Detailed arrangement for the 2008 Share Option Scheme is shown as below: (Table A)

<b>Date of grant</b>	<b>Number of share options granted</b>	<b>Exercisable period</b>	<b>Exercise price (HK\$)</b>
20 March 2008	11,760,000	21 March 2013 to 20 March 2018 (1)	\$9.28
22 April 2009	26,688,000	23 April 2014 to 22 April 2019 (2)	\$9.38
1 April 2010	15,044,000	1 April 2015 to 31 March 2020 (3)	\$18.57
12 April 2011	17,702,000	12 April 2016 to 11 April 2021 (4)	\$19.96
26 April 2012	9,700,000	26 April 2017 to 25 April 2022 (5)	\$20.54
27 May 2013	11,492,000	27 May 2018 to 26 May 2023 (6)	\$20.16
17 April 2014	12,718,500	17 April 2019 to 16 April 2024 (7)	\$22.38
5 June 2015	17,054,000	5 June 2020 to 4 June 2025 (8)	\$16.22
4 July 2016	10,148,000	4 July 2021 to 3 July 2026 (9)	\$7.54
21 April 2017	11,420,000	21 April 2022 to 20 April 2027 (10)	\$10.20

**TINGYI (CAYMAN ISLANDS) HOLDING CORP.**

The summary below sets out the details of movement of the share options during the six months ended 30 June 2023 pursuant to the 2008 Share Option Scheme: (Table B)

Name	Date of grant	Exercise price HK\$	Closing price of the shares on the date of grant HK\$	Balance as at 1 January 2023	Number of share option			Balance as at 30 June 2023	Weighted average closing price immediately before exercise HK\$	Note
					Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
<b>Executive Director</b>										
Tseng Chien	27 May 2013	20.16	20.05	140,000	—	—	140,000	—	—	Table A (6)
	17 April 2014	22.38	22.35	164,000	—	—	164,000	—	—	Table A (7)
	5 June 2015	16.22	15.92	232,000	—	—	232,000	—	—	Table A (8)
Wei Hong-Ming	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)
Wei Hong-Chen	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)
<b>Chief Executive Officer</b>										
Chen Yinjang	17 April 2014	22.38	22.35	262,000	—	—	—	262,000	—	Table A (7)
	5 June 2015	16.22	15.92	380,000	—	—	—	380,000	—	Table A (8)
	4 July 2016	7.54	7.54	500,000	—	—	—	500,000	—	Table A (9)
	21 April 2017	10.20	10.20	500,000	—	—	—	500,000	—	Table A (10)
<b>Substantial Shareholder</b>										
Wei Ing-Chou <sup>#</sup>	27 May 2013	20.16	20.05	1,390,000	—	—	1,390,000	—	—	Table A (6)
	17 April 2014	22.38	22.35	1,486,000	—	—	—	1,486,000	—	Table A (7)
	5 June 2015	16.22	15.92	1,726,000	—	—	—	1,726,000	—	Table A (8)
<b>Other employees in aggregate</b>	27 May 2013	20.16	20.05	5,324,000	—	—	5,324,000	—	—	Table A (6)
	17 April 2014	22.38	22.35	5,931,000	—	—	880,000	5,051,000	—	Table A (7)
	5 June 2015	16.22	15.92	9,210,000	—	—	1,082,000	8,128,000	—	Table A (8)
	4 July 2016	7.54	7.54	1,142,000	—	92,000	—	1,050,000	13.09	Table A (9)
	21 April 2017	10.20	10.20	4,780,000	—	100,000	—	4,680,000	12.12	Table A (10)
<b>Total</b>				35,167,000	—	192,000	9,212,000	25,763,000		

For the period of six months ended 30 June 2023, 192,000 options had been exercised under the 2008 Share Option Scheme. Weighted average exercise price was HK\$8.93 and the average market closing price before the date of exercise was HK\$12.58.

<sup>#</sup> Wei Ing-Chou was the former Chairman of the Board and a former Executive Director. He is a beneficiary of two trusts which holds 25% interests in Profit Surplus Holdings Limited and Profit Surplus 3 Holdings Limited, respectively. Profit Surplus Holdings Limited is indirectly interested in 82.165% of Ting Hsin (Cayman Islands) Holding Corp. Profit Surplus 3 Holdings Limited is indirectly interested in 17.835% of Ting Hsin (Cayman Islands) Holding Corp. Ting Hsin (Cayman Islands) Holding Corp. directly holds 1,882,927,866 shares of the Company (see Note 1).

