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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 2022

<b>RMB'000</b>	<b>2022</b>	<b>2021</b>		<b>Change</b>
• Revenue	<b>78,717,420</b>	74,082,292	↑	6.26%
• Gross margin (%)	<b>29.09%</b>	30.39%	↓	1.30 ppt
• Gross profit	<b>22,899,417</b>	22,510,425	↑	1.73%
• EBITDA	<b>7,209,990</b>	8,390,312	↓	14.07%
• Profit for the year	<b>3,075,834</b>	4,383,667	↓	29.83%
• Profit attributable to owners of the Company	<b>2,632,312</b>	3,802,482	↓	30.77%
• Earnings per share (RMB cents)				
Basic	<b>46.73</b>	67.57	↓	20.84 cents
Diluted	<b>46.71</b>	67.51	↓	20.80 cents

At 31 December 2022, cash and cash equivalents was RMB19,888.353 million, with a decrease of RMB2,072.785 million when compared to 31 December 2021. Gearing ratio was -16.97%.

## CHAIRMAN'S STATEMENT

Master Kong remains true to its original aspiration of “Promoting Chinese Food & Beverage Culture”, takes “Serving Consumers” as its purpose, and “Food Safety” as its cornerstone, and devotes itself to creating a “Chinese National Brand” of comprehensive food and beverages.

In 2022, Master Kong actively responded to the challenges, such as COVID and fluctuations of raw material prices, and achieved steady growth in performance.

Guided by the strategy to “Consolidate, Reform and Develop”, Master Kong has been optimizing its product portfolio every step of the way to offer more quality products to consumers. In pursuit of deliciousness, Master Kong has also responded to the call of “Healthy China” and launched a variety of sugar-reduced and oil-reduced products. In addition, Master Kong has ensured proper production and shipment as well as consumer services during the COVID control and lockdown periods, with flexibility of supply chains, consumption behaviors tracking and refined channel operation.

Master Kong pays its attention to sustainable development. In response to the national guideline of “Carbon Peaking and Carbon Neutrality”, active measures have been taken to promote carbon inventory investigation and energy conservation and emission reduction, launch unlabeled products, and release the first standards of “Carbon Footprint Accounting and Carbon Neutralization Evaluation” for tea beverages in China. With a view to long-term development, constant efforts have been made to drive digital transformation and build a team of professional talents.

With the reopening from the adjustment of COVID measures, we are confident to rise to the market challenges in 2023. The Board will prompt the management team, on an ongoing basis, to operate in a healthy manner and to serve consumers better. Here, I would like to express my heartfelt gratitude to all the shareholders, fellow members of the Board, management team, employees, partners and consumers for their support over the years.

**Wei Hong-Ming**

*Chairman of the Board*

Hong Kong, China

27 March, 2023

## 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 2022 together with the comparative figures for the corresponding period in 2021 as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>78,717,420</b>	74,082,292
Cost of sales		<u>(55,818,003)</u>	<u>(51,571,867)</u>
Gross profit		<b>22,899,417</b>	22,510,425
Other revenue	5	<b>650,412</b>	783,501
Other net income	6	<b>874,820</b>	1,024,195
Distribution costs		<b>(16,809,780)</b>	(15,708,282)
Administrative expenses		<b>(2,396,714)</b>	(2,469,530)
Other operating expenses		<b>(750,648)</b>	(229,996)
Finance costs	7	<b>(446,021)</b>	(223,494)
Share of results of an associate and joint ventures		<u><b>127,318</b></u>	<u>121,824</u>
<b>Profit before taxation</b>	7	<b>4,148,804</b>	5,808,643
Taxation	8	<u><b>(1,072,970)</b></u>	<u>(1,424,976)</u>
<b>Profit for the year</b>		<u><b>3,075,834</b></u>	<u>4,383,667</u>
<b>Profit attributable to:</b>			
Owners of the Company		<b>2,632,312</b>	3,802,482
Non-controlling interests		<u><b>443,522</b></u>	<u>581,185</u>
<b>Profit for the year</b>		<u><b>3,075,834</b></u>	<u>4,383,667</u>
<b>Earnings per share</b>	10	<i>RMB</i>	<i>RMB</i>
Basic		<u><b>46.73 cents</b></u>	<u>67.57 cents</u>
Diluted		<u><b>46.71 cents</b></u>	<u>67.51 cents</u>

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>
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For the year ended 31 December 2022

	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<b>3,075,834</b>	4,383,667
<b>Other comprehensive income (loss):</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurement of defined benefit obligations	798	(5,652)
Fair value changes in equity instruments designated as at fair value through other comprehensive income	7,874	—
	<b>8,672</b>	(5,652)
<b>Items that are or may be reclassified     subsequently to profit or loss:</b>		
Exchange differences on consolidation	(1,640,813)	292,959
Cash flow hedges	(1,011)	—
<b>Other comprehensive (loss) income for the year</b>	<b>(1,633,152)</b>	287,307
<b>Total comprehensive income for the year</b>	<b>1,442,682</b>	4,670,974
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	1,124,397	4,070,213
Non-controlling interests	318,285	600,761
	<b>1,442,682</b>	4,670,974

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>
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At 31 December 2022

	<i>Note</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		<b>1,832,200</b>	1,807,100
Property, plant and equipment		<b>21,259,417</b>	21,510,028
Right-of-use assets		<b>3,625,714</b>	3,691,741
Intangible assets		<b>162,480</b>	155,970
Goodwill		<b>97,910</b>	97,910
Interest in an associate		<b>93,316</b>	94,847
Interest in joint ventures		<b>614,316</b>	625,163
Financial assets at fair value through profit or loss		<b>254,543</b>	626,901
Equity instruments designated as at fair value through other comprehensive income		<b>158,518</b>	137,317
Deferred tax assets		<b>481,923</b>	518,605
Long-term time deposits		<b>5,841,900</b>	5,376,900
		<b>34,422,237</b>	34,642,482
<b>Current assets</b>			
Inventories		<b>5,254,592</b>	4,671,477
Trade receivables	11	<b>1,808,281</b>	2,043,744
Tax recoverable		<b>20,354</b>	14,729
Prepayments and other receivables		<b>2,897,389</b>	2,352,553
Current portion of long-term time deposits		<b>1,710,000</b>	725,000
Pledged bank deposits		<b>12,531</b>	20,746
Bank balances and cash		<b>12,323,922</b>	15,838,492
		<b>24,027,069</b>	25,666,741
<b>Total assets</b>		<b>58,449,306</b>	60,309,223

