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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2020

SUMMARY

RMB'000	For the six months ended 30 June		
	2020	2019	Change
• Revenue	32,934,421	30,495,309	↑ 8.00%
• Gross margin	33.43%	31.93%	↑ 1.50 pp.
• Gross profit of the Group	11,009,724	9,736,448	↑ 13.08%
• EBITDA	5,166,659	4,154,177	↑ 24.37%
• Profit for the period	2,653,381	1,801,832	↑ 47.26%
• Profit attributable to owners of the Company	2,380,431	1,503,085	↑ 58.37%
• Earnings per share (RMB cent)			
Basic	42.33	26.74	↑ 15.59 cent
Diluted	42.28	26.72	↑ 15.56 cent

As at 30 June 2020, cash and cash equivalents amounted to RMB23,307.312 million, representing an increase of RMB5,876.925 million when compared to 31 December 2019. Gearing ratio was 45.62%.

2020 INTERIM RESULTS

The Board (the Board) of Directors (the Directors) of Tingyi (Cayman Islands) Holding Company (the Company) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the Group) for the month ended 30 June 2020 together with the comparative figures for the corresponding period in 2019. The unaudited condensed consolidated 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 2020

	<i>No. of</i>	January to June 2020 <i>(Unaudited)</i> RMB'000	January to June 2019 <i>(Unaudited)</i> RMB'000
Revenue	2	32,934,421	30,495,309
Cost of sales		(21,924,697)	(20,758,861)
Gross profit		11,009,724	9,736,448
Other income		307,200	245,532
Other net income		342,648	356,766
Distribution costs		(6,499,889)	(6,345,585)
Administrative expenses		(1,128,172)	(1,189,274)
Other operating expenses		(277,379)	(317,740)
Finance costs	4	(214,470)	(205,665)
Share of results of associates and joint ventures		125,424	270,711
Profit before taxation	4	3,665,086	2,551,193
Taxation	5	(1,011,705)	(749,361)
Profit for the period		<u>2,653,381</u>	<u>1,801,832</u>
Profit attributable to:			
Owners of the Company		2,380,431	1,503,085
Non-controlling interests		272,950	298,747
Profit for the period		<u>2,653,381</u>	<u>1,801,832</u>
Earnings per share	6	<i>RMB</i>	<i>RMB</i>
Basic		<u>42.33 cents</u>	<u>26.74 cents</u>
Diluted		<u>42.28 cents</u>	<u>26.72 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2020

	January to June 2020	January to June 2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	2,653,381	1,801,832
Other comprehensive loss		
<i>Items that will not be reclassified to profit or loss</i>		
Fair value change in equity instruments designated as fair value through other comprehensive income		(64)
<i>Items that are or may be reclassified to profit or loss</i>		
Exchange difference on consolidation	(165,860)	(6,823)
Other comprehensive loss for the period	(165,860)	(6,887)
Total comprehensive income for the period	2,487,521	1,794,945
Total comprehensive income attributable to:		
Owners of the Company	2,217,252	1,491,002
Non-controlling interests	270,269	303,943
	2,487,521	1,794,945

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>No.</i>	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
ASSETS			
Non-current assets			
Intangible assets		1,771,500	1,771,500
Property, plant and equipment		22,141,695	23,013,991
Right-of-use assets		3,832,490	4,025,124
Intangible assets		182,596	183,409
Goodwill		97,910	97,910
Interests in an associate		154,377	139,537
Interests in joint ventures		956,048	889,065
Financial assets at fair value through profit or loss		1,551,984	1,153,541
Equity instruments designated at fair value through other comprehensive income		117,066	115,614
Deferred tax assets		425,180	407,171
Long-term deposits		1,575,000	725,000
		<u>32,805,846</u>	<u>32,521,862</u>
Current assets			
Intangible assets		3,379,946	3,445,075
Trade receivables	8	1,781,594	1,669,525
Trade payables		-	40,349
Prepayments and other receivables		2,489,897	2,852,469
Pledged bank deposits		82,502	32,830
Bank balances and cash		23,224,810	17,397,557
		<u>30,958,749</u>	<u>25,437,805</u>
Total assets		<u><u>63,764,595</u></u>	<u><u>57,959,667</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
<i>None</i>		
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	235,408	235,401
Share premium	726,200	724,384
Reserves	17,512,440	18,618,789
Total capital and reserves attributable to owners of the Company	18,474,048	19,578,574
Non-controlling interests	3,354,873	3,467,533
Total equity	21,828,921	23,046,107
Non-current liabilities		
Financial liabilities at fair value through profit or loss	9,674	9,674
Long-term interest-bearing borrowings	4,348,735	4,920,078
Lease liabilities	195,003	287,892
Other non-current liabilities	40,000	40,000
Employee benefit obligations	153,174	157,066
Deferred tax liabilities	1,324,784	1,191,422
	6,071,370	6,606,132
Current liabilities		
Trade payables	9,439,424	7,678,035
Other payables and deposits received	13,094,415	10,761,450
Guarantee provision of interest-bearing borrowings	10,530,939	7,454,381
Lease liabilities	126,028	199,664
Advance payments from a customer	2,168,991	1,809,935
Taxation	504,507	403,963
	35,864,304	28,307,428
Total liabilities	41,935,674	34,913,560
Total equity and liabilities	63,764,595	57,959,667
Net current assets (liabilities)	(4,905,555)	(2,869,623)

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. The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards (HKAS) 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). The condensed consolidated interim financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies adopted in preparing the condensed consolidated interim financial statements for the month ended 30 June 2020 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the newly issued Standard of Hong Kong Financial Reporting Standard (HKFRS) which have an effect on the Group's operations and are effective for the Group's financial year beginning on 1 January 2020 as described below.

Amendment of HKAS 1 and 8 Definition of Material
 Amendment of HKAS 39, Interim Rate Benchmark Reform
 HKFRS 7 and 9

The adoption of the amendments of HKFRS did not result in any material change of the Group's accounting policies and amounts reported for the reporting period and periods.