(b) 2018 Share Option Scheme

The terms of the 2018 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Detailed arrangement for the 2018 Share Option Scheme is shown as below: (Table C)

Date of grant	Number of share options granted	Exercisable period	Exercise price (HK\$)
27 April 2018	2,478,000	30 April 2021 to 26 April 2028 (1a)	\$16.18
27 April 2018	5,626,000	30 April 2021 to 26 April 2024 (1b)	\$16.18

The summary below sets out the details of movement of the share options during the six months ended 30 June 2023 pursuant to the 2018 Share Option Scheme: (Table D)

Name	Date of grant	Exercise price HK\$	Closing price of the shares on the date of grant HK\$	Number of share option				Balance as at 30 June 2023	Weighted average closing price immediately before exercise HK\$	Note
				Balance as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/lapsed during the period			
<b>Executive Director</b>										
Wei Hong-Ming	27 April 2018	16.18	15.02	385,000	—	—	—	385,000	—	Table C (1a)
	27 April 2018	16.18	15.02	98,000	—	—	—	98,000	—	Table C (1b)
Wei Hong-Chen	27 April 2018	16.18	15.02	385,000	—	—	—	385,000	—	Table C (1a)
	27 April 2018	16.18	15.02	98,000	—	—	—	98,000	—	Table C (1b)
<b>Chief Executive Officer</b>										
Chen Yinjang	27 April 2018	16.18	15.02	144,000	—	—	—	144,000	—	Table C (1b)
<b>Substantial Shareholder</b>										
Wei Ing-Chou #	27 April 2018	16.18	15.02	470,000	—	—	—	470,000	—	Table C (1b)
<b>Other employees in aggregate</b>										
	27 April 2018	16.18	15.02	1,708,000	—	—	—	1,708,000	—	Table C (1a)
	27 April 2018	16.18	15.02	2,975,000	—	—	—	2,975,000	—	Table C (1b)
<b>Total</b>				6,263,000	—	—	—	6,263,000	—	

During the six months ended 30 June 2023, no share options were exercised under the terms of the 2018 Share Option Scheme.

# Wei Ing-Chou was the former Chairman of the Board and a former Executive Director. He is a beneficiary of two trusts which holds 25% interests in Profit Surplus Holdings Limited and Profit Surplus 3 Holdings Limited, respectively. Profit Surplus Holdings Limited is indirectly interested in 82.165% of Ting Hsin (Cayman Islands) Holding Corp. Profit Surplus 3 Holdings Limited is indirectly interested in 17.835% of Ting Hsin (Cayman Islands) Holding Corp. Ting Hsin (Cayman Islands) Holding Corp. directly holds 1,882,927,866 shares of the Company (see Note 1).

**INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES**

As at 30 June 2023, the interests and short positions of the Directors and Chief Executive Officer in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

**Long position in Shares and underlying Shares**

Name	Number of ordinary shares Personal interests	Percentage of the issued share capital	Number of underlying shares held under share options Beneficial owner	Percentage of the issued share capital
<b>Directors</b>				
Wei Hong-Ming	5,000,000	0.09%	1,483,000	0.03%
Wei Hong-Chen	5,000,000	0.09%	1,483,000	0.03%
<b>Chief Executive Officer</b>				
Chen Yinjang	—	—	1,786,000	0.03%

Save as disclosed above, at no time during the six months ended 30 June 2023 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in or any other body corporate.

Save as disclosed in this paragraph, as at 30 June 2023, none of the Directors and Chief Executive Officer had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

*Notes:*

1. These 1,882,927,866 shares are held by and registered under the name of Ting Hsin (Cayman Islands) Holding Corp. (“Ting Hsin”). Ting Hsin is beneficially owned as to approximately 51.925% by Ho Te Investments Limited (“Ho Te”), as to approximately 30.240% by Rich Cheer Holdings Limited (“Rich Cheer”), and as to approximately 17.835% by Rich Gold Capital Inc. (“Rich Gold”). Ho Te and Rich Cheer are owned as to 100% by Profit Surplus Holdings Limited (“Profit Surplus”). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. The settlors and discretionary objects of the four trusts are as follows:

- Wei Chang Lu-Yun is the settlor of one of the discretionary trusts with Wei Chang Lu-Yun and Wei Ing-Chou as discretionary objects;
- Lin Li-Mien is the settlor of one of the discretionary trusts with Lin Li-Mien and Wei Ying-Chiao as discretionary objects;
- Wei Hsu Hsiu-Mien is the settlor of one of the discretionary trusts with Wei Hsu Hsiu-Mien and Wei Yin-Chun as discretionary objects; and
- Wei Tu Miao is the settlor of one of the discretionary trusts with Wei Tu Miao and Wei Yin-Heng as discretionary objects.

Rich Gold is wholly owned by Tingho Capital Holding Co., Ltd., which is owned by Profit Surplus 3 Holdings Limited (“Profit Surplus 3”). Profit Surplus 3 is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. The settlors and discretionary objects of the four trusts have similar structures to those listed above.

Lion Trust (Singapore) Limited is the trustee of each of the discretionary trusts mentioned above.

2. Wei Ing-Chou is also personally interested in 13,942,000 shares and holds 3,682,000 share options (details shown as Table B and Table D on page 27 and 28 respectively) under the share option schemes of the Company. Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in register required to be kept under section 336 of the SFO as at 30 June 2023.

## BOARD OF DIRECTORS

As at the date of this report, Mr. Wei Hong-Ming, Mr. Junichiro Ida, Mr. Wei Hong-Chen, Mr. Koji Shinohara, Mr. Yuko Takahashi and Ms. Tseng Chien are Executive Directors. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are Independent Non-executive Directors.

By Order of the Board  
**Wei Hong-Ming**  
Chairman

Hong Kong, 22 August 2023

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

\* For identification purpose only