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SUMMARY

RMB'000	For the six months ended 30 June		
	2024	2023	Change
• Revenue	41,201,208	40,907,456	↑ 0.7%
• Gross margin	32.6%	30.5%	↑ 2.1 ppt.
• Gross profit of the Group	13,439,915	12,465,643	↑ 7.8%
• EBITDA	4,824,605	4,301,711	↑ 12.2%
• Profit for the period	2,235,065	1,922,879	↑ 16.2%
• Profit attributable to owners of the Company	1,885,310	1,637,670	↑ 15.1%
• Earnings per share (RMB cents)			
Basic	33.46	29.07	↑ 4.39 cents
Diluted	33.46	29.04	↑ 4.42 cents

As at 30 June 2024, cash at bank and on hand (including long-term time deposits) was RMB17,930.285 million, representing an increase of RMB3,191.904 million when compared to 31 December 2023. Gearing ratio was -23.0%.

2024 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 2024 together with the comparative figures for the corresponding period in 2023. 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 2024

	<i>Note</i>	January to June 2024 (Unaudited) RMB'000	January to June 2023 (Unaudited) RMB'000
Revenue	2	41,201,208	40,907,456
Cost of sales		(27,761,293)	(28,441,813)
Gross profit		13,439,915	12,465,643
Other revenue		180,985	273,229
Other net income		167,451	430,141
Distribution costs		(9,143,182)	(9,019,039)
Administrative expenses		(1,388,929)	(1,295,657)
Other operating expenses		(109,607)	(98,688)
Finance costs	4	(214,229)	(264,353)
Share of results of an associate and joint ventures		111,791	122,100
Profit before taxation	4	3,044,195	2,613,376
Taxation	5	(809,130)	(690,497)
Profit for the period		<u>2,235,065</u>	<u>1,922,879</u>
Profit attributable to:			
Owners of the Company		1,885,310	1,637,670
Non-controlling interests		349,755	285,209
Profit for the period		<u>2,235,065</u>	<u>1,922,879</u>
Earnings per share	6	<i>RMB</i>	<i>RMB</i>
Basic		33.46 cents	29.07 cents
Diluted		33.46 cents	29.04 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2024

	January to June 2024 (Unaudited) RMB'000	January to June 2023 (Unaudited) RMB'000
Profit for the period	2,235,065	1,922,879
Other comprehensive (loss) income		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes in equity instruments designated as at fair value through other comprehensive income	(347)	(3,092)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on consolidation	(701)	15,390
Cash flow hedges	(67,669)	(39,169)
Other comprehensive loss for the period	(68,717)	(26,871)
Total comprehensive income for the period	2,166,348	1,896,008
Total comprehensive income attributable to:		
Owners of the Company	1,815,908	1,608,900
Non-controlling interests	350,440	287,108
	2,166,348	1,896,008

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Note</i>	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
ASSETS			
Non-current assets			
Investment properties		1,806,900	1,825,170
Property, plant and equipment		21,741,210	21,454,802
Right-of-use assets		3,527,373	3,554,237
Intangible assets		152,220	155,640
Goodwill		97,910	97,910
Interest in an associate		98,180	95,378
Interest in joint ventures		562,050	529,323
Financial assets at fair value through profit or loss		384,126	325,113
Equity instruments designated as at fair value through other comprehensive income		154,560	154,907
Derivative financial instruments		195,112	169,185
Deferred tax assets		357,389	339,411
Long-term time deposits		5,103,400	3,975,000
		34,180,430	32,676,076
Current assets			
Inventories		4,028,366	4,385,268
Trade receivables	8	2,111,989	1,579,983
Tax recoverable		26,227	42,364
Prepayments and other receivables		2,456,211	3,037,372
Financial assets at fair value through profit or loss		323,072	665,210
Derivative financial instrument		66,571	—
Current portion of long-term time deposits		2,010,000	3,976,900
Pledged bank deposits		26,278	32,015
Bank balances and cash		10,790,607	6,754,466
		21,839,321	20,473,578
Total assets		56,019,751	53,149,654

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024	At 31 December 2023
	<i>Note</i>	(Unaudited)	(Audited)
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	9	196,681	196,681
Share premium		787,091	787,091
Reserves		11,510,674	12,910,832
Total capital and reserves attributable to owners of the Company		12,494,446	13,894,604
Non-controlling interests		3,274,602	3,327,640
Total equity		15,769,048	17,222,244
Non-current liabilities			
Long-term interest-bearing borrowings	10	3,989,061	5,247,194
Lease liabilities		143,073	180,424
Employee benefit obligations		52,898	52,898
Deferred tax liabilities		1,150,380	1,253,880
		5,335,412	6,734,396
Current liabilities			
Trade payables	11	9,455,348	8,572,717
Other payables and deposits received		12,450,956	8,869,473
Current portion of interest-bearing borrowings	10	11,071,033	8,481,501
Lease liabilities		153,824	146,268
Advance payments from customers		1,249,900	2,821,969
Taxation		534,230	301,086
		34,915,291	29,193,014
Total liabilities		40,250,703	35,927,410
Total equity and liabilities		56,019,751	53,149,654
Net current liabilities		(13,075,970)	(8,719,436)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2024