2. Segment information

Segment results

	For the Six Months ended 30 June 2020				
	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 contracts with a customer	14,905,255	17,603,780	383,541		32,892,576
Timing of revenue recognition:					
Recognised at a point in time	14,905,255	17,603,780	325,095		32,834,130
Recognised over time			58,446		58,446
	14,905,255	17,603,780	383,541		32,892,576
Revenue from other contracts					
Residual income from intermen, operations Inter-segment revenue	5,007	12,840	41,845	(818,345)	41,845
Segment revenue	14,910,262	17,616,620	1,225,884	(818,345)	32,934,421
Segment results after finance costs	2,321,078	1,351,220	(141,993)	9,381	3,539,686
Share of net loss of an associate and joint venture	44	131,361	(5,981)		125,424
Unallocated expenses			(24)		(24)
Profit (loss) before taxation	2,321,122	1,482,581	(147,998)	9,381	3,665,086
Taxation	(627,062)	(371,277)	(13,366)		(1,011,705)
Profit (loss) for the period	1,694,060	1,111,304	(161,364)	9,381	2,653,381

2. Segment information (Continued)

	For the Six Months ended 30 June 2019				Total (Unaudited) RMB'000
	Instant noodles (Unaudited) RMB'000	Beverages (Unaudited) RMB'000	Others (Unaudited) RMB'000	Inter-segment elimination (Unaudited) RMB'000	
Revenue					
Revenue from contracts with a customer	11,541,967	18,358,830	547,309		30,448,106
Timing of revenue recognition:					
Recognised at a point in time	11,541,967	18,358,830	332,137		30,232,934
Recognised over time			215,172		215,172
	11,541,967	18,358,830	547,309		30,448,106
Revenue from other contracts					
Revenue from intangible assets			47,203		47,203
Inter-segment revenue	1,952	8,530	672,744	(683,226)	
Segment revenue	11,543,919	18,367,360	1,267,256	(683,226)	30,495,309
Segment results after finance costs					
Share of results of an associate and joint venture	1,244,661	1,102,167	(67,499)	(2,219)	2,277,110
Unallocated income, net	(300)	274,463	(3,452)		270,711
			3,372		3,372
Profit (loss) before taxation	1,244,361	1,376,630	(67,579)	(2,219)	2,551,193
Taxation	(369,661)	(365,649)	(14,051)		(749,361)
Profit (loss) for the period	874,700	1,010,981	(81,630)	(2,219)	1,801,832

Segment information is prepared based on the legal financial information reported to the Company's executive directors for their decision-making on the allocation of the Group's limited resources and efforts of these components to performance. The Company's executive directors assess the performance of reportable segments and their allocation based on the performance of the period and the profit (loss) before taxation, share of results of an associate and joint venture and unallocated income (expense), net.

2. Segment information (Continued)

Segment assets and liabilities

	At 30 June 2020				
	Instant noodles	Beverages	Others	Inter-segment	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	24,571,260	32,185,473	4,383,008	(154,621)	60,985,120
Inventories in an associate		154,377			154,377
Inventories in joint ventures	926	922,344	32,778		956,048
Unallocated assets					1,669,050
Total assets					63,764,595
Segment liabilities	9,368,345	19,200,700	13,959,361	(745,906)	41,782,500
Unallocated liabilities					153,174
Total liabilities					41,935,674

	At 31 December 2019				
	Instant noodles	Beverages	Others	Inter-segment	Total
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	22,790,688	29,095,483	4,010,878	(235,139)	55,661,910
Inventories in an associate		139,537			139,537
Inventories in joint ventures	882	849,424	38,759		889,065
Unallocated assets					1,269,155
Total assets					57,959,667
Segment liabilities	9,294,961	15,805,462	10,482,964	(826,893)	34,756,494
Unallocated liabilities					157,066
Total liabilities					34,913,560

Segment assets include all assets which the corporation of inventories in an associate and joint ventures and unallocated assets which include inventories, finished goods and equity investments recognized in financial statements at the highest profit or loss of equity investments designated as a financial asset or the comprehensive income. Segment liabilities include all liabilities which the corporation of employee benefits obligations.

3. Seasonality of operations

Due to the seasonal nature of the beverage segment, higher revenues are all expected in the second and third quarters. Higher sales during the period from June to August are mainly attributed to the increased demand for packaged beverages during the hot season.

4. Profit before taxation

This is affected by the following:

	January to June 2020 (Unaudited) RMB'000	January to June 2019 (Unaudited) RMB'000
Finance costs		
Interest on bank and other borrowings held repayable within five years	192,756	178,791
Interest on bank and other borrowings held repayable over five years	11,063	14,614
Finance costs on lease liabilities	10,651	12,260
	<u>214,470</u>	<u>205,665</u>
Other items		
Depreciation	1,591,043	1,639,698
Amortisation	3,260	3,153
Impairment losses of property, plant and equipment (included in operating expenses)	61,603	80,834
	<u>1,655,906</u>	<u>1,723,685</u>

5. Taxation

	January to June 2020 (Unaudited) RMB'000	January to June 2019 (Unaudited) RMB'000
Current tax – the PRC Enterprise income tax		
Current period	884,364	621,551
Deferred taxation		
Origination and reversal of temporary differences	(23,965)	19,745
Effect of withholding tax on the distributable earnings of the Group PRC subsidiaries	151,306	108,065
Total charge for the period	<u>1,011,705</u>	<u>749,361</u>

The Company and its subsidiaries do not pay income tax in the PRC and the Group.

Hong Kong Profits Tax has not been provided as the Group entities had no assessable profits subject to Hong Kong Profits Tax for the months ended 30 June 2020 and 2019.

The applicable PRC enterprise income tax rate for the PRC subsidiaries is the statutory rate of 25% (2019: 25%).

According to the Tax Relief Notice (Cai Shi 2011 no. 58) on the Growth and Development of Western Region joint issued by the Ministry of Finance, the State Administration of Taxation and China General Administration of Taxation, enterprises established in the western region of PRC (Western Region) with principal revenue of over 70% generated from the encouraged business activities are entitled to a preferential income tax rate of 15% from 1 January 2011 to 31 December 2020. Accordingly, certain subsidiaries located in the Western Region are entitled to a preferential rate of 15% (2019: 15%).

Based on the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors who are established in the PRC. The requirement is effective from 1 January 2008 and applied to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if the entity is a resident of a PRC and jurisdiction of the foreign investor. For the Group PRC subsidiaries, the applicable rate is 10%. Deferred tax liabilities provided on the balance sheet represent the earnings of the Group PRC subsidiaries that are expected to be distributed in the foreseeable future. The remaining earnings of the Group PRC subsidiaries that are not expected to be distributed in the foreseeable future are classified as additional reserves when they are distributed.

6. Earnings per share

a) Basic earnings per share

	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
Profit attributable to ordinary equity holders (RMB'000)	2,380,431	1,503,085
Weighted average number of ordinary shares ('000)	5,623,861	5,620,600
Basic earnings per share (RMB cent)	42.33	26.74

b) Diluted earnings per share

	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)
Profit attributable to ordinary equity holders (RMB'000)	2,380,431	1,503,085
Weighted average number of ordinary shares (diluted) ('000)	5,623,861	5,620,600
Effect of the Company's share option scheme	5,996	4,705
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	5,629,857	5,625,305
Diluted earnings per share (RMB cent)	42.28	26.72

7. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the month ended 30 June 2020 (2019: nil).

