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康師傅控股

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

康師傅控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0322)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

RMB'000	2023	2022	Change
• Revenue	80,418,075	78,717,420	↑ 2.16%
• Gross margin (%)	30.42%	29.09%	↑ 1.33 ppt
• Gross profit	24,467,089	22,899,417	↑ 6.85%
• EBITDA	8,206,526	7,209,990	↑ 13.82%
• Profit for the year	3,516,667	3,075,834	↑ 14.33%
• Profit attributable to owners of the Company	3,117,461	2,632,312	↑ 18.43%
• Earnings per share (RMB cents)			
Basic	55.33	46.73	↑ 8.60 cents
Diluted	55.31	46.71	↑ 8.60 cents

At 31 December 2023, cash and cash equivalents was RMB14,738.381 million, with a decrease of RMB5,149.972 million when compared to 31 December 2022. Gearing ratio was -7.27%.

CHAIRMAN'S STATEMENT

Master Kong, as a leading national brand and company in China's food and beverage industry, has committed to providing consumers with "Life + Delicacy". The endeavors are there to bring joy to consumers in every bite they have with healthy and delicious products suitable for different consumer groups as well as consumption occasions.

In face of market changes in 2023, the Group adhered to long-termism and pursued quality development. Gradual improvement had been made in gross margin structure, and active investments had been made in brand rejuvenation and food safety risk management, bolstering the stable growth of performance.

Over the year, the Group had kept on with product innovation, branding and channel development. Investment in basic research had been intensified, talent echelon development accelerated, system platform integration strengthened, and digital transformation expedited. Efforts had been made to continue to promote food safety and sustainable development, drive business growth, better serve customers and consumers, create value for shareholders, and establish a comprehensive food and beverage "National Brand" that is trustworthy for the government, delightful for partners, and reassuring for consumers.

The market in 2024 is still loaded with opportunities and challenges. The Board will continue to un-servingly promote the Group's high-quality development in all aspects, upgrade products and services from within and outside, drive the improvement of product quality for consumers and reasonable growth of total volume consumptions in the market, and prompt the management team, on an ongoing basis, to operate in a healthy manner to serve the wide population of consumers.

I would like to express my heartfelt gratitude to all the shareholders, members of the Board, management team, employees, partners and consumers for their support over all these years!

Wei Hong-Ming

Chairman of the Board

Hong Kong, China

March 26, 2024

RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	80,418,075	78,717,420
Cost of sales		<u>(55,950,986)</u>	<u>(55,818,003)</u>
Gross profit		24,467,089	22,899,417
Other revenue	5	540,694	650,412
Other net income	6	893,447	874,820
Distribution costs		(17,883,440)	(16,809,780)
Administrative expenses		(2,615,681)	(2,396,714)
Other operating expenses		(230,480)	(750,648)
Finance costs	7	(519,122)	(446,021)
Share of results of an associate and joint ventures		<u>126,954</u>	<u>127,318</u>
Profit before taxation	7	4,779,461	4,148,804
Taxation	8	<u>(1,262,794)</u>	<u>(1,072,970)</u>
Profit for the year		<u>3,516,667</u>	<u>3,075,834</u>
Profit attributable to:			
Owners of the Company		3,117,461	2,632,312
Non-controlling interests		<u>399,206</u>	<u>443,522</u>
Profit for the year		<u>3,516,667</u>	<u>3,075,834</u>
Earnings per share	10	<i>RMB</i>	<i>RMB</i>
Basic		<u>55.33 cents</u>	<u>46.73 cents</u>
Diluted		<u>55.31 cents</u>	<u>46.71 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	3,516,667	3,075,834
Other comprehensive (loss) income:		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	(9,596)	798
Fair value changes in equity instruments designated as at fair value through other comprehensive income	(3,611)	7,874
	<u>(13,207)</u>	<u>8,672</u>
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on consolidation	11,617	(1,640,813)
Cash flow hedges	39,664	(1,011)
	<u>51,281</u>	<u>(1,641,824)</u>
Other comprehensive income (loss) for the year	<u>38,074</u>	<u>(1,633,152)</u>
Total comprehensive income for the year	<u>3,554,741</u>	<u>1,442,682</u>
Total comprehensive income attributable to:		
Owners of the Company	3,153,917	1,124,397
Non-controlling interests	400,824	318,285
	<u>3,554,741</u>	<u>1,442,682</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Note</i>	2023	2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment properties		1,825,170	1,832,200
Property, plant and equipment		21,454,802	21,259,417
Right-of-use assets		3,554,237	3,625,714
Intangible assets		155,640	162,480
Goodwill		97,910	97,910
Interest in an associate		95,378	93,316
Interest in joint ventures		529,323	614,316
Financial assets at fair value through profit or loss		325,113	254,543
Equity instruments designated as at fair value through other comprehensive income		154,907	158,518
Derivative financial instruments		169,185	—
Deferred tax assets		339,411	481,923
Long-term time deposits		3,975,000	5,841,900
		32,676,076	34,422,237
Current assets			
Inventories		4,385,268	5,254,592
Trade receivables	11	1,579,983	1,808,281
Tax recoverable		42,364	20,354
Prepayments and other receivables		3,037,372	2,897,389
Financial assets at fair value through profit or loss		665,210	—
Current portion of long-term time deposits		3,976,900	1,710,000
Pledged bank deposits		32,015	12,531
Bank balances and cash		6,754,466	12,323,922
		20,473,578	24,027,069
Total assets		53,149,654	58,449,306