	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
At 1 January 2023	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
Other comprehensive (loss) income						
Exchange differences on consolidation	—	—	13,788	13,788	1,602	15,390
Fair value changes in 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)
Total other comprehensive (loss) income	—	—	(28,770)	(28,770)	1,899	(26,871)
Total comprehensive income for the period	—	—	1,608,900	1,608,900	287,108	1,896,008
Transactions with owners of the Company						
<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)
Total transactions with owners of the Company	(39,060)	(38,273)	(2,553,506)	(2,630,839)	(426,811)	(3,057,650)
At 30 June 2023	<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 CHANGES IN EQUITY

For the Six Months Ended 30 June 2024

	Attributable to owners of the Company			Total capital and reserves (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Reserves (Unaudited) RMB'000			
At 1 January 2024	196,681	787,091	12,910,832	13,894,604	3,327,640	17,222,244
Profit for the period	—	—	1,885,310	1,885,310	349,755	2,235,065
Other comprehensive (loss) income						
Exchange differences on consolidation	—	—	(1,386)	(1,386)	685	(701)
Fair value changes in equity instruments designated as at fair value through other comprehensive income	—	—	(347)	(347)	—	(347)
Cash flow hedges	—	—	(67,669)	(67,669)	—	(67,669)
Total other comprehensive (loss) income	—	—	(69,402)	(69,402)	685	(68,717)
Total comprehensive income for the period	—	—	1,815,908	1,815,908	350,440	2,166,348
Transactions with owners of the Company						
<i>Contributions and distribution</i>						
2023 final and special final dividend approved	—	—	(3,117,097)	(3,117,097)	(357,447)	(3,474,544)
<i>Changes in ownership interests</i>						
Change in ownership interest in a subsidiary without change in control	—	—	(98,969)	(98,969)	(46,031)	(145,000)
Total transactions with owners of the Company	—	—	(3,216,066)	(3,216,066)	(403,478)	(3,619,544)
At 30 June 2024	196,681	787,091	11,510,674	12,494,446	3,274,602	15,769,048

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2024

	January to June 2024 (Unaudited) RMB'000	January to June 2023 (Unaudited) RMB'000
OPERATING ACTIVITIES		
Cash generated from operations	4,405,463	3,821,835
Income tax paid	(681,327)	(723,192)
Interest paid	(213,707)	(255,649)
Net cash from operating activities	3,510,429	2,842,994
INVESTING ACTIVITIES		
Interest received	356,188	286,158
Decrease in long-term time deposits	838,500	520,000
Dividend income received from joint ventures	58,705	60,320
Dividend income received from an associate	17,557	17,741
Purchase of financial assets at fair value through profit or loss	(376,911)	(4,139)
Purchase of property, plant and equipment	(1,829,874)	(1,402,834)
Payment for land use right in respect of leasehold land	(55,290)	—
Proceeds from maturity of financial assets at fair value through profit or loss	669,850	—
Net cash inflow on disposal of subsidiaries	167,010	213,533
Others	83,559	103,909
Net cash used in investing activities	(70,706)	(205,312)
FINANCING ACTIVITIES		
Dividends paid to non-controlling interests	(357,447)	(426,811)
Payments of lease liabilities	(106,556)	(113,895)
Proceeds from bank borrowings	8,408,387	10,666,968
Repayments of bank borrowings	(7,211,969)	(10,820,642)
Payment for acquisition of non-controlling interests	(145,000)	—
Others	—	1,532
Net cash from (used in) financing activities	587,415	(692,848)
Net increase in cash and cash equivalents	4,027,138	1,944,834
Cash and cash equivalents at 1 January	6,786,481	12,336,453
Effect on exchange rate changes	3,266	2,429
Cash and cash equivalents at 30 June	10,816,885	14,283,716
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	10,790,607	14,257,335
Pledged bank deposits	26,278	26,381
	10,816,885	14,283,716

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 2023 annual financial statements (the “2023 Annual Report”). The accounting policies adopted in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2024 are consistent with those in the preparation of the Group’s 2023 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 2024 as described below.

Adoption of new/revised HKFRSs

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

2. Segment information

Segment results

	For the Six Months ended 30 June 2024				
	Instant noodles (Unaudited) RMB’000	Beverages (Unaudited) RMB’000	Others (Unaudited) RMB’000	Inter-segment elimination (Unaudited) RMB’000	Total (Unaudited) RMB’000
Revenue					
Revenue from contract with customers	13,768,260	27,063,462	334,854	—	41,166,576
Timing of revenue recognition:					
Recognised at a point in time	13,768,260	27,063,462	334,854	—	41,166,576
Revenue from other sources:					
Rental income from investment properties	—	—	34,632	—	34,632
Inter-segment revenue	45,516	1,813	323,052	(370,381)	—
Segment revenue	<u>13,813,776</u>	<u>27,065,275</u>	<u>692,538</u>	<u>(370,381)</u>	<u>41,201,208</u>
Segment results after finance costs	1,128,448	1,877,233	(82,751)	8,672	2,931,602
Share of results of an associate and joint ventures	68	111,723	—	—	111,791
Unallocated income, net	—	—	802	—	802
Profit (loss) before taxation	1,128,516	1,988,956	(81,949)	8,672	3,044,195
Taxation	(278,640)	(523,932)	(6,558)	—	(809,130)
Profit (loss) for the period	<u>849,876</u>	<u>1,465,024</u>	<u>(88,507)</u>	<u>8,672</u>	<u>2,235,065</u>

2. Segment information (Continued)

Segment results (Continued)

	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
Revenue					
Revenue from contract with customers	13,913,767	26,600,680	357,206	—	40,871,653
Timing of revenue recognition:					
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	<u>13,950,125</u>	<u>26,606,037</u>	<u>725,089</u>	<u>(373,795)</u>	<u>40,907,456</u>
Segment results after finance costs	1,091,221	1,435,915	(50,712)	14,802	2,491,226
Share of results of an associate and joint ventures	(231)	122,888	(557)	—	122,100
Unallocated income, net	—	—	50	—	50
Profit (loss) before taxation	1,090,990	1,558,803	(51,219)	14,802	2,613,376
Taxation	(284,851)	(394,931)	(10,715)	—	(690,497)
Profit (loss) for the period	<u>806,139</u>	<u>1,163,872</u>	<u>(61,934)</u>	<u>14,802</u>	<u>1,922,879</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, net.