8. Trade receivables

The major part of the Group's sales is cash-on-delivery. The remaining balance of sales are mainly accounts receivable arising from 30 to 90 days. The aging analysis of the trade receivable (net of loss allowance) based on invoice date, at the end of the reporting period is as follows:

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
0 - 90 days	1,700,860	1,568,425
Over 90 days	80,734	101,100
	1,781,594	1,669,525

9. Trade payables

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

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
0 - 90 days	8,544,254	6,789,795
Over 90 days	895,170	888,240
	<u>9,439,424</u>	<u>7,678,035</u>

10. Approval of interim financial statements

The interim financial statements of 2020 were approved by the Board of Directors on 24 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO AND INDUSTRY ENVIRONMENT

The Novel Coronavirus (COVID-19) in the first half of 2020 aged global economy a hole. Yet, China's economy has shown a strong rebound, indicating the effectiveness and efficiency measures taken by the Chinese government. To be more specific, China's GDP reached a boom in the first quarter of 2020 while exhibiting an increase of 3.2% in the second quarter. Meanwhile, the PMI maintained above 50, indicating a positive industrial growth rate. Notably, the industrial production index in the second quarter achieved a rapid growth rate, indicating the increasing need of consumer goods and the beginning of a rebound, and became more stable.

The New Normal in the Post-COVID-19 Era has brought about changes in the public consumption and shopping behavior. For example, consumption rationalization became more apparent, both the per capita disposable income and the per capita consumption declined in the first half of the year. More and more consumers have shifted to online shopping channels, a fact reflected in the e-commerce penetration rate increasing from 26% to 30%. The reduced mobility of the population highlighted the importance of the market in local cities and rural areas, and there has been an upward trend of consumer goods stockpiling amid the pandemic and preference for home dining and drinking. All in all, these new changes have presented both opportunities and challenges for the Group's progress.

BUSINESS REVIEW

In the first half of 2020, the Group, adhering to its Consolidate, Reform and Develop strategy, focused on efficiency and agility in the fight against the COVID-19. The Group demonstrated its efficiency in its scale advantage, brand strength, operations and cash flow, which have propelled the Group to overcome the impact of the pandemic, generate effective epidemic prevention and food safety, and well address production issues in a full pipeline supply chain to meet consumer demand in a timely manner. Meanwhile, the Group also provided material support for the frontline medical workers, and government agencies during the pandemic. Taking advantage of the digitalized demand and the flourishing online, city and channel, the Group built a close relationship with both consumers and retailers, and could better understand and change needs of consumers amid the pandemic, timely making a good decision and adjusting the market approach, thereby enhancing the Group's agility.

As a result of its efficiency and agility, the Group's profitability, a record high in the first half of 2020, and back to growth. In the first half of 2020, the Group's operating income reached RMB32.934 billion, a year-on-year increase of 8.00%. Specifically, operating income in the noodle segment increased by 29.16% while beverage segment decreased by 4.09% year on year. The gross profit margin for the first half of 2020 climbed to 33.43%, a year-on-year increase of 1.50 percentage points. The ratio of diluted EPS to the previous year decreased by 1.07 percentage points to 19.74% year on year. EBITDA rose by 24.37% to RMB5.167 billion year on year. Thanks to the strong growth and gross profit margin expansion, the proportion of shareholders' equity of the Group increased by 58.37% to RMB2.380 billion and basic earnings per share increased by RMB15.59 cent to RMB42.33 cent.

In the meantime, with an emphasis on cost economical production, the Group pursued general consumer branding, multi-branding and multi-flavor production and diversified the general needs of young class for cost-effective. To meet the long-term consumption needs, the Group proactively launched high-priced products, featuring healthiness and forward-looking, the attention of the new generation in local cities and the middle class.

With regard to brand strategy, the Group increased investment in online media and stepped up efforts in innovation in the area where the Group had invested in combining both online and offline methods. Besides enhancing the overall brand image, remained to be a priority of the Group to absorb opportunities and holding in a lead and gradual manner. Through cooperation with the China Space Foundation and the Wine Sports Management Centre of the General Administration of Sports of China, the Group effectively improved the image of the brand and increased its category. Young consumers and families are also attracted along with the improvement of its brand and a new generation which has facilitated means of consumer marketing, omni-media marketing and IP collaboration.

To in effect, in the channel, the Group provided the development of online channel and focused the growth of the New Retail Division during the first half of 2020. Meanwhile, in response to the fragmentation, end in the channel, the Group held on to the channel optimization strategy of improved distribution of channel profit and in-store cooperation with channel partner. What's more, the Group, apart from the overall leading competitive edge in additional channel, has also concentrated on practical development of the online channel. Generally, it has realized the change of form, the distribution of the management of the second-tier distribution in the modern commerce and kept upgrading the service of the retail level. To address the quality distribution and the comprehensive partnership with channel partner, the Group has participated in the promotion of channel linking and placed a high premium on the low-price policy. Yet from a long-term perspective, more efforts have been dedicated to optimizing the new product channel including the Food Service Division and the New Retail Division, for significant expansion of the penetration rate of the Group's products in the retail level.

The digitalized operation has allowed for the Group's smooth progress of production, sales and logistics during the COVID-19. The Group has made headway in advancing the construction of the shared service center and achieved initial success in data integration. Moreover, digital concentration in big data and AI technologies and decision-making have also been undertaken.

To address the urgent need for instant noodle during the pandemic, the Group has expanded itself and managed to quickly come to meet the need in time. Meanwhile, the strategy of supply chain optimization and the promotion of a low-price and high-quality action have been advanced, to address the production distribution and facilitate production line establishment and manufacturing.

The Group has made considerable efforts to optimize its organizational structure by adjusting the management team while reducing the number of employees. In addition, the merger and acquisition of the channel partner and the partnership have been achieved.

INSTANT NOODLE BUSINESS

In the first half of 2020, both the sales performance and profit of the Group in the instant noodle segment, hit record high showing competitive advantage in the industry. Nielsen data showed that the sales volume of the instant noodle maker, in the first half of 2020 grew by 5.6% year on year, with a year-on-year increase of 11.5% in sales. During the same period of last year, M&K held a market share of 42.9%^① and 45.8%^① respectively in sales volume and sales share. Both of the indicators registered year-on-year growth and ranked first in the market, indicating that M&K's leading position is consolidated.