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		196,681	235,741
Share premium		787,091	825,364
Reserves		12,910,832	12,310,421
		<hr/>	<hr/>
Total capital and reserves attributable to owners of the Company		13,894,604	13,371,526
Non-controlling interests		3,327,640	3,443,949
		<hr/>	<hr/>
Total equity		17,222,244	16,815,475
		<hr/>	<hr/>
Non-current liabilities			
Long-term interest-bearing borrowings		5,247,194	8,415,871
Lease liabilities		180,424	145,448
Employee benefit obligations		52,898	69,026
Deferred tax liabilities		1,253,880	1,298,948
		<hr/>	<hr/>
		6,734,396	9,929,293
		<hr/>	<hr/>
Current liabilities			
Trade payables	12	8,572,717	9,489,908
Other payables and deposits received		8,869,473	9,783,497
Current portion of interest-bearing borrowings		8,481,501	9,203,139
Lease liabilities		146,268	155,665
Derivative financial instruments		—	92,729
Advance payments from customers		2,821,969	2,571,730
Taxation		301,086	407,870
		<hr/>	<hr/>
		29,193,014	31,704,538
		<hr/>	<hr/>
Total liabilities		35,927,410	41,633,831
		<hr/>	<hr/>
Total equity and liabilities		53,149,654	58,449,306
		<hr/>	<hr/>
Net current liabilities		(8,719,436)	(7,677,469)
		<hr/>	<hr/>
Total assets less current liabilities		23,956,640	26,744,768
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Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year and the accounting policies in relation to change in functional currency during the year that were not applied in 2022 annual report.

Prior to 1 January 2023, United States Dollar (“US\$”) was the functional currency of the Company and its certain foreign subsidiaries. During the year, there is a change of the primary economic environment in which the Company and those subsidiaries operated. Accordingly, the board of directors (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 HKAS 21.

2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

3. ADOPTION OF NEW/REVISED HKFRSs

The HKICPA has issued a number of new/revised HKFRSs that are first effective for the current accounting period of the Group. Of these, the changes in accounting policy relevant to the consolidated financial statements are as follows:

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform— Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments results in additional disclosures which are presented in annual report.

4. REVENUE AND SEGMENT INFORMATION

The Company's executive directors have been identified as the chief operating decision-maker of the Group. The Group has identified its operating segments and prepared segment information 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 consider the business principally from a product perspective which forms a basis for business segment information as over 99% of the Group's sales and business are conducted in the People's Republic of China ("PRC") from a geographical perspective. Business reportable operating segments identified are instant noodles, beverages, and others. The segment of others includes instant food, investment holding, properties investment for rental propose and supportive functions.

For the purposes of assessing the performance of the operating segments and allocating resources between segments, the Company's executive directors assess the performance of reportable segments based on profit (loss) for the year and profit (loss) before taxation, share of results of an associate and joint ventures and unallocated (expenses) income, net.

Segment assets include all assets with the exception of interest in an associate and joint ventures and unallocated assets which include certain financial assets at FVPL and Designated as at FVOCI. Segment liabilities include all liabilities with the exception of employee benefit obligations.

Inter-segment sales are priced at cost plus profit margin. The accounting policies of the reporting segments are the same as the Group's accounting policies.

The geographical location of the Group's customers is based on the location at which the goods are delivered. Over 99% of the revenues from external customers of the Group are attributable to customers located in the PRC, the place of domicile of the Group's operating entities. Meanwhile, all of the Group's non-current assets, other than certain financial assets at FVPL and Designated as at FVOCI, are located in the PRC. No revenue from a single external customer amounted to 10% or more of the Group's revenue.

Segment results

	2023				
	Instant noodles	Beverages	Others	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue					
Revenue from contracts with customers	28,720,554	50,930,604	697,005	—	80,348,163
Timing of revenue recognition:					
Recognised at a point in time	28,720,554	50,930,604	697,005	—	80,348,163
Revenue from other sources:					
Rental income from investment properties	—	—	69,912	—	69,912
Inter-segment revenue	72,134	8,036	650,354	(730,524)	—
Segment revenue	<u>28,792,688</u>	<u>50,938,640</u>	<u>1,417,271</u>	<u>(730,524)</u>	<u>80,418,075</u>
Segment result after finance costs	2,701,577	2,077,137	(141,657)	20,122	4,657,179
Share of results of an associate and joint ventures	(387)	128,450	(1,109)	—	126,954
Unallocated expenses, net	—	—	(4,672)	—	(4,672)
Profit (Loss) before taxation	2,701,190	2,205,587	(147,438)	20,122	4,779,461
Taxation	(692,933)	(546,270)	(23,591)	—	(1,262,794)
Profit (Loss) for the year	<u>2,008,257</u>	<u>1,659,317</u>	<u>(171,029)</u>	<u>20,122</u>	<u>3,516,667</u>