2. Segment information (Continued)

Segment assets and liabilities

	At 30 June 2024				
	Instant noodles	Beverages	Others	Inter-segment	Total
	(Unaudited)	(Unaudited)	(Unaudited)	elimination	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	17,201,410	32,673,296	7,944,047	(2,901,867)	54,916,886
Interest in an associate	—	98,180	—	—	98,180
Interest in joint ventures	144	561,906	—	—	562,050
Unallocated assets					442,635
Total assets					<u>56,019,751</u>
Segment liabilities	8,394,567	19,568,775	14,964,218	(2,729,755)	40,197,805
Unallocated liabilities					52,898
Total liabilities					<u>40,250,703</u>

	At 31 December 2023				
	Instant noodles	Beverages	Others	Inter-segment	Total
	(Audited)	(Audited)	(Audited)	elimination	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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>
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>

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 fair value through profit or loss and 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:

	January to June 2024 (Unaudited) RMB'000	January to June 2023 (Unaudited) RMB'000
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	206,507	256,259
Finance costs on lease liabilities	7,722	8,094
	214,229	264,353
Other items		
Depreciation	1,743,746	1,693,791
Amortisation	3,420	3,420
	1,747,166	1,697,211

5. Taxation

	January to June 2024 (Unaudited) RMB'000	January to June 2023 (Unaudited) RMB'000
Current tax		
Current period	777,626	623,089
Deferred taxation		
Origination and reversal of temporary differences, net	(95,848)	(38,257)
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	127,352	105,665
	809,130	690,497
	809,130	690,497

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

For the six months ended 30 June 2024 and 2023, 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 (equivalent to RMB1,852,000) (2023: HK\$2 million (equivalent to RMB1,777,000)) of profits of qualifying corporations will be taxed at 8.25% (2023: 8.25%), and profits above HK\$2 million (equivalent to RMB1,852,000) (2023: HK\$2 million (equivalent to RMB1,777,000)) will be taxed at 16.5% (2023: 16.5%).

For the six months ended 30 June 2024 and 2023, 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 (equivalent to RMB54,000) of normal chargeable income and a further 50% tax exemption on the next SGD190,000 (equivalent to RMB1,019,000) of normal chargeable income.

The statutory PRC Enterprise Income Tax for the PRC subsidiaries is 25% (2023: 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% (2023: 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% (2023: 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% (2023: 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.

5. Taxation (Continued)

Pillar Two model rules

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to the income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development, including tax law that implements qualified domestic minimum top-up taxes described in those rules (“Pillar Two income taxes”). According to the assessment, the impact of enacted or substantively enacted legislation for each jurisdiction is insignificant in which the Group operates.

Due to the complexities in the application of the Pillar Two legislation and calculation of Global Anti-Base Erosion Proposal income, the Group has engaged with tax experts to assist them with applying the legislation.

6. Earnings per share

a) Basic earnings per share

	January to June 2024 (Unaudited)	January to June 2023 (Unaudited)
Profit attributable to ordinary equity shareholders (RMB'000)	1,885,310	1,637,670
Weighted average number of ordinary shares ('000)	5,634,356	5,634,218
Basic earnings per share (RMB cents)	33.46	29.07

b) Diluted earnings per share

	January to June 2024 (Unaudited)	January to June 2023 (Unaudited)
Profit attributable to ordinary equity shareholders (RMB'000)	1,885,310	1,637,670
<i>Weighted average number of ordinary shares (diluted) ('000)</i>		
Weighted average number of ordinary shares	5,634,356	5,634,218
Effect of the Company's share option scheme	458	4,474
Weighted average number of ordinary shares for the purpose of calculated diluted earnings per share	5,634,814	5,638,692
Diluted earnings per share (RMB cents)	33.46	29.04

7. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: nil).

8. Trade receivables

The majority of the Group's sales is cash-before-delivery and the corresponding cash receipt is recognised as advance payments from customers. 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:

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
0 - 90 days	2,014,920	1,490,555
Over 90 days	97,069	89,428
	<u>2,111,989</u>	<u>1,579,983</u>

9. Issued capital

	At 30 June 2024 (Unaudited)			At 31 December 2023 (Audited)		
	No. of shares	US\$'000	Equivalent to RMB'000	No. of shares	US\$'000	Equivalent to RMB'000
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	5,634,356,360	28,172	196,681	5,634,164,360	28,171	235,741
Shares issued under share option scheme	—	—	—	192,000	1	7
Effect on the change of functional currency	—	—	—	—	—	(39,067)
At the end of the reporting period	5,634,356,360	28,172	196,681	5,634,356,360	28,172	196,681