In the first half of 2020, the Group's revenue from the instant noodle segment reached RMB14.910 billion, a year-on-year increase of 29.16%, which made up 45.27% of the total revenue. The overall sales promotion income, production and production optimization, the gross profit margin of the instant noodle reached 30.35%, an increase of 2.19 percentage points year on year. Thanks to the growth and gross margin expansion year-on-year, the profitability of the Group in the instant noodle segment, as a whole increased by 93.54% to RMB1.694 billion.

The instant noodle segment, implemented production and diversified the increasing market need by applying big data to coordinate production and sales logistics service and the supply of a material. As the early stage of the outbreak, the segment provided market need and launched production with multi-flavor multi-line and multi-price in the comfortable applied market of domestic need. Under the challenge, the segment gained double-digit growth in the sales.

The middle and late stage of the COVID-19 have been accompanied by the urgent need of household consumption. Against this background, the instant noodle segment focused on promoting the online sales in e-commerce and family. In addition, the segment has made further efforts to promote sales and improve production, category and brand and image. First, it introduced the food safety standard and built a brand and image focus on production safety and high quality. Second, it cooperated with the Win-e Sports Management Center of the General Administration of Sports of China. Second, it enhanced the brand and image of a healthy production brand by advancing the cooperation with China Space Foundation, including launching online food safety science popularization activities, a campaign during the COVID-19. Third, it organized the production activities to enhance the concept of health diet and improve the brand and image.

Note^①: Nielsen conducted category share enhancement, upgrade in first quarter of 2020, and historical market share in sales volume and share have been provided accordingly.

The sale growth of the instant noodle segment has been across all channels. Amid the COVID-19, the segment gave priority to the supply of products for e-commerce platform and online channels, but had products sold each consumer in the most possible time. As a result, sales from e-commerce platform grew rapidly. In addition, to adapt to the fragmentation in sales channels, the segment upgraded its service in additional channels and focused on enhancing in-store management and improving delivery efficiency for a further in-store cooperation with distributors.

The instant noodle segment has paid no effort to meet the market needs by upgrading its supply chain on the premise of ensuring product quality and food safety. In addition, the segment continued to reform the supply chain, optimize production distribution, and improve supply chain efficiency through advanced digital, advanced acquisition, production line renovation, and automation technology upgrading.

Super-premium Noodles

To cope with the upgraded consumption needs of the middle class, the instant noodle segment launched the Epe Chef Noodle series which had rapid sales growth over the past two years. Since the Epe Chef Noodle series entered the market, the need in different consumption scenarios has been diversified through modern channels such as e-commerce platform convenience and premium and performance. For example, Epe's Bowl Noodle is specifically designed for the consumption scenarios of working people amid the pandemic, Epe's Self-heating Noodle for going out, and Cooked Epe Noodle (the home family pack) was launched in June for household consumption. What's more, the segment acted on the instant noodle market of the Wine Sports Management Center of the General Administration of Sports of China and offered its partner a limited edition of Epe Chef Noodle Special for Chinese Wine Sports Athlete, which enhanced its brand and image.

High-priced and Premium Noodles

High-priced and premium noodle enterprises Mahe Kong and Aged come market. Since the outbreak of COVID-19, the instant noodle segment has enhanced the supply of core products, not only to protect economic and large-scale packaging and large-scale distribution needs of consumers but also to provide products with a variety of flavors and excellent quality. As a result, sales have grown in double-digits during the first half of 2020, well achieved remarkable growth in sales of packages and large-scale products, and the increasing household consumption needs amid the COVID-19.

In response to the pandemic, the instant noodle segment focused on accelerating mobile and family-friendly packaging innovation and ideas about catering on social media. In addition, it strengthened IP cooperation with King of Panda, Game of Peace and Da Mao Mainland and the like.

The instant noodle segment launched its new products Handmade Noodle, the upgraded edition of D Noodle and new series of packaged instant noodle Handmade Noodle to be used cooked, featuring a chewy texture and mouthfeel which fit the growing needs of household consumption scenarios and the need for quality from the new generation and the middle class. D Noodle series entered the market with new noodle bodies, seasoning and packaging. And the new series also innovatively designed to make both noodle moisture content-friendly and package, noodle better fit household consumption scenarios.

Mid-priced Noodles/Snack Noodles

Facing the increasingly apparent consumption fragmentation amid the COVID-19, the instant noodle segment expanded to mid-priced noodles to meet the need for cost-effectiveness among consumers in low-end cities and rural areas. The segment launched the large-scale products 50% Protein High-protein and which became more competitive in the segmented market of mid-priced and large-scale instant noodles. The snack noodle Flavor and Catch also achieved a large number of distributors through IP cooperation with King of Panda, social media marketing and the debut of new-flavored products such as Chicken Bone Snack Noodle. Notably, the sales of Flavor and Catch hit a new high in June.

BEVERAGE BUSINESS

The first half of 2020 witnessed a significant decline in the performance of the Group's beverage segment due to the impact of the corona virus outbreak, which was prolonged and deepened in the second quarter. Besides, the year-on-year market share of its main categories maintained a stable level and the market share in the second quarter also performed well in the first quarter. Nielsen data suggested that the sales of me and Mahe's share of China's beverage industry declined by 7.5% and 9.0% respectively year on year. In the month of sales of me, Mahe Kong had the largest market share of 42.9% in ready-to-drink (RTD) beverage segment (including milk tea), a second largest market share of 15.2% in juice segment, a market share of 5.2% in bottled water segment, and a second largest market share of 12.2% in RTD coffee segment. According to the monitoring data from a third party research company, in the month of sales of me, the overall market share of Pepsi's bottled drinks was 32.9% in the first half of 2020, ranking No. 2 in the market.

In the first half of 2020, the overall revenue from beverage business reached RMB17.617 billion, a year-on-year decrease of 4.09%, which accounted for 53.49% of the Group's total revenue. During the period, the gross profit margin of the beverage business increased by 1.54 percentage points to 35.78%, mainly due to the product mix optimization and product upgrading, along with declining prices of some raw materials. Thanks to the increased gross profit margin, the reduction of operational costs and the decreasing proportion of non-controlling interests, the profit attributable to shareholders of the Group reached RMB838 million, up 18.73% year on year.

During the COVID-19, the segment focused on categories and developed new retail channels. In particular, the segment expanded online sales through various online channels and consumer mobile applications significantly. In the first quarter, the sales of online loading and e-commerce health insurance and food products are available to consumers. Last year, the company initiated online sales, the segment adjusted its product mix and launched new categories of premium products to meet the growing need for nutrition and health amid the COVID-19. Multiple channels continued to be developed. Apart from laying high emphasis on new retail channels, the segment expanded its physical store network in core cities and all over the scope of service. The segment has realized effective management of second-tier distribution in more than 100 core cities and facilitated its in-pastry distribution in low-tier cities. Meanwhile, the capital expenditure in efficiency improvement and e-commerce, the need arising in the high season.