2022

	Instant noodles	Beverages	Others	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue					
Revenue from contracts with customers	29,578,253	48,327,716	738,570	—	78,644,539
Timing of revenue recognition:					
Recognised at a point in time	29,578,253	48,327,716	738,570	—	78,644,539
Revenue from other sources:					
Rental income from investment properties	—	—	72,881	—	72,881
Inter-segment revenue	55,443	8,014	700,353	(763,810)	—
Segment revenue	<u>29,633,696</u>	<u>48,335,730</u>	<u>1,511,804</u>	<u>(763,810)</u>	<u>78,717,420</u>
Segment result after finance costs	1,839,554	2,275,213	(121,539)	20,762	4,013,990
Share of results of an associate and joint ventures	(339)	128,810	(1,153)	—	127,318
Unallocated income, net	—	—	7,496	—	7,496
Profit (Loss) before taxation	1,839,215	2,404,023	(115,196)	20,762	4,148,804
Taxation	(464,685)	(582,337)	(25,948)	—	(1,072,970)
Profit (Loss) for the year	<u>1,374,530</u>	<u>1,821,686</u>	<u>(141,144)</u>	<u>20,762</u>	<u>3,075,834</u>

Segment assets and liabilities

	2023				
	Instant noodles	Beverages	Others	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets					
Segment assets	18,102,147	32,415,379	4,467,320	(2,793,861)	52,190,985
Interest in an associate	—	95,378	—	—	95,378
Interest in joint ventures	76	529,247	—	—	529,323
Unallocated assets					333,968
Total assets					<u>53,149,654</u>
Liabilities					
Segment liabilities	8,801,039	18,981,068	10,692,799	(2,600,394)	35,874,512
Unallocated liabilities					52,898
Total liabilities					<u>35,927,410</u>
Other information					
Depreciation and amortisation	<u>868,412</u>	<u>2,527,121</u>	<u>167,806</u>	<u>(114,702)</u>	<u>3,448,637</u>
Capital expenditures	<u>699,708</u>	<u>2,967,555</u>	<u>20,442</u>	<u>—</u>	<u>3,687,705</u>
Interest income	<u>211,343</u>	<u>350,856</u>	<u>34,753</u>	<u>(56,258)</u>	<u>540,694</u>
Interest expenses	<u>39,750</u>	<u>233,759</u>	<u>306,100</u>	<u>(60,487)</u>	<u>519,122</u>
Gain on disposal of subsidiaries	<u>259,306</u>	<u>154,416</u>	<u>—</u>	<u>—</u>	<u>413,722</u>

2022

	Instant noodles	Beverages	Others	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets					
Segment assets	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
Total assets					58,449,306
Liabilities					
Segment liabilities	10,844,982	20,545,661	11,430,662	(1,256,500)	41,564,805
Unallocated liabilities					69,026
Total liabilities					41,633,831
Other information					
Depreciation and amortisation	871,679	2,335,508	179,792	(121,402)	3,265,577
Capital expenditures	530,314	2,548,530	22,493	—	3,101,337
Interest income	285,211	409,987	13,385	(58,171)	650,412
Interest expenses	31,984	210,063	270,236	(66,262)	446,021
Gain on disposal of subsidiaries	36,304	69,688	—	—	105,992

5. OTHER REVENUE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	<u>540,694</u>	<u>650,412</u>

6. OTHER NET INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Income (Expenses):		
Gain on sales of scrapped materials	195,251	208,992
Change in fair value of financial assets at FVPL, net	(133)	10,099
Dividend income from financial assets at FVPL and designated as at FVOCI	127	1,413
Gain on disposal of subsidiaries	413,722	105,992
Government grants	201,306	418,514
Loss on disposal of property, plant and equipment and right-of-use assets	(113,295)	(60,288)
Exchange loss, net	(2,632)	(30,164)
Others	199,101	220,262
	<u>893,447</u>	<u>874,820</u>

7. PROFIT BEFORE TAXATION

This is stated after charging:

	2023	2022
	RMB'000	RMB'000
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	503,088	429,900
Finance costs on lease liabilities	16,034	16,121
	519,122	446,021
Other items		
Depreciation:		
Property, plant and equipment	3,111,300	2,936,451
Right-of-use assets	330,497	322,447
Amortisation of intangible assets	6,840	6,679

8. TAXATION

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
PRC Enterprise income tax		
Current year	1,036,223	966,194
Over provision in prior years	(24,694)	(37,532)
	<u>1,011,529</u>	<u>928,662</u>
Hong Kong profits tax		
Current year	<u>6,774</u>	<u>5,109</u>
Singapore corporate income tax		
Current year	<u>251</u>	<u>—</u>
Deferred taxation		
Origination and reversal of temporary differences, net	45,433	(35,891)
Effect of withholding tax on the net distributable earnings of the Group's PRC subsidiaries	198,807	175,090
	<u>244,240</u>	<u>139,199</u>
Total tax charge for the year	<u><u>1,262,794</u></u>	<u><u>1,072,970</u></u>

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

For the year ended 31 December 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% (2022: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2022: 16.5%).

Singapore Corporate Income Tax is charged at 17%. The subsidiaries of the Group qualify for the Partial Tax Exemption Scheme (the "Scheme") in which the Scheme allows for 75% tax exemption on the first SGD10,000 of normal chargeable income and a further 50% tax exemption on the next SGD190,000 of normal chargeable income.

The statutory PRC Enterprise income tax rate 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%).

9. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

	2023	2022
	RMB'000	RMB'000
Proposed final dividend of RMB27.66 cents (2022: RMB23.36 cents) per ordinary share	1,558,731	1,316,156
Proposed special final dividend of RMB27.66 cents (2022: RMB23.36 cents) per ordinary share	1,558,730	1,316,156
	<u>3,117,461</u>	<u>2,632,312</u>

At Board meeting held on 26 March 2024, the directors recommended the payment of a special final dividend and a final dividend of RMB27.66 cents and RMB27.66 cents per ordinary share respectively. The proposed special final dividend and final dividend have not been recognised as dividend payables in the consolidated statement of financial position.