10. Interest-bearing borrowings

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
The maturity of the interest-bearing borrowings:		
Within one year	11,071,033	8,481,501
In the second year	3,989,061	5,072,194
In the third to the fifth years, inclusive	—	175,000
	15,060,094	13,728,695
Portion classified as current liabilities	(11,071,033)	(8,481,501)
Non-current portion	3,989,061	5,247,194

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\$498,652,000 (equivalent to approximately RMB3,639,061,000) (2023: US\$498,120,000 (equivalent to approximately RMB3,532,122,000)) and is included in the interest-bearing borrowings with maturity in the second year (2023: second year). The Notes are listed on the Singapore Exchange Securities Trading Limited. The fair value of the Notes as at 30 June 2024, based on the quoted market price, was US\$476,735,000 (equivalent to approximately RMB3,479,117,000) (2023: US\$470,170,000 (equivalent to approximately RMB3,333,928,000)).

During the six months ended 30 June 2024, the Group obtained bank loans in aggregate amount of RMB8,408,387,000 (2023: RMB10,666,968,000), repayments of bank loans amounting to RMB7,211,969,000 (2023: RMB10,820,642,000) 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:

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
0 - 90 days	8,630,634	7,748,297
Over 90 days	824,714	824,420
	9,455,348	8,572,717

12. 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 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 2024 (Unaudited)				At 31 December 2023 (Audited)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets								
Financial assets at fair value through profit and loss								
– Investment funds	—	—	384,126	384,126	—	—	275,113	275,113
– Structured deposits	—	—	323,072	323,072	—	—	50,000	50,000
– Bank financial products, unlisted	—	—	—	—	—	—	665,210	665,210
Derivative financial instruments	—	261,683	—	261,683	—	169,185	—	169,185
Equity instruments designated as at fair value through other comprehensive income								
– Equity securities, unlisted	—	—	154,560	154,560	—	—	154,907	154,907
	—	261,683	861,758	1,123,441	—	169,185	1,145,230	1,314,415

During the six months ended 30 June 2024 and 2023, 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.

12. 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 2024 and 2023 are shown as follows:

	30 June 2024 (Unaudited)				30 June 2023 (Unaudited)	
	Assets				Assets	
	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	Structured deposits	Bank financial products, unlisted	Equity securities, unlisted	Investment funds	Equity securities, unlisted
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At beginning of the period	275,113	50,000	665,210	154,907	254,349	158,518
Purchases	109,013	267,898	—	—	4,139	—
Matured	—	—	(669,850)	—	—	—
Total gains (losses) recognised:						
– in profit or loss	—	5,174	4,640	—	—	—
– in other comprehensive loss	—	—	—	(347)	—	(3,092)
At the end of the reporting period	384,126	323,072	—	154,560	258,488	155,426
Change in unrealised gains for the period included in profit or loss for assets held at the end of the reporting period	—	5,174	—	—	—	—

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 net asset value approach and price-to-sales (P/S) ratio model with assumptions that are not supported by observable market prices or rates, including expected annual growth rates of sales and comparable companies' average price-to-sales (P/S) ratio as at 30 June 2024 and 31 December 2023.

(ii) Financial assets at fair value through profit or loss: Structured deposits and unlisted bank financial products

The fair values of structured deposits and unlisted bank financial products in Level 3 are estimated by respective bank's investment managers based on the income approach as at 30 June 2024 and 31 December 2023.

(iii) 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 is mainly determined by the investment manager using price-to-sales (P/S) ratio model with assumptions that are not supported by observable market prices or rates, including expected annual growth rates of sales and comparable companies' average price-to-sales (P/S) ratio as at 30 June 2024 and 31 December 2023.

12. 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)****(iv) 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.

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 2023.

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 2023, 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 2024 comparing to 31 December 2023.

Valuation processes used in Level 3 fair value measurement

In estimating the fair value of investment funds, structured deposits, unlisted bank financial products 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 administrators for the investment funds, structured deposits and unlisted bank financial products.

The Group's finance department includes a team that reviews the valuations performed by the investment managers or trust administrators of the investment funds, structured deposits and unlisted bank financial products 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 administrators of the investment funds, structured deposits and unlisted bank financial products at least once every year. At each financial year end, the finance department works closely with the investment managers or trust administrators of the investment funds, structured deposits and unlisted bank financial products 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 administrators of the investment funds, structured deposits and unlisted bank financial products. 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 administrators 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 2024 and 31 December 2023.

13. Capital expenditure commitments

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Contracted but not provided for:		
Expenditures on property, plant and equipment	1,263,837	1,076,179
Capital contribution on investment funds	175,177	242,781
	1,439,014	1,318,960

14. Related party transactions

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

	January to June 2024 (Unaudited) RMB'000	January to June 2023 (Unaudited) RMB'000
(a) Sales of goods to:		
Companies controlled by a substantial shareholder of the Company	73,270	63,952
An associate	30,509	15,494
Joint ventures	485,253	455,357
	589,032	434,803
(b) Purchases of goods from:		
A group of companies controlled by the family members and relatives of the Company's directors	2,860,992	3,031,420
Joint ventures	6,207	4,944
	2,867,199	3,036,364
(c) Distribution costs paid to:		
A group of companies controlled by the family members and relatives of the Company's directors	870,636	886,256
	870,636	886,256
(d) Promotional expense paid to:		
Companies controlled by a substantial shareholder of the Company	26,713	25,893
	26,713	25,893
(e) Rental income from investment properties and property, plant and equipment:		
Companies controlled by a substantial shareholder of the Company	16,076	17,842
	16,076	17,842

15. Approval of interim financial statements

The interim financial statements of 2024 were approved by the Board of Directors on 26 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry Environment

In the first half of 2024 (“H1 2024”), China’s economy was generally running steadily, registering a GDP growth of 5.0% and a slight CPI increase of 0.1% year-on-year. Outdoor traveling witnessed growth, and total retail sales of social consumer goods grew 3.7% year-on-year. Consumers were paying more attention to the quality-price ratio of products, and the shopping channels were shifting, which galvanized the growth of warehouse membership stores, discount stores, preference-based e-commerce platforms, among other channels. Enterprises with strong product power, brand power and channel control are able to better adapt to changes and serve consumers, thus driving the results to grow.