	<i>Note</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital		235,741	235,633
Share premium		825,364	786,965
Reserves		<u>12,310,421</u>	<u>17,637,378</u>
<b>Total capital and reserves attributable to owners of the Company</b>		<b>13,371,526</b>	18,659,976
<b>Non-controlling interests</b>		<b><u>3,443,949</u></b>	<u>3,748,524</u>
<b>Total equity</b>		<b><u>16,815,475</u></b>	<u>22,408,500</u>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings		8,415,871	6,350,369
Lease liabilities		145,448	195,519
Employee benefit obligations		69,026	79,920
Deferred tax liabilities		<u>1,298,948</u>	<u>1,449,910</u>
		<b><u>9,929,293</u></b>	<u>8,075,718</u>
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss		—	9,959
Trade payables	12	9,489,908	9,046,518
Other payables and deposits received		9,783,497	9,593,331
Current portion of interest-bearing borrowings		9,203,139	7,311,444
Other current liabilities		—	40,000
Lease liabilities		155,665	159,520
Derivative financial instruments		92,729	—
Advance payments from customers		2,571,730	3,342,990
Taxation		<u>407,870</u>	<u>321,243</u>
		<b><u>31,704,538</u></b>	<u>29,825,005</u>
<b>Total liabilities</b>		<b><u>41,633,831</u></b>	<u>37,900,723</u>
<b>Total equity and liabilities</b>		<b><u>58,449,306</u></b>	<u>60,309,223</u>
<b>Net current liabilities</b>		<b><u>(7,677,469)</u></b>	<u>(4,158,264)</u>
<b>Total assets less current liabilities</b>		<b><u>26,744,768</u></b>	<u>30,484,218</u>

*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 2021 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 derivatives and hedging activities during the year that were not applied in 2021 annual report.

## **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 16: Proceeds before Intended Use***

The amendments clarify the accounting requirements for proceeds received by any entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

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

#### ***Amendments to HKAS 37: Cost of Fulfilling a Contract***

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

#### ***Amendments to HKFRS 3: Reference to the Conceptual Framework***

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

#### ***Annual Improvements Project – 2018-2020 Cycle***

##### **HKFRS 9: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities**

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

## HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

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

## 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 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 income (expenses), 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 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.

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 fair value through profit or loss and equity instruments designated as at fair value through other comprehensive income, are located in the PRC.

No revenue from a single external customer amounted to 10% or more of the Group's revenue.

## Segment results

	2022				
	Instant noodles <i>RMB'000</i>	Beverages <i>RMB'000</i>	Others <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue</b>					
Revenue from contracts with customers	29,578,253	48,327,716	738,570	—	78,644,539
<b>Timing of revenue recognition:</b>					
Recognised at a point in time	<u>29,578,253</u>	<u>48,327,716</u>	<u>738,570</u>	<u>—</u>	<u>78,644,539</u>
Revenue from other sources:					
Rental income from investment properties	—	—	72,881	—	72,881
Inter-segment revenue	<u>55,443</u>	<u>8,014</u>	<u>700,353</u>	<u>(763,810)</u>	<u>—</u>
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>
<b>Segment result after finance costs</b>	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	<u>—</u>	<u>—</u>	<u>7,496</u>	<u>—</u>	<u>7,496</u>
<b>Profit (loss) before taxation</b>	1,839,215	2,404,023	(115,196)	20,762	4,148,804
Taxation	<u>(464,685)</u>	<u>(582,337)</u>	<u>(25,948)</u>	<u>—</u>	<u>(1,072,970)</u>
<b>Profit (loss) for the year</b>	<u>1,374,530</u>	<u>1,821,686</u>	<u>(141,144)</u>	<u>20,762</u>	<u>3,075,834</u>

**2021**

	<b>Instant noodles</b>	<b>Beverages</b>	<b>Others</b>	<b>Inter- segment elimination</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>					
Revenue from contracts with customers	28,432,040	44,799,982	766,136	—	73,998,158
<b>Timing of revenue recognition:</b>					
Recognised at a point in time	<u>28,432,040</u>	<u>44,799,982</u>	<u>766,136</u>	<u>—</u>	<u>73,998,158</u>
Revenue from other sources:					
Rental income from investment properties	—	—	84,134	—	84,134
Inter-segment revenue	<u>15,606</u>	<u>1,954</u>	<u>932,003</u>	<u>(949,563)</u>	<u>—</u>
Segment revenue	<u>28,447,646</u>	<u>44,801,936</u>	<u>1,782,273</u>	<u>(949,563)</u>	<u>74,082,292</u>
<b>Segment result after finance costs</b>	2,626,994	3,052,225	35,276	(5,847)	5,708,648
Share of results of an associate and joint ventures	428	132,974	(11,578)	—	121,824
Unallocated expenses, net	<u>—</u>	<u>—</u>	<u>(21,829)</u>	<u>—</u>	<u>(21,829)</u>
<b>Profit (loss) before taxation</b>	2,627,422	3,185,199	1,869	(5,847)	5,808,643
Taxation	<u>(623,087)</u>	<u>(766,547)</u>	<u>(35,342)</u>	<u>—</u>	<u>(1,424,976)</u>
<b>Profit (loss) for the year</b>	<u>2,004,335</u>	<u>2,418,652</u>	<u>(33,473)</u>	<u>(5,847)</u>	<u>4,383,667</u>