No special interim dividend was approved and paid during the year ended 31 December 2023 while special interim dividend of RMB44.38 cents per ordinary share was approved and paid, totaling RMB2,500,000,000 during the year ended 31 December 2022.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

(a) Basic earnings per share

	2023	2022
Profit attributable to ordinary equity shareholders (RMB'000)	<u>3,117,461</u>	<u>2,632,312</u>
Weighted average number of ordinary shares ('000)	<u>5,634,288</u>	<u>5,632,791</u>
Basic earnings per share (RMB cents)	<u>55.33</u>	<u>46.73</u>

(b) Diluted earnings per share

	2023	2022
Profit attributable to ordinary equity shareholders (RMB'000)	<u>3,117,461</u>	<u>2,632,312</u>
<i>Weighted average number of ordinary shares (diluted) ('000)</i>		
Weighted average number of ordinary shares	5,634,288	5,632,791
Effect of the Company's share option scheme	<u>1,558</u>	<u>2,694</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>5,635,846</u>	<u>5,635,485</u>
Diluted earnings per share (RMB cents)	<u>55.31</u>	<u>46.71</u>

11. TRADE RECEIVABLES

The majority of the Group's sales are cash-before-delivery. The remaining balances of sales are mainly at credit term ranging from 30 to 90 days. The ageing analysis of trade receivables (net of loss allowance), based on invoice date, at the end of the reporting period is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	1,490,555	1,686,700
Over 90 days	<u>89,428</u>	<u>121,581</u>
	<u>1,579,983</u>	<u>1,808,281</u>

12. TRADE PAYABLES

The trade payables to third parties, related parties, an associate and joint ventures are unsecured, interest-free and with credit period of 30 to 90 days. The ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 – 90 days	7,748,297	8,591,071
Over 90 days	<u>824,420</u>	<u>898,837</u>
	<u><u>8,572,717</u></u>	<u><u>9,489,908</u></u>

13. COMMITMENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Capital expenditure commitments		
<i>Contracted but not provided for:</i>		
Expenditures on property, plant and equipment	1,076,179	541,830
Capital contribution on investment funds	<u>242,781</u>	<u>—</u>
	<u><u>1,318,960</u></u>	<u><u>541,830</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry Review

China's GDP grew 5.2% year-on-year in 2023. The out-of-home consumptions recovered significantly, with a year-on-year growth of 7.2% in total retail sales of consumer goods, and the CPI remained flat throughout the year. However, when making shopping decisions, the focus was, on one hand, placed on pursuit of healthy and high-value products, and on the other hand, on the cost-effectiveness of the products. In terms of channels, snack discount stores in the proximity settings were the main contributors to offline growth, and online sales from interest-based e-commerce platforms were growing significantly. These trends had brought opportunities and challenges to the development of the Group.

Business Review

For the full-year 2023, the Group's revenue grew 2.16% year-on-year to RMB80.418 billion. The revenue from instant noodles declined 2.84% year-on-year, while the revenue from beverages grew 5.39% year-on-year. For the full year, gross profit margin grew 1.33 percentage points to 30.42%. The ratio of distribution costs to revenue grew 0.89 percentage points year-on-year to 22.24%. EBITDA grew 13.82% year-on-year to RMB8.207 billion; driven by an expansion of gross profit margin, the profit attributable to shareholders of the Company grew 18.43% year-on-year to RMB3.117 billion; basic earnings per share grew 8.60 cents to RMB55.33 cents.

The table below shows the breakdown of revenues and proportion of total revenue for each segment during the reporting period:

	Twelve Months Ended December 31					
	2023		2022		Change	
	Revenue (in RMB'm)	Prop. (%)	Revenue (in RMB'm)	Prop. (%)	amount (in RMB'm)	Prop. (%)
Instant Noodles Business	28,793	35.80	29,634	37.65	-841	-2.84
Beverage Business	50,939	63.34	48,336	61.40	2,603	5.39
Others	686	0.86	747	0.95	-61	-8.19
Total	80,418	100.00	78,717	100.00	1,701	2.16

During the period, gross profit margin of the Group improved year-on-year. The following table shows the breakdown of the gross profit and gross profit margin of each segment during the reporting period:

	Twelve Months Ended December 31					
	2023		2022		Change	
	Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
					(percentage	
	(in RMB'm)	(%)	(in RMB'm)	(%)	(%)	point)
Instant Noodles Business	7,775	27.00	7,097	23.95	9.55	3.05
Beverage Business	16,353	32.10	15,444	31.95	5.88	0.15
Others	339	49.44	358	47.90	-5.25	1.54
Total	24,467	30.42	22,899	29.09	6.85	1.33

Instant Noodles Business

The instant noodle market faced changes such as shift in consumption scenarios in 2023. The business continued to consolidate core products, develop innovative flavors, accommodating the diverse needs of consumers. The gross profit structure of the business also got improved step by step, and active investment was made in the rejuvenation of the brand and the improvement of food safety risk management, making it a “A Cooperative Partner of China Space” for seven consecutive years. CCTV even paid an in-depth visit at the instant noodle factory of Master Kong, for a comprehensive visual, showing the entire production process of Master Kong’s “Space-Quality Chinese Noodles,” as well as the heritage of Chinese food culture, providing consumers with a delicious and reassuring promise.