Business Review

In H1 2024, the Group’s revenue grew 0.7% year-on-year to RMB41.201 billion. The revenue from instant noodles declined 1.0% year-on-year, while the revenue from beverages grew 1.7% year-on-year. Gross profit margin during the period improved by 2.1 percentage points year-on-year to 32.6%. The ratio of distribution costs to revenue grew 0.2 percentage points year-on-year to 22.2%. EBITDA grew 12.2% year-on-year to RMB 4.825 billion; driven by the improvement in gross profit margin year-on-year, the profit attributable to shareholders of the Company grew 15.1% year-on-year to RMB1.885 billion; basic earnings per share grew RMB4.39 cents to RMB33.46 cents.

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

	6 Months Ended June 30					
	2024		2023		Change	
	Revenue (RMB in Million)	Prop. (%)	Revenue (RMB in Million)	Prop. (%)	Amount (RMB in Million)	Percentage (%)
Instant Noodles Business	13,813.78	33.5	13,950.13	34.1	-136.35	-1.0
Beverage Business	27,065.28	65.7	26,606.04	65.0	459.24	1.7
Others	322.15	0.8	351.29	0.9	-29.14	-8.3
Total	41,201.21	100.0	40,907.46	100.0	293.75	0.7

Gross profit margin improved year-on-year during the period. The following table shows the breakdown of the gross profit and gross profit margin of each product category during the reporting period:

	6 Months Ended June 30					
	2024		2023		Change	
	Gross Profit (RMB in Million)	Gross Profit Margin (%)	Gross Profit (RMB in Million)	Gross Profit Margin (%)	Gross Profit (%)	Gross Profit Margin (percentage points)
Instant Noodles Business	3,737.26	27.1	3,602.91	25.8	3.7	1.3
Beverage Business	9,537.07	35.2	8,688.51	32.7	9.8	2.5
Others	165.59	51.4	174.22	49.6	-5.0	1.8
Total	13,439.92	32.6	12,465.64	30.5	7.8	2.1

Instant Noodles Business

In H1 2024, the revenue from Instant Noodles Business was RMB13.814 billion, which declined by 1.0% year-on-year due to market pressures and product structure adjustment, accounting for 33.5% of the Group's total revenue. During the period, attributed to the favorable optimization of raw materials and product mix, the gross profit margin of instant noodles grew 1.3 percentage points year-on-year to 27.1%. As a result of the year-on-year increase in gross profit margin, the profit attributable to shareholders of the Company in the instant noodles segment grew 5.4% year-on-year to RMB850 million in H1 2024.

Facing the continuous differentiation of consumption trends, the instant noodles business kept meeting the diversified demands of consumers with a variety of offerings in price bands, flavors and sizes. Efforts have been made on upgrading core products, promoting innovative products, deploying high-potential products; adapting to the transformation of consumers' shopping modes, and actively expanding channels such as warehouse membership stores and preference-based e-commerce. Consistently upholding product quality, and providing consumers with delicious and reassuring products.

High-priced Noodles

Classic product series such as "Roasted Beef Noodles" have been upgraded to cater to consumers' demand for healthy and nutritious products, while strengthening the scenarios-based marketing of CNY, school opening, outing, night snacks and others, actively leveraging the advantages of the variety of specifications, thus expanding the demand. "Good Soup Series" invited the ambassador Zhou Shen to be the guest at Master Kong's live streaming at DouYin, breaking the mark of a million views, with exposure for tens of millions of times, thus quickly enhancing its brand awareness. "Tomato Egg Beef Noodles" merited from the traffic popularity of brand ambassador Yang Zi, and witnessed the pageviews of brand-related Weibo/blogging topics to have reached hundreds of millions, coupled with steady sales growth. The co-branded product of "Golden Stock Beef Noodles" with the IP "Minions" won consumers' love and achieved sales growth. The "Master Kong Mini Bucket" accommodated the needs of consumers for small portions. "BIG Bucket/Packet" strengthened communication for multi-occasions such as sports/outing, etc.

Premium Noodles/Super-Premium Noodles

"Soup Chef" met consumers' demand for good soup via "Proficiency in Every Type of Soup". The new flavor "Tom Yum Goong Noodles" won high praises from the market. "Dried Noodles Collection" converged the signature techniques of preparing dried noodles from all over the places for "noodles with different cooking", and by offering noodles of different thicknesses to match the taste characteristics of ingredients, gained profound popularity among consumers on platforms of Short Videos and DouYin live streaming, etc. "Yu-Pin Banquet" launched the flavor of "Hot Beef Noodles with Coriander", and set in motion a widespread dissemination, driving the market to try the new offering. "Express Chef's Noodles" launched a new flavor "Black Garlic Oil Barbecued Pork Noodles in Tonkotsu". Customized soup noodles, "Black Truffle Barbecued Tonkotsu Noodles" were listed in membership store channels to meet the needs of the middle class for healthy, nutritious and high-quality pursuit.