## Segment assets and liabilities

	2022				
	<b>Instant noodles</b>	<b>Beverages</b>	<b>Others</b>	<b>Inter- segment elimination</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>					
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
<b>Total assets</b>					<u>58,449,306</u>
<b>Liabilities</b>					
Segment liabilities	10,844,982	20,545,661	11,430,662	(1,256,500)	41,564,805
Unallocated liabilities					69,026
<b>Total liabilities</b>					<u>41,633,831</u>
<b>Other information</b>					
Depreciation and amortisation	<u>871,679</u>	<u>2,335,508</u>	<u>179,792</u>	<u>(121,402)</u>	<u>3,265,577</u>
Capital expenditures	<u>530,314</u>	<u>2,548,530</u>	<u>22,493</u>	<u>—</u>	<u>3,101,337</u>
Interest income	<u>285,211</u>	<u>409,987</u>	<u>13,385</u>	<u>(58,171)</u>	<u>650,412</u>
Interest expenses	<u>31,984</u>	<u>210,063</u>	<u>270,236</u>	<u>(66,262)</u>	<u>446,021</u>
Gain on disposal of subsidiaries	<u>36,304</u>	<u>69,688</u>	<u>—</u>	<u>—</u>	<u>105,992</u>

2021

	<b>Instant noodles</b>	<b>Beverages</b>	<b>Others</b>	<b>Inter- segment elimination</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>					
Segment assets	19,917,991	35,239,108	5,020,610	(1,278,657)	58,899,052
Interest in an associate	—	94,847	—	—	94,847
Interest in joint ventures	803	619,571	4,789	—	625,163
Unallocated assets					690,161
<b>Total assets</b>					<b>60,309,223</b>
<b>Liabilities</b>					
Segment liabilities	9,018,715	20,305,649	9,531,235	(1,034,796)	37,820,803
Unallocated liabilities					79,920
<b>Total liabilities</b>					<b>37,900,723</b>
<b>Other information</b>					
Depreciation and amortisation	831,358	2,230,326	193,056	(113,064)	3,141,676
Capital expenditures	521,388	2,448,225	28,049	—	2,997,662
Interest income	393,426	426,996	16,820	(53,741)	783,501
Interest expenses	20,106	89,962	177,187	(63,761)	223,494
Gain on disposal of subsidiaries	160,104	48,646	—	—	208,750

## 5. OTHER REVENUE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income	<u>650,412</u>	<u>783,501</u>

## 6. OTHER NET INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Income (Expenses):</b>		
Gain on sales of scrapped materials	208,992	207,189
Change in fair value of financial assets at fair value through profit or loss, net	10,099	(21,239)
Dividend income from financial assets at fair value through profit or loss and equity instruments designated as at fair value through other comprehensives income	1,413	2,522
Gain on disposal of subsidiaries	105,992	208,750
Government grants	418,514	356,718
Loss on disposal of property, plant and equipment and right-of-use assets	(60,288)	(29,527)
Exchange (loss) gain, net	(30,164)	36,031
Others	220,262	263,751
	<u>874,820</u>	<u>1,024,195</u>

## 7. PROFIT BEFORE TAXATION

*This is stated after charging:*

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Finance costs</b>		
Interest on bank and other borrowings wholly repayable within five years	<b>429,900</b>	204,049
Interest on bank and other borrowings wholly repayable over five years	—	2,867
Finance costs on lease liabilities	<b>16,121</b>	16,578
	<b>446,021</b>	223,494
<b>Other items</b>		
Depreciation:		
Property, plant and equipment	<b>2,936,451</b>	2,827,355
Right-of-use assets	<b>322,447</b>	306,808
Amortisation of intangible assets	<b>6,679</b>	7,513

## 8. TAXATION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current tax</b>		
<b>PRC Enterprise income tax</b>		
Current year	966,194	1,294,663
(Over) Under provision in prior year	(37,532)	10,518
	<u>928,662</u>	<u>1,305,181</u>
<b>Hong Kong profits tax</b>		
Current year	<u>5,109</u>	<u>2,293</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences, net	(35,891)	(116,825)
Effect of withholding tax on the net distributable earnings of the Group's PRC subsidiaries	<u>175,090</u>	<u>234,327</u>
	<u>139,199</u>	<u>117,502</u>
Total tax charge for the year	<u><u>1,072,970</u></u>	<u><u>1,424,976</u></u>

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

For the year ended 31 December 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% (2021: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2021: 16.5%).

The statutory PRC Enterprise income tax for the PRC subsidiaries is 25% (2021: 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% (2021: 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% (2021: 15%).

## 9. DIVIDENDS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB23.36 cents ( <i>*2021: RMB33.76 cents</i> ) per ordinary share	<b>1,316,156</b>	1,901,241
Special final dividend proposed after the end of the reporting period of RMB23.36 cents ( <i>*2021: RMB33.76 cents</i> ) per ordinary share	<b>1,316,156</b>	1,901,241
	<b><u>2,632,312</u></b>	<b><u>3,802,482</u></b>

At meeting held on 27 March 2023, the directors recommended the payment of a special final dividend and a final dividend of RMB23.36 cents and RMB23.36 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.

During the year, special interim dividend of RMB44.38 cents (*\*2021: RMB44.43 cents*) per ordinary share was approved and paid, totalling RMB2,500,000,000 (*2021: RMB2,500,000,000*).