For the full-year 2023, revenue of the instant noodle business was RMB28.793 billion, with a year-on-year decline of 2.84%, accounting for 35.80% of the Group’s total revenue. During the period, due to the decline in raw material prices and improvement in selling prices, the gross profit margin of instant noodles grew 3.05 percentage points to 27.00% year-on-year. As a result of gross profit margin expansion, the profit attributable to shareholders of the Company in the instant noodle segment grew 46.10% year-on-year to RMB2.008 billion for the full-year 2023.

High-priced Noodles

“Roasted Beef Noodles” worked with its brand ambassador, Lay Zhang and had an immersive tour at the factory production line, thus enhancing and further consolidating the brand image. With a deep insight into young consumers’ curiosity and their zeal for brand collaborations, the new product “Roasted Beef Noodles with Ice Tea Flavor” was launched, in association with “Tmall Super Brand Day.” This sparked discussions on the trending topic on the magnitude of billions of impressions across platforms, garnered millions of review videos, and the product quickly went viral. Grasping the trend for soup, “Good Soup Noodles” was launched, and by signing with the brand ambassador Charlie Zhou, brand awareness was rapidly enhanced. “Tomato Egg Beef Noodles” once again collaborated with ambassador Yang Zi to capture consumers’ minds and achieved good sales growth. “Golden Stock Beef Noodles” worked with the IP “Minions”, to strengthen interaction and communication with the young population, highlighting impressive sales performance. The innovative flavor “Radish and Beef Noodles” was launched, and by combining self-created dual IP images, the brand trial rate was pushed up. “Master Kong BIG Bucket/Package” kept accommodating the needs of consumers for large portions. “Master Kong Dried Noodles” stayed appealing to consumers with its innovative water filter design and rich flavor. “Master Kong Mini Bucket” captured the demand of consumers for the urge of “quick snacky bite”, continuously enriched flavors, and greatly boosted product sales.

Premium Noodles/Super-premium Noodles

“Soup Chef” launched the new Thai flavor, “Tom Yum Goong Noodle” and kept enriching the brand image of “Master in Every Type of Soups”. “Dried Noodles Collection” converged the signature techniques of preparing dried noodles from all over the places for “noodles with different cooking”, leading the trend to trade up for dried noodles, collaborated with the IP of “Chinese New Flavors” on Xiaohongshu (Little Red Book) to enhance brand awareness, and won the 2022-2023 Instant Food Innovation Grand Award. “Yu-Pin Banquet” satisfied consumers’ pursuit of high-quality products with truthful and big chunks of meat. With the influence of the brand spokesperson Zhang Wanyi, widespread topic dissemination was set in motion and a new flavor, “Select Hot Beef Noodles”, was launched to shape the image of a premium instant noodle brand. “Express Chef’s Noodles” launched with a new recipe by upgrading to wide noodles and introducing a new flavor called “Divine Hot Broth Noodles”, attracting consumers to try for a fresh taste.

Mid-priced Noodles/Snack Noodles

The large-portion product of “Master Kong 50% Plus” met consumers’ demand for high cost-effective products, focused on core flavors, and realized a growth in sales volume. As Snack Noodles, the “Flavored and Crunchy”, focused on the leisure snack market for students and a wider population, came with a variety of specifications for the new flavor of “grilled squid”, where a brand-new promotion campaign was rolled out in association with the well-known IP “Pokémon” to consistently enhance the brand awareness and brand preference.

Beverage Business

The beverage business was accelerating the strength of scale advantages, with growth realized in categories of tea, juices, water, and carbonated soft drinks, and following the trend of sugar-free and health, launched a suite of products including sugar-free tea, sugar-free carbonated soft drinks and sugar-free coffee.

For the full-year 2023, revenue from beverage business was RMB50.939 billion, with a year-on-year growth of 5.39%, accounting for 63.34% of the Group's total revenue. During the period, the gross profit margin of beverages grew 0.15 percentage points year-on-year to 32.10%, due to the decline in raw material prices and change of product-mix. Because of the year-on-year increase in distribution cost rate, the profit attributable to shareholders of the Company in the beverages segment declined 8.57% year-on-year to RMB1.260 billion for the full-year 2023.

RTD Tea

“Master Kong Ice Tea” teamed up with the brand ambassador, Wang Yibo, to create a visual blockbuster, while the self-owned catering IP “Happy Friday” remained active throughout the year, solidifying the brand's fashionable image for young vogue. “Tropical Flavor” collaborated with Teens in Times to seriously tap into the Generation Z. “Sugar-free Ice Tea”, with its flavor/packaging fully upgraded and its presence fit into the healthy consumption trend, was leading the development of the industry. The “Jasmine Series” successfully took its stage through its brand story of “Seeking Jasmine by Fragrance” performed by the virtual idol, Liu Yexi. “Green Tea” packaging/brand image was restaged, collaborated with the new spokesperson, Wu Lei, to release the new product “Sugar-Free Jasmine Green Tea”, intensifying the brand image for health and the vitality of young touch. “Master Kong Peach Oolong Tea” leveraged the theme of “Too Tasty to Resist” to communicate with the young demographic and continued to promote a youthful flavor. “Green Plum Green Tea” leveraged the blockbuster of “Super Mario” to enhance brand awareness. “Pure Sugar-free Tea Beverage” collaborated with Xinhua Bookstore's Cultural and Creative Select campaign to hold a crossover marketing event, achieving hundreds of millions of exposures across the entire network, attracting millions of consumers to interact, and launched a new flavor of Alpine Oolong.