RTD Tea

The RTD beverage segment gained popularity in the market with a focus on product. During the second quarter of 2020, the segment increased investment in branding and made itself a well-recognized brand among young consumers and families. The brand and image of Mahe Kong Ice Tea series became a non-mainstream health and fashion choice, the Pepsi's Kwai Ahe new spoke person, who made it one of the brand concept of Enjoying Ice and Fun. The Jasmine series highlighted a fragrance and refreshing brand image resembling a jasmine high IP cooperation. The Green Tea series continued to enhance its fresh and light brand image by means of conducting cooperation with the hot-debated IP and ranking with popularity in the Millennial Generation. The newly launched Mahe Kong Oolong Tea fulfilled the high-end product differentiation due to the COVID-19 environment and met the need of the new generation of consumers. The high-end Siga-fee Tea series catered to the middle class need for health and elegance, emphasizing the idea of action, a long-term commitment for a long time with no added artificial flavors. In addition, the Mahe Kong Chacun series maintained

Carbonated Soft Drinks

Pepsi's bold carbonated drink regimen has been developed to meet the need for a more differentiated competition. The company's new offering of new flavors and limited editions and limited-edition cans of the company's iconic products, including the special "MaKe Oppo" initiative, is a key element of the company's 2020 China campaign. The company's "Be Happy Home" and "2020 Year of the Rat" limited-edition bottles are all a result of the company's focus on capitalizing on the company's iconic brand, Pepsi, which succeeded in bringing the "MaKe Oppo" initiative to the Chinese home economy amid the COVID-19 pandemic and the company's focus on product differentiation. When it came to the second quarter, the Pepsi-Omanh Flavor was launched and took off as a favorite additional flavor among the public. Boasting popularity and popularity, it is a key element of the company's 2020 China campaign. The Pepsi No Sugar is a key element of the company's 2020 China campaign. The company's "Cool Pepsi" brand and image and the new packaging of "Concept 2.0" is a key element of the company's 2020 China campaign. The company's "Be Happy Home" and "2020 Year of the Rat" limited-edition bottles are all a result of the company's focus on capitalizing on the company's iconic brand, Pepsi, which succeeded in bringing the "MaKe Oppo" initiative to the Chinese home economy amid the COVID-19 pandemic and the company's focus on product differentiation. When it came to the second quarter, the Pepsi-Omanh Flavor was launched and took off as a favorite additional flavor among the public. Boasting popularity and popularity, it is a key element of the company's 2020 China campaign. The Pepsi No Sugar is a key element of the company's 2020 China campaign. The company's "Cool Pepsi" brand and image and the new packaging of "Concept 2.0" is a key element of the company's 2020 China campaign.

Juices

The leading position of Chinese juice drinks is a result of the consolidation of the Weibo and Wechat social media ecosystem. The company's management of the company's iconic brand, including the "MaKe Oppo" initiative, is a key element of the company's 2020 China campaign. The company's "Be Happy Home" and "2020 Year of the Rat" limited-edition bottles are all a result of the company's focus on capitalizing on the company's iconic brand, Pepsi, which succeeded in bringing the "MaKe Oppo" initiative to the Chinese home economy amid the COVID-19 pandemic and the company's focus on product differentiation. When it came to the second quarter, the Pepsi-Omanh Flavor was launched and took off as a favorite additional flavor among the public. Boasting popularity and popularity, it is a key element of the company's 2020 China campaign. The Pepsi No Sugar is a key element of the company's 2020 China campaign. The company's "Cool Pepsi" brand and image and the new packaging of "Concept 2.0" is a key element of the company's 2020 China campaign.

Bottled Water

In the bottled water market, the company placed its emphasis on the economical product and managed to exploit the market for the mid-priced one. The company's management of the company's iconic brand, including the "MaKe Oppo" initiative, is a key element of the company's 2020 China campaign. The company's "Be Happy Home" and "2020 Year of the Rat" limited-edition bottles are all a result of the company's focus on capitalizing on the company's iconic brand, Pepsi, which succeeded in bringing the "MaKe Oppo" initiative to the Chinese home economy amid the COVID-19 pandemic and the company's focus on product differentiation. When it came to the second quarter, the Pepsi-Omanh Flavor was launched and took off as a favorite additional flavor among the public. Boasting popularity and popularity, it is a key element of the company's 2020 China campaign. The Pepsi No Sugar is a key element of the company's 2020 China campaign. The company's "Cool Pepsi" brand and image and the new packaging of "Concept 2.0" is a key element of the company's 2020 China campaign.

Coffee Drinks/Functional Drinks/Probiotics Drinks

The Gαp boad a second place in the market share of the overall RTD coffee market, demonstrating a narrowed gap with the first place and widened gap with the third place, according to Nielsen's market data. Again, the backdrop of the COVID-19 pandemic, the Gαp has concentrated on maintaining household need for coffee. Specifically, Mahe Kong has laid great emphasis on the medium and high-priced coffee and cooperated with international strategic partner Starbucks to lead the development of the premium market, with a market share of about 60%. What's more, the Gαp, by promoting Benachon Coffee, has expanded its presence in the medium and high-priced coffee market. In the future, the Benachon Coffee will continue to be promoted in cooperation with the Yang, the Ri, the Dela, the Pea, the Ri, the Dela, Beijing, etc. to establish a brand and a culture.

Wei Chuan Ambient Probiotic Drink has gained a long foothold in the Yang, the Ri, the Dela. The product, by responding to consumers' need of nutrition and health, well advanced IP collaboration with LINE FRIENDS, a brand with a strong and vibrant public image, has successfully attracted the attention of young consumers in each of its popular cities, and facilitated sales growth. The newly launched lactobacillus beverage, Xiao Lao Duo Duo, has focused on paleo cleaning and healthy dining, and established a fresh, fashionable and health product image.

Gaode, a functional drink, promoted its brand and theme of "Eat, Drink, Sleep, Live" through communication and cooperation with ordinary people and brought the brand into the lives of common people. The first-time "Wokao" a Home online scenario marketing approach adopted for addressing the pandemic, great significance attached to conducting sales promotion activities in public places and parks, as well as QR code promotion activities. When it comes to the offline side, focus was placed on the "eat, drink, sleep, live" theme, in enhancing product education and increasing brand influence, to have Mahe Kong's brand and image as the leading product to be highly effective.