\* Comparative figures are re-presented in RMB

## 10. EARNINGS PER SHARE

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

### (a) Basic earnings per share

	2022	2021
Profit attributable to ordinary equity shareholders (RMB'000)	<b><u>2,632,312</u></b>	<b><u>3,802,482</u></b>
Weighted average number of ordinary shares ('000)	<b><u>5,632,791</u></b>	<b><u>5,627,083</u></b>
Basic earnings per share (RMB cents)	<b><u>46.73</u></b>	<b><u>67.57</u></b>

(b) Diluted earnings per share

	2022	2021
Profit attributable to ordinary equity shareholders (RMB'000)	<u>2,632,312</u>	<u>3,802,482</u>
<i>Weighted average number of ordinary shares (diluted) ('000)</i>		
Weighted average number of ordinary shares	5,632,791	5,627,083
Effect of the Company's share option scheme	<u>2,694</u>	<u>5,251</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>5,635,485</u>	<u>5,632,334</u>
Diluted earnings per share (RMB cents)	<u>46.71</u>	<u>67.51</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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	1,686,700	1,920,716
Over 90 days	<u>121,581</u>	<u>123,028</u>
	<u>1,808,281</u>	<u>2,043,744</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 90 days	8,591,071	8,364,033
Over 90 days	<u>898,837</u>	<u>682,485</u>
	<u><b>9,489,908</b></u>	<u><b>9,046,518</b></u>

## 13. COMMITMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Capital expenditure commitments</b>		
<i>Contracted but not provided for:</i>		
Expenditures on property, plant and equipment	<u><b>541,830</b></u>	<u><b>990,797</b></u>

## Management Discussion and Analysis

### Macro and Industry Review

In 2022, the macro-environment faced some challenges, but the long-term fundamentals had remained favorable, with the GDP growth of 3% year-on-year and urbanization rate improved to 65.2%. During the period, the rising price of bulk raw materials had mounted pressure to the operation of the industry. The capricious COVID outbreaks also limited the mobility of people and consumption occasions. However, the middle class continued to grow, and the consumption potential continued to be unleashed when penetrating to the new rural areas. Household consumption habits lingered on, with growth in O2O and community group purchase maintained. Consumers valued product quality and healthy, while choosing more wisely and proactively looking for cost-effective products. These trends brought opportunities for industry development.

### Business Review

The Group pressed ahead by executing its established strategy to “Consolidate, Reform and Develop” in 2022. It further dived into the mass consumer markets, explored into the market targeting at the middle class, and deployed efforts to tap into markets in the new rural areas. As a national brand, the Group started from the operation safety and corporate values to build its core competitiveness. It gave full play to advantages of scale, continued to make brand investment and product innovation, and promoted digital transformation to better serve customers and consumers. According to the Kantar Brand Footprint Report in 2022, Master Kong had been ranked among the Top Three Brands as First Choice by Chinese Consumers for ten consecutive years.

In 2022, the Group’s revenue increased by 6.26% year-on-year to reach RMB78.717 billion. The revenue from instant noodles grew by 4.17% year-on-year, while the revenue from beverages grew by 7.89% year-on-year. The gross profit margin of the whole year had a decline of 1.30 percentage points year-on-year and dropped to 29.09%. The ratio of distribution costs to revenue rose by 0.15 percentage points year-on-year to 21.35%. EBITDA declined by 14.07% year-on-year to reach RMB7.210 billion; Weighed down by the year-on-year decrease in gross profit margin and the year-on-year increase in distribution costs, the profit attributable to shareholders of the Company contracted by 30.77% year-on-year to RMB2.632 billion; Basic earnings per share declined by RMB20.84 cents to RMB46.73 cents.

## **Instant noodles Business**

In 2022, the Group's revenue from the instant noodle business was RMB29.634 billion, with a year-on-year growth of 4.17%, accounting for 37.65% of the Group's total revenue. During the period, the gross margin of instant noodles decreased by 0.41 percentage points year-on-year to 23.95%, due to the rise of raw material prices and shift in product-mix. Due to the year-on-year decline in gross profit margin, the profit attributable to shareholders of the Company in the instant noodles segment declined by 31.42% to RMB1.375 billion in 2022.

Upon the 30th anniversary of the establishment of instant noodles business, efforts had consistently concentrated on meeting the demands of different consumers with a variety of offerings in price bands, flavors and sizes in a multitude of occasions. In response to the demand for consumption upgrading, active efforts had been made for the offering of premium products. Efforts had been put in place to grasp the opportunities of new retail channels, stay flexible for product adaptation and marketing, build digital consumer management system, refine private domain operation, and provide consumers with a greater diversity of service experiences. The principle of "Quality is the First Productivity" had been strictly followed. Efforts had never stopped to improve the production layout, build digital production workshops, and improve the efficiency and effectiveness of the supply chains. It had been all about taking the interests of consumers as the core, effectively powering the sound development of the industry and contributing to the sustainable development of the industry.

## **High-priced Noodles**

High-priced noodles continued to consolidate core products, promote brand rejuvenation, and capitalize on the advantage of scale, thus serving consumers with products of multiple flavors and sizes. In parallel, given the occasions of staying up late watching sports events and other occasions, marketing campaigns were rolled out for reinforcement on such occasions. "Roasted Beef Noodles" deepened the bond with young consumers through interactions and communication by working with Lay Zhang as its brand ambassador and co-creating the song "Let's Move", thus conveying positive brand values and promoting brand preference. "Hot Beef Noodles" never ceased to gain popularity among consumers. "Tomato Egg Beef Noodles" worked hand in hand with the brand ambassador, Yang Zi, to have boosted the brand awareness rapidly. "Rattan Pepper Beef Noodles", "Xiaomijiao Pickled Pepper Beef Noodles", "Old Mature Vinegar Sour & Spicy Beef Noodles" were highly rated among the consumers, with their advantages of flavors. Innovative flavors of "Golden Stock Beef Noodles" and "Light Spicy Pickled Vegetables Beef Flavor Noodles" were launched onto the market, where the product penetration rate had been boosted rapidly. "Master Kong Dried Noodles" applied innovations to have designed water filters for the convenience of consumers. "Master Kong BIG Bucket/Package" accommodated the needs of consumers for large portions.