Carbonated Soft Drinks

“Pepsi-Cola” closely echoed with the Spring Festival occasion, kept on with the collaboration with Mirinda and 7UP to jointly launch the festive packaging of the “Pepsi Auspicious Creatures LTO Can”. “Pepsi’s Concept Store” staged an all-out upgrade in the metaverse. “Pepsi Music Academy” continued to reach the campus community from all angles on the trending list for the topic of the 10th anniversary. The “Enjoy Food with Pepsi” turned up the communication volume for the gastronomic pairing occasions and created the IP of “Pepsi WOW” by collaborating with pairing platforms, developing consumption habits for the products. “Pepsi No Sugar” focused on the essential sugar-free scenarios, kept calling for young consumers through marketing campaign of “Instant Win Prize Under the Lid” and collaboration with the mobile game IP, “League of legends”, and expanded product appeal. The new product, “Pepsi ZS Sheng”, enhanced the refreshing taste of carbonation, seized the lane in a new category and gained popularity among consumers with a sensation. “Mirinda” was naming the 4th season of the “Great Escape”, forging synergy between online and offline offering to enhance interaction with consumers. “7UP” branding and packaging was restaged in all angles, and launched the flavor of sugar-free citrus lemon as a trial run to the market.

Juices

The Chinese juice of “Rock Candy Pear” collaborated with the Dunhuang Museum IP to promote the education on occasion of drinking for moistening the throat for a refreshing voice, driven by Chinese history and culture. “Plum Juice with Vintage Tangerine Peel” was launched in March, highlighting the benefits of vintage tangerine peel for the effect of relieving summer heat by quenching thirst and of pairing with meals by refreshing palate, and achieved sales growth. Western-style fruit juices, “Fresh Orange”, “Peach”, and “Crystal Grape” were independently branded with restaged flavors and packaging, achieving precision marketing for different flavors. “Honey Pomelo” was upgraded in its power of product, with royal jelly added. The “Tropicana” launched the new product of “Sunshine Orange”, adding to a rich lineup of mixed fruit flavors, and offered large packagings. “Tropicana 100%” highlighted the benefit of “Brazilian Orange Extract Rich in Vitamin C” for communication. The newly launched product “Carrot Vegetable Juice” won the top honor of “Three Stars” Award from ITI (International Taste Institute).

Bottled Water

“Master Kong Bottled Water” joined hands with One Foundation and and CCTV Network to donate for construction of rural children’s sports grounds, showcasing a brand image of passion for public good and responsibility. “Drink Boiled Water” communicated “drinking boiled water for starting on anything”, by applying to the context of Generation Z, expanded the drinking occasions of starting to work, the school starts, starting to have fun, and starting on the game, among other “Starting+” scenarios, which caused widespread dissemination among the young population. “Aquafina” signed contract with players of China Women’s National Football Team as brand ambassadors, collaborated with the variety show IP of “We Are the Champions 2” to enhance brand awareness and preferences, seized the outdoor growth momentum, and expanded into home and hotel drinking occasions, operating on a full-suite of specifications. “Soda Bubble Water” emphasized the product taste and rejuvenation attribute, and achieved double-digit sales growth by marketing through social media platforms with wish-list as consumption occasions to quickly enhance brand awareness and preference.

Coffee Drinks/Functional Drinks/Probiotics Drinks

“Starbucks Ready-to-Drink Coffee” upgraded the packaging of Starbucks Select across the whole line and launched the sugar-free coffee in PET package of “Pike Place” and “Starbucks Refreshing Tea” series, continuously strengthened the competitiveness of PET product line. “Bernachon Coffee” light and fresh series suited consumers’ desires for more authentic coffee taste and low-fat. The functional beverage “Gatorade” actively collaborated with national sports associations and covered sports venues, by leveraging the influence of international and local top athletes to firmly grasp the sports crowd. In the field of urban sports and daily hydration, efforts were made to actively explore the market of segmented categories, expand the coverage of brand audience, and create a comprehensive supplement product matrix. “Wei Chuan Ambient Probiotics Drink” focused on operation in core flavors. “Xiao Lao Duo Duo”, the refreshing lactobacillus beverage, continued its high-range double-digit growth and percolated into young population through the cooperation with the IP, DUCKYO.

Financial Operation

The Group actively promotes digital transformation of finance. With the help of newly established financial shared service center, it deepened the internal control system, established risk prevention and control mechanism that adapts to the digital environment, and gradually promoted the integration of operation and finance. It effectively supported the strategic implementation and sustainable development of the group; at the same time, it adhered to a prudent cash strategy with well controlled capital expenditures and effectively promoted asset activation, which is expected to generate stable net cash inflows.

During the year, the Group generated a net cash inflow of RMB5.495 billion from operating activities and a net cash outflow of RMB3.724 billion from investing activities, including the cash receipts of RMB213 million from asset activation. The net cash outflow from financing activities was RMB7.319 billion, resulting a net decrease in cash and cash equivalents of RMB5.15 billion (including long-term time deposits).