Mid-priced Noodles/Snack Noodles

The large-portion product of "Master Kong 50% Plus" met consumers' demand for high cost-effective products, by focusing on core flavors and affordable delicacy. As Snack Noodles, the "Flavored and Crunchy", focused on the leisure snack market for students and radiated to cover a wider population, and came with refined tastes. Co-creation of packaging and branded merchandise with the IP "Pokémon" consistently enhanced the brand awareness and brand preference.

Beverage Business

In H1 2024, the overall revenue from Beverages Business was RMB27.065 billion, with a year-on-year growth of 1.7%, accounting for 65.7% of the Group's total revenue. During the period, the gross profit margin of beverages grew 2.5 percentage points year-on-year to 35.2% through product mix optimization and management efficiency enhancement. Due to the year-on-year increase in gross profit margin, the profit attributable to the shareholders of the Company in the beverages segment grew 26.9% year-on-year to RMB1.115 billion in H1 2024.

The beverage business was accelerating to build up the advantages of scale. Focused on core categories, continuously refined innovative tastes and optimized marketing strategies. Followed the trend of sugar-free health, launched a suite of products of sugar-free tea, driving the growth of ready-to-drink tea category. Continued to deploy freezers with investment in a more scientific manner.

RTD Tea

"Master Kong Ice Tea" realized positive growth by virtue of the refreshing and pleasant experience from the product per se. "Sugar-free Ice Tea" rode on the momentum of the hot topic of opening of Shanghai Disneyland's Zootopia, and promoted customized IP co-branded products nationwide, and kicked off the brand event of the month with Shanghai Disneyland in June. The "Jasmine Series" restaged the product packaging. "Green Tea" advocated "Original Leaves for Good Tea", retaining the natural freshness of green tea. Worked with ambassador Wu Lei to interact and resonate with young people. "Dahongpao Milk Tea" co-branded with Palace Culture IP from the Forbidden City, communicating "Dahongpao is the milk tea for Chinese" to enhance brand awareness. "Pure Sugar-free Tea Beverage" featured 0sugar 0kcal 0fat to satisfy consumers, and achieved sales growth at a high speed. "Sugar-Free Jasmine Green Tea" and "Sugar-Free Oolong Tea" were launched to the market. The product of high-quality of the restaurant grade, "Tea House" was created. The premium product of "Legend of Tea" was launched, perfectly retaining the creative ecological mellow flavor of Chinese tea, fully bringing out the original flavor of tea; the design style of the original patented bottle of hammered pattern and woodblock print of blessings catered to consumers' product demands for good appearance, tasty drinking and good health.

Carbonated Soft Drinks

"Pepsi-Cola" has joined hands with Mirinda and 7UP to stage the "Auspicious Beast Family Can" and its festive packaging. In March, Pepsi was renewed across the brand line. The campaign of Pepsi Music Academy was reaching out to more than ten million students on campus. In April, "Pepsi Taiqi Series" came with three flavors: Osmanthus, White Peach and Oolong, and White Pomelo and Bamboo. "Pepsi No Sugar" teamed up with the IP of Shanghai Disneyland's Zootopia, and customized IP co-branded sugar-free cans for a nationwide selling event for a limited time slot. "Pepsi No Sugar Sheng" continued to improve precision of media outreach and expand into potential markets in a variety of occasions. "Mirinda" Peach Flavor was newly launched. "7UP" No Sugar Clementine & Lemon Flavor expanded the market coverage with its feature of "0sugar 0kcal 7UP" to attract white-collar population with great precision.

Juices

The power of Chinese and Western juice products had been comprehensively improved, the packaging was restaged to the market, and the rich options of flavors presented a better cultural experience of "Chinese Food-Beverage". "Rock Candy Pear" adopted a method of two species in a stew to present a soft and pleasant taste. "Kumquat Lemon" selected authentic ingredients to deliver natural layers of sweet and sour tastes. Western-style fruit juices were enriched with Vitamin C in "Fresh Orange", upgraded in ingredients for "Peach", and "Crystal Grape", thus accommodating consumers' demand for healthy ingredients with regional labels. "Tropicana" captured consumers' preferred tastes, launched Lemon Party, Sunshine Peach as new products; Rolled out dynamic activities of making wish lists online and making offline channels accessible to boost sales growth.

Bottled Water

“Master Kong Bottled Drinking Water” and Meituan Flash Sale worked together to promote the business development of Full Box Load delivery to home. “Drink Boiled Water” continued to promote the wisdom of healthy consumption of water in China, advocating that “Chinese love drinking boiled water.” “Aquafina” continued to seize the growth momentum of outdoor occasions, and cooperated with the IP of “Sweet Potato Travel Service” and China National Geography to create a “Journey of Purity”. Actively expanded to scenarios of five-star hotels, conference centers and other special channels. Jointly created a bottle label charity event with One Foundation to convey the concept of sustainable development. “Soda Sparkling Water” focused on metropolitan population, centered around three scenarios: office, leisure and special blends/cocktail networking, to convey the differentiated characteristics of product versatility in mix and match and enhance brand awareness and preferences.