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

The offerings of premium products were enriched to meet the needs of the middle class for upgraded consumption. “Soup Chef” kept communicating on “Proficiency in Every Type of Soups”, launched “Soup Chef-BIG CUP” as a new size, and cooperated with gourmet IP to improve penetration rate and preference of the brand. “Yu-Pin Banquet”, as a gift product for the 30th anniversary, focused on the emerging white-collar workers and new middle-class population, and leveraged Luo Yonghao to trigger the topic to go viral, thus leading the upgrading of instant noodle products towards the premium end. “Dried Noodles Collection” converged signature dried noodles from all over the places, accessed the market niche of dried noodles, and launched products in this niche of various flavors and noodle assortments, which were highly praised by consumers. In addition, both “Yu-Pin Banquet” and “Dried Noodles Collection” won the Outstanding Instant Food Innovation Grand Award in the Year of 2021-2022. “RanHun Noodles”, as fried-free dried noodles, catered for the needs of young consumers. “Express Chef’s Noodles” delivered the quality noodles as if original from the noodle shops, continuously improved the product strength, where the bowl noodles/self-heating noodles offered multiple sizes to meet the needs of consumers in different occasions for food.

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

The Mid-priced Noodles were tailor-made for consumers in township and rural areas, accommodating the demands of both affordability and tastes. Efforts were made to continuously strengthen brand building, and meet consumers demands for cost-effective products with large-portion offerings via the product of “Master Kong 50% Plus”, realizing a sustained and rapid 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 new flavor of “Sizzling Barbecue”, where a brand-new promotion campaign was rolled out, in association with the world-class IP “Pokémon” to keep enhancing the brand awareness and brand preference.

## **Beverage Business**

In 2022, the overall revenue from beverage business was RMB48.336 billion, with a year-on-year growth of 7.89%, accounting for 61.40% of the Group’s total revenue. During the period, the gross margin of beverages decreased by 1.88 percentage points year-on-year to 31.95%, due to the rise of raw material prices and shift in product-mix. Due to the year-on-year decline in gross margin, the profit attributable to shareholders of the Company in the beverages segment declined by 25.00% to RMB1.378 billion in 2022.

The beverage business focused on core categories, adhered to the orientation of consumer demands, kept launching and nurturing new products, and met the multi-occasion and healthy demands of consumers with a rich product matrix. Efforts were geared to actively expand consumer purchase channels, and to streamline distribution channels. The price rationalization strategy was pushed

forward in an organized manner, with solid steps underway in brand building and commitments to healthy operation sound and sustainable development. The capacity layout was optimized, whilst the digital transformation of supply chain was actively promoted, the pilot of the integrated data management platform was in place, and the supply chain effectiveness was improved. In response to market demands, capital expenditure on outdoor consumption was moderately increased.

## **RTD Tea**

RTD tea focused on core products, consolidated the consumption market of the public, and met the consumption demands of the younger group in different occasions with a variety of flavors and sizes of products. “Master Kong Ice Tea” teamed up with the new brand ambassadors, Wang Yibo and the Teens in Times, to keep working on a young and fashionable brand image to meet the needs of indoor/outdoor consumption occasions. “Tropical Flavor”, the fruity-flavored tea, caught on among the ACGN lovers. “Sugar-free Ice Tea” deployed its presence into the healthy consumer market, leading the development of the industry. “Jasmine Series” teamed up with national idol Gong Jun to shoot a microfilm “Jasmine Only for You”, rolled out online and offline joint promotion, and were loved by young consumers. “Green Tea” packaging was restaged to intensify the brand image for the vitality of young touch. The packaging of “Master Kong Peach Oolong Tea” and “Oolong Tea” was fully upgraded to fit into the preferences of the new generation for fruit tea. The fruit tea series had the new arrival of “Green Grape Green Tea” hitting the shelf, expanding the lineup of the fifth brand of teas. “Pure Sugar-free Tea Beverage” was newly launched to meet the thirst quenching/palate refreshment demand of young consumers.

## **Carbonated Soft Drinks**

The bottled carbonated soft drink business forged ahead to drive innovations in categories and flavors, and met the consumer demands for different drinking occasions with full-suite of sizes, packaging and sugar reduction options, which registered an overall growth of carbonated soft drinks across the board. “Pepsi-Cola” created a brand-new Pepsi virtual idol family for Team Pepsi, ushered in the Pepsi’s meta-universe, and introduced the upgraded serving platform titled “Delicious Pepsi”. Pepsi series kept on delivering the three options of Osmanthus Flavor and White Pomelo Bamboo Flavor. “Pepsi No Sugar” collaborated with the national Top One mobile game IP, “Honor of Kings”, to capture young consumers and met the demand for sugar-free consumption. “Mirinda” launched mixed fruit flavors of Passion Fruit & Pineapple/Passion Fruit & Coconut, and juice bubble drink introduced orange flavor/apple flavor, all of which were positioned towards premium juice carbonated soft drinks. “7UP” capitalized on Moji7o Grapefruit Flavor to engage in operation with product differentiation. “Bubly Sparkling Water” launched new flavors of apple/strawberry, restaged with new packaging, expanded offerings of mixed flavor packaging, and worked with Xiao Zhan to launch micro films for brand series to enhance brand awareness and brand preference.

## **Juices**

The advantages of the multiple options of sizes and flavors were put to good use, and the fusion of the Chinese and Western styles staged the culture of “Chinese Style Drinks with Meal”. The Chinese juice of “Rock Candy Pear” strengthened the brand image of “Moistening the Throat for Every Moment”, created a drinking occasion for good voice by moistening the throat, and a new flavor “Rock Candy Red Grapefruit” hit the shelf. “The Traditional Drink Sweet-Sour Plum Juice” integrated modern juicing process into Chinese classic drink, and highlighted the effects of quenching thirst and benefits of refreshing the palate to go with cuisines. The Western-style juice “Master Kong Juices” resorted to tasty fruits to build an optimistic and joyful brand image. “NutriLight Fruits”, on top of its core flavor of honey and grapefruit, extended the series with other flavored products, including “Mango Flavor Drink” and “Peach Flavor Drink”, etc. “Tropicana 100%” succeeded in grasping online exposures, and focused on supermarket/convenience store and other channels in the offline channel, and seized marketshare in the category of 100% juice (ambient). The “Tropicana” focused on mixed fruit flavors and pushed up sales scale.