The Group continued to maintain a robust financial structure through effective control on the account receivables, account payables and inventories, with sufficient cash holdings. As of December 31, 2023, the Group's bank deposits and cash amounted to RMB14.738 billion, with a decrease of RMB5.150 billion versus December 31, 2022. As of December 31, 2023, the Group's interest-bearing borrowings amounted to RMB13.729 billion, with a decrease of RMB3.890 billion versus December 31, 2022. The net cash totaled RMB1.010 billion, with a decrease of RMB1.260 billion versus December 31, 2022. At the end of the period, the ratio of borrowings denominated in foreign currency to RMB was 33%:67% (The foreign currency-denominated borrowings are primarily 5-year unsecured notes issued on September 24, 2020, with an aggregate principal of US\$500 million), versus 31%:69% at the end of the previous year. The ratio of long-term to short-term borrowings was 38%:62% versus 48%:52% at the end of the previous year.

The Group's total assets and total liabilities registered RMB53.150 billion and RMB35.927 billion, respectively as of December 31, 2023, with a decrease of RMB5.300 billion and RMB5.706 billion respectively versus December 31, 2022; The debt ratio was 67.60%, down by 3.63 percentage points versus December 31, 2022; The gearing ratio grew from -16.97% as of December 31, 2022 to -7.27% in the current period.

Financial Ratio

	December 31 2023	December 31 2022
Turnover of finished goods	19.53 days	20.77 days
Turnover of account receivables	7.69 days	8.93 days
Current ratio	0.70 times	0.76 times
Debt ratio (Total liabilities to Total assets)	67.60%	71.23%
Gearing ratio (Net borrowings to shareholders' equity) ¹	-7.27%	-16.97%

¹ Long-term time deposits were also taken into account for the calculation of the Group's gearing ratio, as management believed that this basis of calculation reflected more accurately the Group's capital structure.

Human Resources

The Group had 66,807 employees, as of December 31, 2023.

Under the guidance of “Serving the success of business”, the Group stays committed to the sustainable development of organization and talents through an efficient integrated human resources system. Efforts were made to facilitate performance growth by establishing a learning organization.

The Leadership Empowerment Center customized leadership development courses to support the management of the Group. In 2023, the Group won the Annual Forbes Inspiring Case Award and 8 awards for corporate talent development rated by authoritative institutions such as CEIBS (China Europe International Business School), Beisen Cloud Human Resources, OnDemand Consulting and HRflag. In the Future, the Group will continually improve the talent development system, and accelerate digital transformation in HR.

Collaborations with universities and colleges were strengthened and the integration of industry and education was implemented. Enhanced cooperation was established with 111 universities and colleges nationwide. In total, 39 teaching and training bases and 9 dedicated educational cooperation classes were set up across the country. In active response to national policies, we actively conducted over a hundred recruitment campaigns, leveraging new media to promote our employer image as a youthful team and offering students and faculty the opportunity to get a closer look at our company. This reached millions of potential candidates and recruited thousands of fresh graduates throughout the year, while also hosting thousands of college students for internships.

Partnerships were deepened with selected top universities both domestically and internationally, aiming to foster Industry-University-Research Collaboration, facilitate international exchanges, and actively exert cross-sectoral influences. In the first half of the year, the Group maintained close collaboration in talent cultivation with various departments of Peking University and the School of Economics and Management at Tsinghua University, jointly rolling out the Integrative Practical Projects (IPP) to explore the Group’s business strategy. In the second half of the year, the summer internship programs were resumed with Stanford GMIX and Waseda University. Additionally, social practice were restarted with Yuanpei College, Peking University and other leading universities domestically and internationally, as part of a prospective deployment for attracting future high-end talents.

Corporate Social Responsibility

As a national brand, we upheld the sustainable development concept of “Keep Our Nature Green”, strived for green and high-quality development, and promoted the green transformation of the industry chain. Its efforts have been widely recognized by the society.

The Group placed consumers at the center and proposed the five strategies for satisfaction of “consumers, society, partners, employees and shareholders”. It viewed food safety, product responsibility, energy saving and environmental protection, win-win partnership and corporate contribution as the five core tasks of ESG. The Group actively practiced the national development strategy of “Healthy China” with zero tolerance for food safety risks and strongly supported research on nutrition and health policies, regulations as well as scientific forum activities. It enhanced food safety partnership with research institutions, academicians’ fellowships, associations and other professional organizations in the society and established a series of core technology platforms and basic research platforms. The Group has launched new products such as “Pure Sugar-free Tea Beverage”, “Express Chef’s Noodles” and others that are either sugar-free, sugar-reduced, fat-reduced or highly nutritionally value-added.

The Group consistently promoted comprehensive carbon inventory accounting, actively carried out projects such as heat recovery from steaming and frying process, wastewater and reclaimed water reuse, and improved its digital production management system. It responded to the Global Development Initiative for Sustainable Development Goals (GDI for SDG) program –“Alleviate Marine Plastic Pollution and Help Low-carbon Economic Transformation” by launching the campaign of “Reimagine with Bottles and Live with all Life Forms” and implementing the first commercial rPET project of GDI for SDG. This project won the Gold Award in the Corporate Social Responsibility Category of the 19th China Golden Awards for Excellence in Public Relations, 2023 Golden Flag Award for Environmental Protection, and the Silver Award in the Branded Company Group of the 2023 ROI Awards.

The Group supported sports events including marathons and basketball games held in different places and provided assistance for areas affected by typhoon “Doksuri” and the earthquake in Gansu Province. Efforts were focused on supporting “agriculture, rural areas and farmers”, deepening school-enterprise cooperation, and building a platform for industry-university-research connection. The Group donated caring supplies, visited the disadvantaged groups, and helped with employment of people with disabilities.