Coffee Drinks/Functional Drinks/Probiotics Drinks

“Starbucks Ready-to-Drink Coffee” launched the same series of “Starbucks Refreshers” as in retail stores, completing the supply chain layout in South China, East China and North China. Continued to strengthen the development of special channels and online channel operation, and deploy freezers in expressway service areas and campuses. “Bernachon Coffee” focused on the scenarios of office and leisure time for white-collar middle-class group. “Gatorade” sponsored professional sports events to capture the core sports crowd. In March, “Gatorade Electrolyte” was launched, actively exploring the segment of urban sports and daily hydration. “Xiao Lao Duo Duo” continued to occupy the lane of refreshing lactobacillus beverage, displaying the brand image of vitality and youth and percolating into the young population.

Financial Operation

The Group has actively promoted the digital transformation of finance, consolidated the internal control system, established a risk prevention and control mechanism adapted to the digital environment by building a shared financial service center, and gradually moved towards the integration of business and finance, which has strongly supported the strategic implementation and sustainable development of the Group; at the same time, with pursuit of a prudent cash strategy, it has been characterized with proficient control of capital expenditures and effective promotion of asset activation, and is expected to generate stable net cash inflows.

During the period, the Group generated a net cash inflow of RMB3.51 billion from operating activities and a net cash outflow of RMB71 million from investing activities, including a cash inflow from asset activation (collection of consideration receivable on disposal of a subsidiary) of RMB167 million. The net cash inflow from financing activities was RMB587 million. This resulted in a net increase in cash at bank and on hand (including long-term time deposits) of RMB3.192 billion.

The Group continued to maintain a robust financial structure through effective control on the trade receivables, trade payables and inventories, with sufficient cash holdings. As of June 30, 2024, the Group’s cash at bank and on hand (including long-term time deposits) amounted to RMB17.93 billion, with an increase of RMB3.192 billion versus December 31, 2023. As of June 30, 2024, the Group’s interest-bearing borrowings amounted to RMB15.06 billion, with an increase of RMB1.331 billion versus December 31, 2023. The net cash totaled RMB2.87 billion, with an increase of RMB1.861 billion versus December 31, 2023. At the end of the period, the ratio of borrowings denominated in foreign currency to RMB was 31%:69% versus 33%:67% at the end of the previous year (Borrowings denominated in foreign currency were mainly 5-year unsecured notes with a principal of US\$500 million issued on September 24, 2020. Derivative financial instruments have been used to hedge the currency risks between RMB and US\$). The ratio of long-term to short-term borrowings was 26%:74% versus 38%:62% at the end of the previous year.

The Group’s total assets and total liabilities registered RMB56.02 billion and RMB40.251 billion, respectively with an increase of RMB2.87 billion and RMB4.323 billion versus December 31, 2023. The debt ratio was 71.9%, up by 4.3 percentage points versus December 31, 2023. The gearing ratio dropped from -7.3% as of December 31, 2023 to -23.0% in the current period.

Financial Ratio

	Jun. 30th 2024	Dec. 31st 2023
Turnover of finished goods	16.7 Days	19.5 Days
Turnover of trade receivables	8.1 Days	7.7 Days
Current ratio	0.6 Times	0.7 Times
Debt ratio (Total liabilities to Total assets)	71.9%	67.6%
Gearing ratio (Net borrowings to Shareholders' equity) ¹	-23.0%	-7.3%

Human Resources

The Group had 64,797 employees, as of June 30, 2024.

Efforts were made to focus on leadership and organizational improvement, tap into team potential, and promote personal growth and development. The venue of the Group's Leadership Empowerment Center was opened in May, placing importance on the empowerment of leaders' operational capabilities. The digital transformation of HR was moving forward in an organized manner, efforts were strengthened to optimize the BI data analysis platform, and the social security system went live step by step to provide strong systematic support for HR services and operations.

Partnerships with universities and colleges were deepened. The cooperation had been enhanced with hundreds of universities and colleges nationwide. In total, 40 teaching and training bases and 11 cooperative dedicated education classes were set up nationwide. In active response to the callings of national policies, more than a thousand sessions of recruitment, presentation campaigns and visit exchanges, etc. were actively carried out, leveraging new media to project the employer image of embodying a team of a younger population and offering students and faculty the opportunity to walk into the company, which had reached millions of potential candidates. In the first half of the year, thousands of fresh graduates had been recruited, and in the meantime, thousands of university students were greeted into the company for internships.

Partnerships with many top universities at home and abroad were deepened, to engage in industry, university and research collaboration. Management personnel were sent to Waseda University in Japan for further training and research. The Integrative Practical Projects (IPP) were jointly rolled out with School of Economics and Management, Tsinghua University to create business strategy. Jointly developed corporate case studies with Harvard Business School.

Corporate Social Responsibility

As a national brand, the Group has been conscientiously implementing the new development philosophy, doing our part to build the beautiful China, taking food safety and nutritional health as the foundation, continuously advancing green and low-carbon transition, assuming social responsibility, promoting the convergence of new quality productive force towards the industrial chain. On the journey of "Promoting Chinese Food & Beverage Culture", the Group has proactively practiced the sustainable development concept of "Keep Our Nature Green and implemented the five satisfaction strategies: "consumers, society, partners, employees and shareholders" with concrete actions. The Group has also actively established strategic partnerships with central and local media such as People's Daily, Yangshipin, and XINHUANET, to enhance brand influence and jointly deepen the wide communication of social responsibilities.