## **Bottled Water**

The bottled water business continued to satisfy different consumer needs with products of various sizes and price bands, stressed on the offering of large and small packages, and tapped into the consumption demand of household occasions. “Master Kong Bottled Drinking Water” worked with the Olympic Champion Guo Jingjing, and constantly presented a brand image of “The Best Choice for Reassurance and Health”. The 5L super-large packaging was offered to expand the drinking occasions for household and catering settings. “Drink boiled water” communicated the product positioning of “mild, safe and sweet water”, upheld a competitive strategy of boiled water differentiation, and cooperated with Cai Xukun to serve young consumer community and met the water uptake needs of different occasions with multiple sizes. “Aquafina” cooperated with the players of China Women’s National Football Team, and offered in full-suite of sizes to meet the outdoor and home drinking occasions for consumers. “Soda Bubble Water” was launched as a new product, and maintained collaboration with well-known catering/coffee brands to expand into diversified occasions for sales, which witnessed steady growth of sales.

## **Coffee Drinks/Functional Drinks/Probiotics**

“Starbucks Ready-to-Drink Coffee” had the Bottled Frappuccino upgraded, and launched new products of Mini Bottled Frappuccino and Oat Latte flavor Frappuccino, continued to strengthen the comprehensive market coverage of Starbucks Select, and the overall sales performance was outstanding. “Bernachon Coffee” launched Benazon light and fresh series, with low sugar and low fat offerings to meet the healthy needs of consumers. “Gatorade” cooperated with top celebrities in sports at home and abroad and major sports associations in China to cover a variety of sports occasions and maintained emphasis on building the brand image of No.1 sports beverage. “Gatorade No Sugar” took a proactive move to tap into the segmented market of the light exercises and daily hydration. “Wei Chuan Ambient Probiotics Drink” focused on core flavors. “Xiao Lao Duo Duo”, the lactobacillus beverage was repackaged to manifest its healthy image featuring fresh and fat-free happiness.

## **Financial Operation**

The Group, with pursuit of a prudent cash strategy, 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 year, the Group had a net cash inflow of RMB4.475 billion from operating activities and a net cash outflow of RMB3.380 billion from investing activities. During the period, the Group promoted asset activation to yield in a net cash inflow of RMB216 million.

The Group continued to maintain a robust financial structure through effective control on trade receivables, trade payables and inventories, with sufficient cash holdings. As of December 31, 2022, the Group’s bank deposits and cash amounted to RMB19.888 billion, with a decrease of RMB2.073 billion over December 31, 2021. As of December 31, 2022, the Group’s interest-bearing borrowings amounted to RMB17.619 billion, with an increase of RMB3.957 billion over December 31, 2021. The net cash totaled RMB2.269 billion, down by RMB6.030 billion over December 31, 2021. At the end of the period, the ratio of borrowings denominated in foreign currency to RMB was 31%:69%, versus 96%:4% at the end of the previous year. The ratio of long-term to short-term borrowings was 48%:52%, versus 46%:54% at the end of the previous year.

The Group’s total assets and total liabilities arrived at RMB58.449 billion and RMB41.634 billion, respectively as of December 31, 2022, down by RMB1.860 billion and up by RMB3.733 billion respectively over December 31, 2021; The debt ratio was 71.23%, up by 8.39 percentage points over December 31, 2021; The gearing ratio increased from -44.48% as of December 31, 2021 to -16.97% in the current period.

## Financial Ratio

	<b>December 31 2022</b>	December 31 2021
Turnover of Finished Goods	<b>20.77 days</b>	18.35 days
Turnover of Trade Receivables	<b>8.93 days</b>	9.13 days
Current Ratio	<b>0.76 Times</b>	0.86 Times
Debt ratio (Total liabilities to Total assets)	<b>71.23%</b>	62.84%
Gearing ratio (Net borrowings to shareholders' equity) <sup>1</sup>	<b>-16.97%</b>	-44.48%

## Human Resources

The Group had 64,302 employees, as of December 31, 2022.

Investments in talents and comprehensive improvement in the organizational efficiency had been maintained, based on the Group's core competitiveness and strategy. Master Kong's unique executive development model was built. The digital transformation of HR was accelerated, and gradually established a scientific selection mechanism. Furthermore, the group has leveraged the internal trainer development and external resources with the focus on training operating leaders and executives.

The group has established partnership with 45 higher education institutions and 70 vocational schools nationwide. A variety of offline campus recruitment campaigns were implemented and multiple online formats including cloud tours, livestreaming headquarters visits and short videos were utilized, providing thousands of job offers to the fresh graduates. In terms of partnership on vocational education, efforts were retained to deliver and promote the "Master Kong Ordered Class", and the resource sharing and collaborative approach to prepare talents was furthered.

Partnerships were deepened with selected domestic and overseas top universities. The first phase of MBA Integrative Practical Projects (IPP) was jointly delivered with the School of Economics and Management, Tsinghua University. Cooperation with Harvard Business School on co-developing a business case was realized and sharing of Master Kong's experiences in the Chinese market with more than 180 international executives was accomplished. Employees were selected and enrolled in Waseda University to study advanced production and operation knowledge. The joint project of big data modeling on Master Kong's consumers was successfully accomplished with partners such as the Wharton School.

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<sup>1</sup> 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.

## **Corporate Social Responsibility**

As a China's national brand, Master Kong devotes to its mission of "Promoting Chinese Food & Beverage Culture", follows its vision of "Being a Respected Food & Beverage Company", adheres to the sustainable development concept of "Keep Our Nature Green", and consistently aligns the corporate growth with consumer interests and national strategies. The Group has received social recognition from the general public for its contribution to food safety, sustainable development, social benefits, among other aspects.