The Group was selected as China’s Top Runner for Industrial Carbon Peaking in 2023, invited to attend the “2023 Chinese Brand Forum” by People’s Daily and awarded the “2023 Innovative Case of Chinese Brand”. The Group attended the People’s Daily’s China Corporate Social Responsibility Summit and was selected as the 2023 Environmental, Social and Governance (ESG) Case of the Year. The Group was also awarded the 2023 Corporate ESG Special Case of the Year by XINHUANET, the “2023 Forbes China ESG Innovative Enterprise Selection”, and the “Ram Charan Management Practice Award” for Corporate ESG by Harvard Business Review.

Prospects

In 2024, it is expected that economic development will be stable and domestic demand will be released under the tone of “Consumption-Promotion Year”. The Group remains committed to its strategy to “Consolidate, Reform and Develop” and will keep working to expand and strengthen its business for the domestic market. The instant noodle business will continue to meet the diversified demands of consumers with products that come with multiple price bands, various sizes and diversified flavors, and keep galvanizing the expansion of the scale of the industry. The beverage business will continue to focus on core categories, offer joyful and healthy products to accommodate different consumption needs in a variety of scenarios, and accelerate the strength of scale advantages.

The Group will continue to invest in product innovation, brand building, channel construction, increase investment in basic research, accelerate the development of talent echelons, strengthen system platform integration, and accelerate the construction of projects for digital transformation, food safety, and sustainable development. At the same time, it will drive business growth, better serve customers and consumers, create value for shareholders, and establish a comprehensive food and beverage “National Brand” that is trusted by the government, delightful for partners, and reassuring for consumers.

CORPORATE GOVERNANCE

The Company has always been maintaining and improving the governance standard of the Company, so as to enhance the Group's accountability and transparency and increase long-term return for shareholders. We have, throughout the year ended 31 December 2023, complied with the code provisions of the Corporate Governance Code which become effective in the year (the "CG Code") as set out in Appendix C1 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. The reason for this deviation is explained below.

Code Provision B.2.2

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 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.

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.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Scope of Work of Third Party Auditor

The figures contained in the preliminary announcement of our Group's results for the year have been agreed by our Group's auditor, Mazars CPA Limited, to the amounts set out in our Group's consolidated financial statements for the year ended 31 December 2023. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

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 is the chairman of the Committee. The latest meeting of the Committee was held to review the results of the Group for the year ended 31 December 2023.

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 31 December 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-corruption 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 Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 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 during the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There were no purchases, sales or redemptions of the Company’s listed securities by the Company or any of its subsidiaries during the year.

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 twelve months ended 31 December 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)

Date of grant	Number of share options granted	Exercisable period	Exercise price (HK\$)
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

The summary below sets out the details of movement of the share options during the twelve months ended 31 December 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	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 31 December 2023	Weighted average closing price immediately before exercise HK\$	Note
Executive Director										
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)
Chief Executive Officer										
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)
Former Director										
Wei Ing-Chou	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)
Other employees in aggregate										
	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	—	—	1,210,000	4,721,000	—	Table A (7)
	5 June 2015	16.22	15.92	9,210,000	—	—	1,656,000	7,554,000	—	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)
Total				35,167,000	—	192,000	10,116,000	24,859,000		

For the period of twelve months ended 31 December 2023, 192,000 options had been exercised under the 2008 Share Option Scheme. Weighted average exercise price was HK\$8.93 and the weighted average market closing price before the date of exercise was HK\$12.58.

(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 twelve months ended 31 December 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 31 December 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			
Executive Director										
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)
Chief Executive Officer										
Chen Yinjang	27 April 2018	16.18	15.02	144,000	–	–	–	144,000	–	Table C (1b)
Former Director										
Wei Ing-Chou	27 April 2018	16.18	15.02	470,000	–	–	–	470,000	–	Table C (1b)
Other employees in aggregate										
	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)
Total				<u>6,263,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,263,000</u>	<u>–</u>	

During the twelve months ended 31 December 2023, no share options were exercised under the terms of the 2018 Share Option Scheme.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the “Annual General Meeting”) be held on 7 June 2024. The notice of the Annual General Meeting will be published on the Company’s website and sent to the shareholders of the Company in due course.

PROPOSED FINAL DIVIDENDS, SPECIAL FINAL DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of RMB27.66 cents per ordinary share of the Company and the payment of a special final dividend of RMB27.66 cents per ordinary share of the Company in respect of the year ended 31 December 2023. Subject to the approval of shareholders at the Annual General Meeting, the final dividends and the special final dividends will be paid on or about 10 July 2024.

(1) To attend and vote at the annual general meeting

The register of members of the Company will be closed from 4 June 2024 to 7 June 2024 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 pm on Monday, 3 June 2024.

(2) To qualify for the final dividends and the special final dividends

The register of members of the Company will be closed from 14 June 2024 to 18 June 2024 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to qualify for the final dividends and the special dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 pm on Thursday, 13 June 2024.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Wei Hong-Ming, Mr. Junichiro Ida, Mr. Wei Hong-Chen, Mr. Koji Shinohara, Mr. Yuko Takahashi and Ms. Tseng Chien 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 Hong-Ming
Chairman

Hong Kong, 26 March 2024

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

* *For identification purpose only*