The Group has committed to health research and development and environmental protection investment, to become a brand that customers could rely on. The Group actively implemented the national development strategy of "Healthy China" and adhered to "zero tolerance" on food safety, and regularly carried out thematic publicity and education activities on food safety and product traceability drills. The "Pure Sugar-free" sugar-free tea beverages and "Express Chef's Noodles" Braised Beef Noodles with reduced fat and salt have been included in China National Food Industry Association's List of Landmark Achievements of Nutrition and Health Actions in the Food Industry. The Group facilitated energy saving and emission reduction projects such as frying waste heat recovery and biogas recycling, and continued to strengthen the digital production management system. The Group launched "Master Kong's Comprehensive ESG Strategy: Leading Efforts in Sustainable Value Chain Development" and established "Environmentally Friendly Vegetable Bases" to empower the development of rural industries and to identify carbon neutrality solutions in the industry chain. The Group cooperated with partners and developed new recycling and reuse technologies of "Biodegradable tea residue PLA 3D printing material" and "Degradable bio-based material PHA made from waste oil".

¹ 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.

The Group has been committed to social responsibility to promote community well-being. The Group was among the first responders to aid Hubei, Jiangxi, Hunan Chongqing and other areas stricken by heavy snows and floods by providing assistance and material support, and mobilized disaster relief teams and emergency rescue vehicles to rush to the disaster-hit areas. The Group donated to students, police, neighborhood administrations, village and towns, public welfare organizations, etc., and assisted the heat prevention and cooling of the national college entrance examination in many places. The Group has supported sports events such as marathons, dragon boat racing and basketball games held in different places. The Group has organized water education campaigns on campus for ten consecutive years.

Outstanding contributions in the field of ESG (Environmental, Social and Governance) have won high recognitions from government, media and authorities. The Group has been awarded the 2024 Environmental, Social and Governance (ESG) Annual Case by People's Daily, the title of "Green and Low-Carbon Partner" by Office of the Organizing Committee of Shanghai Energy Conservation Week. The Group has been selected into the *Research Report on ESG Development of Chinese Enterprises* jointly drafted by China Economic Information Service and the Institute of Finance and Sustainability (IFS). The Group has won the titles of "Green Water and Green Mountain Cup" 2023 Excellent Energy-saving Enterprise in China Beverage Industry and 2023 Excellent Water-saving Enterprise in China Beverage Industry.

Prospects

In the second half of 2024, the domestic demand is expected to remain the key driver of economic growth. To "Consolidate, Reform and Develop" is the strategy that the Group remains committed to. The Group will give full play to the advantages of intensive channel development and production capacity, actively expand consumption scenarios and sales point coverage, and take multiple measures to stimulate the consumption vitality of target groups. The instant noodles business will continue to introduce products of different specifications, prices and flavors to serve consumers, and keep driving the overall scale expansion of the industry. The beverage business will accelerate to strengthen the advantages of scale, focus on core products, expand innovative products, meet the needs of consumers in different scenarios, and promote sales growth.

The Group has always attached importance to the buildup of growth momentum in the long run. On the basis of the goal of results growth, efforts will be made to keep increasing investment in fundamental research, accelerate talent echelon development, invest in brand building, improve digital operation capability, and strengthen food safety control and management. We advocate sustainable development, continuously fulfill social responsibilities, seek and seize development opportunities, and work together with partners to contribute actively to society. We are committed to better serving customers and consumers, creating values for shareholders, and shaping a comprehensive food and beverage "National Brand" that assures the government, delights partners, and reassures consumers.

CORPORATE GOVERNANCE

We have, during the six months ended 30 June 2024, complied with the code provisions of the Corporate Governance Code which became 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.

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.

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. Masaya Tochio. 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 2024, 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 C3 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 2024, 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 six months ended 30 June 2024 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 2024	Number of share option			Balance as at 30 June 2024	Weighted average closing price immediately before exercise HK\$	Note
					Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
Executive Director										
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	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	17 April 2014	22.38	22.35	4,721,000	—	—	4,721,000	—	—	Table A (7)
	5 June 2015	16.22	15.92	7,554,000	—	—	2,668,000	4,886,000	—	Table A (8)
	4 July 2016	7.54	7.54	1,050,000	—	—	—	1,050,000	—	Table A (9)
	21 April 2017	10.20	10.20	4,680,000	—	—	—	4,680,000	—	Table A (10)
Total				<u>24,859,000</u>	<u>—</u>	<u>—</u>	<u>9,137,000</u>	<u>15,722,000</u>		

During the six months ended 30 June 2024, no share options were exercised under the terms of the 2008 Share Option Scheme.

(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 2024 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 2024	Weighted average closing price immediately before exercise HK\$	Note
				Balance as at 1 January 2024	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>3,785,000</u>	<u>2,478,000</u>	<u>—</u>	

During the six months ended 30 June 2024, no share options were exercised under the terms of the 2018 Share Option Scheme.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN SHARES

As at 30 June 2024, 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
Directors				
Wei Hong-Ming	5,000,000	0.09%	1,385,000	0.02%
Wei Hong-Chen	5,000,000	0.09%	1,385,000	0.02%
Chief Executive Officer				
Chen Yinjang	—	—	1,380,000	0.02%

Save as disclosed above, at no time during the six months ended 30 June 2024 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 2024, 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.

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 2024.

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. Masaya Tochio are Independent Non-executive Directors.

By Order of the Board
Wei Hong-Ming
Chairman

Hong Kong, 26 August 2024

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

* *For identification purpose only*