Food safety is the foundation of the Group. Benchmarked against "the space quality", the Group maintains zero tolerance policy for food safety risks. Focusing on the consumers, the Group formulated the strategy of satisfying the five entities of "consumers, society, partners, employees and shareholders". In active response to the announcement of the State Administration for Market Regulation's campaign "Keep the Bottom Line, Check Hidden Dangers and Ensure Safety", the Group organized activities such as Month of Food Safety and food safety promotion events, conducted internal and external trainings on food safety knowledge, and reinforced food safety threat detection and investigation to consolidate the food safety assurance. The Group's Food Safety Centre participated and cooperated with industrial associations and relevant institutions in the progression towards standardisation.

The national strategy of "Carbon Peaking and Carbon Neutrality" was proactively implemented. The Group continued to promote the carbon inventory projects and related energy conservation, emission reduction and plastic reduction projects, and the results were satisfactory. The Group joined the Roundtable Forum on "Sharing of Enterprise Carbon Reduction Practices" at the 5th China International Import Expo. The Group participated in United Nations Global Compact (UNGC) joint action initiative of "Mitigating Marine Plastic Pollution and Promoting Low-Carbon Economic Transformation" as a founding member. Projects such as redesign and renovation of off-gas treatment systems, revamp of anaerobic wastewater treatment system, recovery of residual heat from frying process and upgrade of packaging boxes were carried out. The Group launched the first label-free beverage and the first carbon-neutral tea-based beverage, named Pure Sugar-free Tea, in China, and published the first set of standards for carbon footprint accounting and carbon neutralization evaluation for tea-based beverages in China with the association.

The Group took part in a variety of events for public interest to give back to the society, and its performance in fulfilling corporate social responsibilities was praised by the society. The Group supported the sport events such as badminton competition and marathon. It partnered with both domestic and foreign higher education institutions to engage in talent training and exchanges. Community activities and emergency reliefs were hosted throughout the country, including caring supplies giveaways for medical personnel, students, police, fire department officers, streets sanitation

workers, etc., volunteering at children welfare offices and for people with disabilities, assisting people with disabilities with their employment, and providing complimentary supplies to areas affected by the COVID-19 pandemic, floods, heat waves, earthquakes, etc. The Group participated in drafting the association standards, namely *Enterprise ESG Evaluation System* and *Guidelines for Preparation of Enterprise ESG Report*. Tingyi (Cayman Islands) Holding Corp., (0322 HK) was included in the Hang Seng Index. It has been ranked among the Top Three Brands as First Choice by Chinese Consumers for ten consecutive years. The Group won the Dingge Award for the Green Innovative Enterprise of the Year with its AIOT intelligent energy-saving refrigerator project and the Dingge Award for the Model of Operation Transformation of the Year with its digital intelligence transformation project for financing and accounting. The Group was selected for Xinhuanet's 2022 "Lucid Waters and Lush Mountains are Invaluable Assets" Practice Typical Case. It was also mentioned in *Ecosystem Brand Development Report (2022)* and granted several honors such as the title of "The Practitioner".

## **Prospects**

China's economy is expected to make steady growth in 2023. The recovery of consumption scenario is accelerated, and the enterprise operation is full of opportunities. The Group has always been underpinned by operation safety and corporate values, and supported by the pillars of scale, brand, innovation, system and talents, and will strengthen its core competitiveness from a future-oriented perspective, thus facilitating the robust operation to create values for consumers and shareholders.

The Group will unswervingly advance its strategy to "Consolidate, Reform and Develop", so as to expand and strengthen its main operating business. The instant noodle business will continue to meet the diversified demands of consumers with products that come with multiple price bands, multiple sizes and diversified flavors, and keep galvanizing the expansion of the scale of the entire industry. The beverage business will keep its focus on core categories and promote product structure adaptations to accommodate the needs of consumers for different occasions.

In the face of the trend of increasingly diversified channels, online and offline deployment will be adopted in parallel. The traditional e-commerce channels will be strengthened, the O2O and community group buying, together with other channels will be extended, and the product categories and sizes from online channels will be enriched. And efforts will be kept up to penetrate into the offline pathways, streamline distribution channels, and improve the terminal store coverage rate and service capacity. At the same time, the young brand ambassador and virtual IP images loved by consumers will be selected to leverage the rejuvenation marketing approach to promote the brand building towards younger population.

Digital transformation comprises an important direction navigated by the Group. With business as the core, a solid digital talent echelon will be built, data asset management will be strengthened and an integrated data management platform will be created, to boost business growth and operation performance. The Group also attaches great importance to food safety and the green and sustainable development. It is imperative to guard the bottom line of food safety and never cease to strengthen food safety management and quality control. Constant efforts will be directed at the practice of the low-carbon and environmentally-friendly development philosophy, so as to bolster up consumers' pursuit for a better life.

The Group will dedicate to its mission of “Promoting Chinese Food and Beverage Culture”, regard serving the needs of consumers as its supreme purpose and food safety as the cornerstone, and follow the robust business philosophy of “Cash is King”. With its professional expertise, the Group will build a “Chinese National Brand” of comprehensive food and beverages that is trustworthy for the government, gratifying for business partners, and assuaging 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 2022, complied with the code provisions of the Corporate Governance Code (the "CG Code") which become effective in the year as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviations from code provisions B.2.2 and B.2.4. The reasons for these deviations are 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 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.