FINANCING

The Gαp, with Cash King as its long-held operating strategy, has been characterized by professional control of capital expenditure and effective promotion of asset-light and asset-acquisition, which would generate cash inflows. During the first half of the year, the net cash inflow from the Gαp's operating activities amounted to RMB5.696 billion, and net cash inflow from investing activities reached RMB1.720 billion. In the meantime, a net cash inflow of RMB103 million was reported through the Gαp's disposal of partial and entire equity interests in subsidiaries, one independent subsidiary and one connected party, as well as consolidation of acquisition and spinning-off of non-core businesses. Although in the debt-bearing business, the increase in employment, in the long term, the Gαp will keep the effective interest rate of the debt-bearing business making, to of internal cash flow to facilitate a more flexible and healthy financial structure and further improve operating performance.

The Gαp continued to maintain a sound financial structure, which effectively controlled the balance of adequate payable, payable bank balance and cash assets. As at 30 June 2020, the Gαp's total cash and bank balance amounted to RMB23.307 billion, an increase of RMB5.877 billion compared with the year-end of 31 December 2019, featuring abundant cash in hand. The Gαp's net debt-bearing business reached RMB14.880 billion, a growth of RMB2.505 billion from 31 December 2019 to 30 June 2020. Net cash raised RMB8.428 billion, increasing by RMB3.372 billion compared with the year-end of 31 December 2019. The Gαp's proportion of the total borrowing denominated in foreign currencies and Renminbi, at the end of the first half of 2020, reported a change from 76% again to 24% at the end of 2019 to 82% again to 18% and the proportion between the Gαp's long-term borrowing and short-term borrowing reached 29% again to 71%, compared with 40% again to 60% at the end of 2019.

As at 30 June 2020, the Gαp's total assets and total liabilities amounted to RMB63.765 billion and RMB41.936 billion respectively, up from RMB5.805 billion and RMB7.022 billion respectively from 31 December 2019. Meanwhile, the debt ratio of the Gαp increased by 5.53 percentage points to 65.77% compared with the year-end of 31 December 2019. The gearing ratio dropped from -25.82% at 31 December 2019 to -45.62% at 30 June 2020. Noticeably, the total debt in the current period included 2019 final dividend and special dividend (totaling RMB3.331 billion) approved by the annual general meeting of the Gαp convened on 8 June 2020, and the dividend was paid on 15 July 2020.

During the first half of 2020, the exchange rate of US dollar against Renminbi rose by 1.26%. This fluctuation resulted in the recognition of realized and unrealized exchange gain, amounting to RMB19.880 million in the Gαp's income statement.

Financial Ratio

	As at 30 June 2020	As at 31 December 2019
Finished goods, no. e	17.90 da	16.61 da
Trade receivable, no. e	9.48 da	9.97 da
Current ratio	0.86 Time	0.90 Time
Debt ratio (Total liabilities to total assets)	65.77%	60.24%
Gearing ratio (Net debt to equity attributable to the Company)	-45.62%	-25.82%

HUMAN RESOURCES

The Group had 57,956 employees of 30 June 2020. In the first half of 2020, under the guiding principle of 'Downward Headquarter and Bigge Operating Unit', the Group continued to improve its organizational structure, optimize its staffing structure and expedite the rejuvenation of the management team, and the recruitment of employees through the internal and external channels to maintain the Group's overall strategic objectives.

The Group has made continuous efforts to enhance the echelon building of all employees and a large qualified personnel of various levels and a more mature team. Thanks to the Young Master Program (YMP), the Group could recruit more excellent management talents besides in collaboration with 36 highly educated institutions and 50 vocational schools nationwide, the Group is expected to inject more fresh blood from the grassroots into the employees.

The Group has vigorously advanced strategic cooperation with partners at home and abroad. With the concept of 'Join Talent, Give Liabilities for Mutual Benefit' as the core, the Group has continuously deepened industry cooperation and conducted in-depth research in the field of big data, food safety and innovation, with a view to boosting high-quality development of the Group and make in more first-class talents in the future.

CORPORATE SOCIAL RESPONSIBILITY

Adhering to the principle of 'Sustainable Operation, Contribution to Society', the Group has pushed ahead with corporate social responsibility (CSR) management concerning food safety, epidemic prevention and control, environmental protection, and employee welfare. In addition, the Group has included and practiced in the *Pi a e Sec o A a ene of he S ainable De elopmen Goal A S e Repo on B ene and S ainabili in China* issued by the United Nations Development Program (UNDP). As one of the representatives in the Report, selected from about 100 enterprises worldwide (including China-based foreign enterprises), Mahe Kong was offered a valuable opportunity to showcase how Chinese enterprises could help facilitate sustainable development on a much broader scale. Looking ahead, the Group will continue to make a contribution to practical implementation of the United Nations Sustainable Development Goals and make meaningful efforts to realize the sustainable development of individual families, communities and the Planet Earth.

The Group continued to carry out environmental protection and emission reduction program of its efforts to fully implement the national environmental protection and environmental protection policies. In the field of environmental protection, the Group implemented environmental protection measures, including the electricity saving and conservation measures, reduced environmental pollution and conducted environmental management measures. To reduce emissions, the biological treatment technology employed in noodle production facilities which ban all reduced the concentration of ammonia gas and methane gas. When it comes to safety, the Group promptly claimed safety and increased the safety of claimed safety.

The Group, during COVID-19 outbreak, has actively responded to the call of the Central Government in ensuring the goal of 'protection' (employment, people's livelihood, the development of market-oriented food and energy security, stable operation of industrial and supply chains) and 'stabilization' (stabilizing the community) and 'ability' (employment, finance, foreign trade, foreign investment, domestic investment, and market opening). To be more specific, the Group has played an important role in epidemic prevention and control, work and production employment and ensuring market stability. In the fight against the corona virus, the Group provided significant logistical and material support for health care workers on the front line, covering 837 medical institutions in 299 cities of 26 provinces across the nation. In addition, the Group also gave a helping hand to the personnel on the front line of epidemic control, including staff from government agencies, auxiliary forces, public police, big data management office and union organizations, which have been highly acknowledged.

The Group has dedicated itself to providing relief supplies catering to community in emerging and offering great support to the cause of poverty alleviation. The Group provided immediate logistical support to those afflicted by natural disasters including the flood disaster in Yangtze River, Gaoji and the earthquake and landslide in Wenling, Zhejiang. Furthermore, the Group also organized community relief activities nationwide and offered job opportunities for those with disabilities. Meanwhile, the Group participated in the important cause of public welfare, undertaking philanthropy and sponsored projects such as maternal and child care.