### **Code Provision B.2.4**

According to Code Provision B.2.4, if all independent non-executive directors have served more than nine years on the board of directors of an issuer, the issuer should appoint a new independent non-executive director at the forthcoming AGM (and the appointment shall take effect in the financial year commencing on or after 1 January 2023). All the three independent non-executive Directors of the Company have served on the Board for more than nine years. Mr. Hsu Shin-Chun has served on the Board for 22 years, Mr. Lee Tiong-Hock has served on the Board for 18 years and Mr. Hiromu Fukada has served on the Board for 11 years. The Board considers that these three independent non-executive Directors have a thorough understanding of the Company's business operation, and have expressed objective views and given independent guidance to the Company in the past. The Board is also of the view that these three independent non-executive Directors are firmly committed to their responsibilities and ongoing role, and that the long service of these three independent non-executive Directors will not affect their independent judgments. The Board considers these three independent non-executive Directors to remain independent under the Listing Rules despite the fact that they have served the Company for more than nine years. The Board is satisfied that they have the necessary integrity, honesty and experience to continue in their role as independent non-executive Directors. The Board believes that the continued tenure of these three independent non-executive Directors will bring stability to the Board and the Board will benefit greatly from the experience of these three independent non-executive Directors, who have over time gained valuable insight into the Group. Therefore, the Company has no current arrangement on appointing a new independent non-executive Director at the forthcoming AGM, which, despite deviation from Code Provision B.2.4, will not be detrimental to the Company.

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

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

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

Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon 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 2022. 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 2022.

### **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 2022, 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 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 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

#### **PURCHASE, SALE OR REDEMPTION OF 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 2022, no share options were granted by the Company in accordance with the terms of the 2008 Share Option Scheme.

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

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

The summary below sets out the details of movement of the share options during the twelve months ended 31 December 2022 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 2022	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 31 December 2022	Weighted average closing price immediately before exercise HK\$	Note
<b>Executive Director</b>										
Tseng Chien	26 April 2012	20.54	19.88	112,000	—	—	112,000	—	—	Table A (5)
	27 May 2013	20.16	20.05	140,000	—	—	—	140,000	—	Table A (6)
	17 April 2014	22.38	22.35	164,000	—	—	—	164,000	—	Table A (7)
	5 June 2015	16.22	15.92	232,000	—	—	—	232,000	—	Table A (8)
Wei Hong-Ming	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)
Wei Hong-Chen	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)
<b>Chief Executive Officer</b>										
Chen Yinjang	17 April 2014	22.38	22.35	262,000	—	—	—	262,000	—	Table A (7)
	5 June 2015	16.22	15.92	380,000	—	—	—	380,000	—	Table A (8)
	4 July 2016	7.54	7.54	500,000	—	—	—	500,000	—	Table A (9)
	21 April 2017	10.20	10.20	500,000	—	—	—	500,000	—	Table A (10)
<b>Substantial Shareholder</b>										
Wei Ing-Chou <sup>#</sup>	26 April 2012	20.54	19.88	1,368,000	—	—	1,368,000	—	—	Table A (5)
	27 May 2013	20.16	20.05	1,390,000	—	—	—	1,390,000	—	Table A (6)
	17 April 2014	22.38	22.35	1,486,000	—	—	—	1,486,000	—	Table A (7)
	5 June 2015	16.22	15.92	1,726,000	—	—	—	1,726,000	—	Table A (8)
<b>Other employees in aggregate</b>										
in aggregate	26 April 2012	20.54	19.88	4,816,000	—	—	4,816,000	—	—	Table A (5)
	27 May 2013	20.16	20.05	6,236,000	—	—	912,000	5,324,000	—	Table A (6)
	17 April 2014	22.38	22.35	7,049,000	—	—	1,118,000	5,931,000	—	Table A (7)
	5 June 2015	16.22	15.92	11,196,000	—	458,000	1,528,000	9,210,000	17.11	Table A (8)
	4 July 2016	7.54	7.54	1,706,000	—	564,000	—	1,142,000	14.43	Table A (9)
	21 April 2017	10.20	10.20	6,950,000	—	2,170,000	—	4,780,000	14.17	Table A (10)
<b>Total</b>				<b>48,213,000</b>	<b>—</b>	<b>3,192,000</b>	<b>9,854,000</b>	<b>35,167,000</b>		

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

For the period of twelve months ended 31 December 2022, 3,192,000 options had been exercised under the 2008 Share Option Scheme. Weighted average exercise price was HK\$10.59 and the weighted average market closing price before the date of exercise was HK\$14.64.

**(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)

<b>Date of grant</b>	<b>Number of share options granted</b>	<b>Exercisable period</b>	<b>Exercise price (HK\$)</b>
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 2022 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 2022	Weighted average closing price immediately before exercise HK\$	Note
				Balance as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/lapsed during the period			
<b>Executive Director</b>										
Wei Hong-Ming	27 April 2018	16.18	15.02	385,000	—	—	—	385,000	—	Table C (1a)
	27 April 2018	16.18	15.02	98,000	—	—	—	98,000	—	Table C (1b)
Wei Hong-Chen	27 April 2018	16.18	15.02	385,000	—	—	—	385,000	—	Table C (1a)
	27 April 2018	16.18	15.02	98,000	—	—	—	98,000	—	Table C (1b)
<b>Chief Executive Officer</b>										
Chen Yinjang	27 April 2018	16.18	15.02	144,000	—	—	—	144,000	—	Table C (1b)
<b>Substantial Shareholder</b>										
Wei Ing-Chou <sup>#</sup>	27 April 2018	16.18	15.02	470,000	—	—	—	470,000	—	Table C (1b)
<b>Other employees in aggregate</b>										
	27 April 2018	16.18	15.02	1,708,000	—	—	—	1,708,000	—	Table C (1a)
	27 April 2018	16.18	15.02	2,975,000	—	—	—	2,975,000	—	Table C (1b)
<b>Total</b>				<u>6,263,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,263,000</u>	<u>—</u>	

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

During the twelve months ended 31 December 2022, 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 5 June 2023. 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 RMB23.36 cents per ordinary share of the Company and the payment of a special final dividend of RMB23.36 cents per ordinary share of the Company in respect of the year ended 31 December 2022. 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 12 July 2023.

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

The register of members of the Company will be closed from 31 May 2023 to 5 June 2023 (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 Tuesday, 30 May 2023.

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

The register of members of the Company will be closed from 9 June 2023 to 13 June 2023 (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, 8 June 2023.

<b>BOARD OF DIRECTORS</b>
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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, 27 March 2023

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

\* *For identification purpose only*