The Group also launched a food safety foundation and geared its efforts towards deepening food safety management. It established a food safety alliance in line with the aerospace and ITO's high-end requirements. The Group had its Roasted Beef Noodle and Epicurean Chef Noodle take off in China's new-generation manned space mission in the space. In addition, the Group has taken proactive actions on environmental protection and compliance with the American Institute of Baking (AIB) consolidated food safety and food safety education and publicity activities including Food Safety Science Popularization Campaign and Food Safety Promotion Month, etc. It also organized during the first half of 2020.

With an all-time focus on providing the cause of education, the Group, apart from providing financial aid for disadvantaged children in China and Japan, under the Maekong Dream Scholarship Project in cooperation with Waseda University, has also actively participated in a series of Poverty Alleviation and Education projects and engaged in educational projects in Shandong Rural Education Action Program (REAP), helping to provide access to online learning for left-behind children, helping to narrow the age of education gap, etc. in the local area.

PROSPECTS

What impact the pandemic will have on the world remains unknown in the second half of 2020. The macro environment will continue to be harsh and the impact of the economic recovery, under the stimulation of China's economic recovery, will be gradual. In this context, the industry and business of the Group could take on a favorable development momentum and domestic economic recovery. And the business segments, in particular, highly likely to keep expanding when the additional high-end applications.

Against the backdrop of the New Normal in the Post-COVID-19 Era, competition segments, channel digitalization, and consumer demand for health and safety will be increasingly highlighted. The Group will actively respond to the emerging competition and maintain adherence to the concept of Focus on the Main Content and Steady Expansion of High-end Market. In addition to consolidating the main content market in the home, the Group will go ahead with construction in the medium and long term. With respect to branding, not only will the Group keep pushing its efforts in promoting brands and branding, it will also explore multiple innovative means such as high aerospace collaboration, sports marketing and IP cooperation to implement omnimedia marketing and enhance its brand image. In its expansion of the end of channel fragmentation and channel linking, the Group will remain determined in advancing the channel optimization and cooperation development of digital channels especially in the new era. In terms of the core business, the Group will, through digital tools, improve its management and efficiency of the business of the second-tier distributors. Also, the Group will be placed on exploring the market in collaboration with the new partners for in-store expansion. Meanwhile, with a significant increase in the minimal pension age of the Group's product, more efforts will be directed at expanding in-store, in-store development of Food Service, and deepening cooperation with new retail operators such as Alibaba, JD and Eleme.

The Group will push ahead with Digital Transformation, and increase investment in digital infrastructure. In the future, more efforts will be made to build a closed data loop, optimize big data and AI technology, and establish a new system in engineering, human resources and consumer demand and data in decision making.

The Group will, through independent and joint chain optimization and cooperation, realize the high-end and active action. Moreover, the Group will proactively launch the social responsibility of energy conservation and emission reduction, promote green manufacturing and green manufacturing, in an employment, generate a both economic and environmental benefits.

The Food Service Division has initiated operation and taken active measures to open up the B2B market.

The Group has established collaborative relationships in a series of forms with international partners in a similar manner and marketing. Besides, the Overseas Division has been actively engaged in operation and seeking opportunities in the overseas market.

With an aim to expand firm in China's food and beverage market, the Group has also made food safety and management a top priority. Safe operation of the parent company of the food industry. As a consequence, the Group has been dedicated to the field of food safety and established a complete production accessibility system with a first-class technology research and development center in China. Looking ahead, the Group will continue to lay high emphasis on food safety and spare no effort to offer safe food to the public. Meanwhile, the Group, fearing continuous stable operation, will continue to follow the concept of "Cash King" and ensure cash safety. Furthermore, management will be maintained via a series of measures including scientific tool and system construction. All in all, while recognizing the need of the public as the fundamental mission, setting the middle-class as the long-term development goal, and building in-in relationship with the partners and consumers, the company will continue to move forward, overcome global challenges again and build itself as a Chinese Ethical Brand of food and beverage.

CORPORATE GOVERNANCE

We have, during the month ended 31 June 2020, complied with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 of 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 A.4.1 and A.4.2. The reasons for these deviations are explained below.

Code provision A.4.1

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. Our Company deviates from this provision because the independent non-executive directors of a Company do not have a specific term of appointment. However, the articles of association of a Company provide that all the directors are subject to re-election by a general meeting of the shareholders and at each annual general meeting, one-third of the directors for the time being, if the number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and may offer themselves for re-election. Accordingly, the Board considers that the efficient measures have been put in place to ensure the Company's corporate governance practices in this respect, provide sufficient protection for the interests of shareholders and a sound and commendable practice with reference to the CG Code.

Code Provision A.4.2

According to code provision A.4.2, each director (including those with a specific appointment period) shall be subject to re-election by a general meeting of the shareholders. He is not included in the number of directors who are elected or re-elected each year. The Board believes that the continuity of the leadership of the chairman of the Board is critical to the ability of the Group to develop and the planning, formulation and implementation of long-term strategies and business plans. Accordingly, the Board considers that although the provisions of the above-mentioned Code Provision A.4.2, in relation to the re-election 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 includes the position of the Chief Financial Officer of the Company, the directors ensure the preparation of the financial statements of the Group in accordance with applicable accounting standards. The directors also ensure the publication of the financial statements of the Group in a timely manner.

Audit Committee

The Audit Committee also includes the Independent Non-executive Director M. Lee Tiong-Hock, M. Hui Shin-Chun and M. Hiromi Fukuda. M. Lee Tiong-Hock is the chairman of the Audit Committee. The latest meeting of the Audit Committee was held on 12 June 2020, the day after the end of the Group's reporting period.

Risk Management and Internal Control

The principal objective of the internal control and risk management procedures established by the Group is compliance with the elements in the COSO framework, 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 framework and a high quality to enhance the operational performance and efficiency as well as safe production, which ensure the reliability of financial reports while complying with the requirements of national legislation.

Under the supervision of the Board, the Group has established an organization structure, responsibility and authority in the construction of the line of defense for risk management. The Audit Committee will assist the Board to evaluate the design and operational effectiveness of the risk management and internal control system of the Group. As of 30 June 2020, the Group has been carrying out self-assessments of internal control including finance, information and operations. At the same time, according to operational needs, the Group issued a code of conduct of a high quality again, announced and published it within the Group. Besides, the Group has also been promoting legislation monitoring and other work. According to the internal audit of the internal control inspection and audit department, there have not identified any material deficiencies 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 Companies (the Model Code) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standards set out in the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF SHARES

The company has no purchase or sale or redemption of the Company's listed 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), which has a term of ten years from the date of adoption.

In lieu of the expiry of the 2008 Share Option Scheme, the shareholders of the Company approved the new share option scheme (the 2018 Share Option Scheme) at the EGM held on 26 April 2018, which has a term of ten years from the date of adoption.

(a) 2008 Share Option Scheme

During the month ended 30 June 2020, no share options were exercised 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 arrangements for the 2008 Share Option Scheme are 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 March 2013	11,492,000	27 March 2018 to 26 March 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 is a condensed summary of the share option granting the month ended 30 June 2020 pursuant to the 2008 Share Option Scheme: (Table B)

Name	Date of grant	Exercise price HK\$	Number of share option				Cancelled/ lapsed during the period	Balance as at 30 June 2020	Weighted average closing price immediately before exercise HK\$	Note	
			Closing price of the shares on the date of grant HK\$	Balance as at 1 January 2020	Granted during the period	Exercised during the period					
Executive Director											
Teng Chien	1 April 2010	18.57	18.42	176,000	—	—	176,000	—	—	Table A(3)	
	12 April 2011	19.96	19.96	206,000	—	—	—	206,000	—	Table A(4)	
	26 April 2012	20.54	19.88	112,000	—	—	—	112,000	—	Table A(5)	
	27 March 2013	20.16	20.05	140,000	—	—	—	140,000	—	Table A(6)	
	17 April 2014	22.38	22.35	164,000	—	—	—	164,000	—	Table A(7)	
	5 June 2015	16.22	15.92	232,000	—	—	—	232,000	—	Table A(8)	
Wei Hong-Ming	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)	
Wei Hong-Chen	21 April 2017	10.20	10.20	1,000,000	—	—	—	1,000,000	—	Table A (10)	
Chief Executive Officer											
Jame Chen-Hei	27 March 2013	20.16	20.05	904,000	—	—	—	904,000	—	Table A (6)	
	Wei	17 April 2014	22.38	22.35	1,148,000	—	—	—	1,148,000	—	Table A (7)
		5 June 2015	16.22	15.92	2,006,000	—	—	—	2,006,000	—	Table A (8)
		4 July 2016	7.54	7.54	4,300,000	—	—	—	4,300,000	—	Table A (9)
		21 April 2017	10.20	10.20	4,000,000	—	—	—	4,000,000	—	Table A (10)
Substantial Shareholder											
Wei Ing-Cha #	1 April 2010	18.57	18.42	2,200,000	—	—	2,200,000	—	—	Table A (3)	
	12 April 2011	19.96	19.96	2,264,000	—	—	—	2,264,000	—	Table A (4)	
	26 April 2012	20.54	19.88	1,368,000	—	—	—	1,368,000	—	Table A (5)	
	27 March 2013	20.16	20.05	1,390,000	—	—	—	1,390,000	—	Table A (6)	
	17 April 2014	22.38	22.35	1,486,000	—	—	—	1,486,000	—	Table A (7)	
	5 June 2015	16.22	15.92	1,726,000	—	—	—	1,726,000	—	Table A (8)	
Other employees in aggregate											
Other employees in aggregate	1 April 2010	18.57	18.42	6,261,000	—	—	6,261,000	—	—	Table A (3)	
	12 April 2011	19.96	19.96	7,822,000	—	—	—	7,822,000	—	Table A (4)	
	26 April 2012	20.54	19.88	5,186,000	—	—	120,000	5,066,000	—	Table A (5)	
	27 March 2013	20.16	20.05	5,756,000	—	—	148,000	5,608,000	—	Table A (6)	
	17 April 2014	22.38	22.35	6,657,000	—	—	190,000	6,467,000	—	Table A (7)	
	5 June 2015	16.22	15.92	10,728,000	—	—	1,158,000	9,570,000	—	Table A (8)	
	4 July 2016	7.54	7.54	4,092,000	—	200,000	120,000	3,772,000	13.84	Table A (9)	
	21 April 2017	10.20	10.20	4,770,000	—	—	200,000	4,570,000	—	Table A (10)	
Total				77,094,000	—	200,000	10,573,000	66,321,000			

For the period of month ended 30 June 2020, 200,000 option had been exercised under the 2008 Share Option Scheme. Weighted average exercise price was HK\$7.54 and the weighted average market closing price before the date of exercise was HK\$13.84.

Wei Ing-Cha is the former Chairman of the Board and a former Executive Director. He is a beneficial owner of the shares which hold 25% in the equity of the Special Holding Limited and Special 3 Holding Limited, respectively. Special 3 Holding Limited is included in the equity of Ting Hin (Ca mah and) Holding Co. P. of Special 3 Holding Limited is included in the equity of Ting Hin (Ca mah and) Holding Co. P. Ting Hin (Ca mah and) Holding Co. P. is included in 17.835% of Ting Hin (Ca mah and) Holding Co. P. Ting Hin (Ca mah and) Holding Co. P. is included in 1,882,927,866 shares of the Company.

(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. Details of arrangements for the 2018 Share Option Scheme are shown as follows: (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 shows the details of movements of the share options during the month ended 30 June 2020 in relation 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 2020	Weighted average closing price immediately before exercise HK\$	Note
				Balance as at 1 January 2020	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										
James Chen-Wei	27 April 2018	16.18	15.02	1,708,000	—	—	—	1,708,000	—	Table C (1a)
	27 April 2018	16.18	15.02	797,000	—	—	—	797,000	—	Table C (1b)
Substantial Shareholder										
Wei Ing-Chao #	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	2,322,000	—	—	—	2,322,000	—	Table C (1b)
Total				6,263,000	—	—	—	6,263,000	—	

During the month ended 30 June 2020, no share options were exercised under the terms of the 2018 Share Option Scheme.

Wei Ing-Chao is the former Chairman of the Board and a former Executive Director. He is a beneficial owner of shares which hold 25% interest in P of S 3 Holding Limited and P of S 3 Holding Limited, respectively. P of S 3 Holding Limited is indicated in 75.064% of Ting Hin (Cambodia) Holding Co p. P of S 3 Holding Limited is indicated in 17.835% of Ting Hin (Cambodia) Holding Co p. Ting Hin (Cambodia) Holding Co p. is a subsidiary of the Company.

BOARD OF DIRECTORS

Chairman: Mr. Wei Hong-Ming, Mr. Jinichi Oida, Mr. Wei Hong-Chen, Mr. Koji Shinohara, Mr. Yuki Takahashi and Mr. Teng Chien are Executive Directors. Mr. Hui Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromi Fukuda are Independent Non-Executive Directors.

Chairman of the Board
Wei Hong-Ming
Chairman

Hong Kong, 24 August 2020

Website: <http://www.mahongkong.com.cn>
<http://www.mahongkong.com/li/co/hk/ing>

* For identification purposes only