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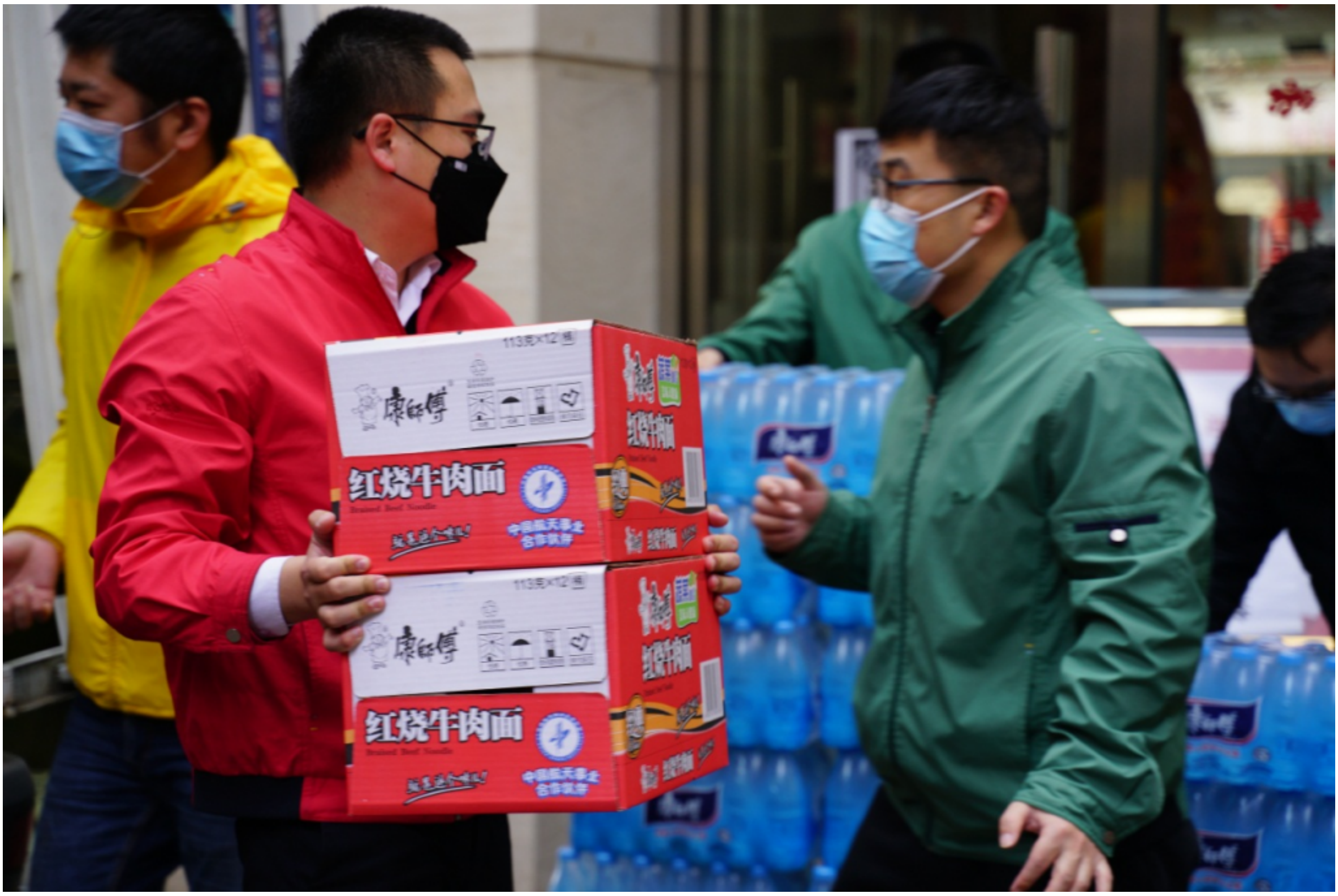
Chinese Food and Beverage Giant Master Kong Selected by UN and HBS: More Than A Fastest-recovering Company



Shanghai, Oct 9, 2020 (Issuewire.com) - Master Kong, a Chinese food and beverage giant, has been doing quite well amidst the COVID-19 pandemic and gaining ever-greater significance across the globe: it was selected as an outstanding case in a UN report and for Harvard Business School case teaching.

As the COVID-19 crisis spreads and ravages global economy, a group of Chinese companies, represented by Master Kong, also known as Tingyi Holding Corp. (0322.HK), a large-scale and leading food and beverage supplier, have recovered from the pandemic at a fast pace by taking proactive and effective measures. Domestically, Master Kong has long ranked first in the sales of its major instant noodles and ready-to-drink (RTD) tea businesses. The household penetration rate of its products, according to the data from the market research agency Kantar, has stood at 81 percent, reaching nearly 900 million consumers annually. All these made Master Kong a strong rival of Nestle in the FMCG market and even hailed as China's "Nestle". Outside China, the company has also received growing attention from international organizations, including the United Nations and Harvard Business School.

The United Nations Development Programme (UNDP) lately released the *Private Sector Awareness of the Sustainable Development Goals: A Survey Report on Business and Sustainability in China*, where Master Kong, stood out for its remarkable practice of Sustainable Development Goals (SDG) implementation among around a hundred Chinese companies (including foreign-owned companies operating in China) and was added as a case study. Moreover, Harvard Business School (HBS), one of the world's leading business schools, included three Master-Kong-themed video cases into its Harvard Manage Mentor series. James Chun-Hsien Wei, CEO of Master Kong, was invited to be the lecturer.

Under the uncertainties brought by the coronavirus, Master Kong's robust performance, both at home and abroad, has been a result of its scientific and adaptive business model, which integrates localized and internationalized management philosophies, promotes digitalization and industrial chain upgrading as well as highlights the universally-acknowledged concept of "doing well by doing good". Remaining committed to this concept, Master Kong prioritizes on sustainable business practices that are beneficial to the environment, society, families and individuals, thus facilitating long-term profits.

An integration of localized and internationalized management philosophies

As one of China's largest food and beverage provider, Master Kong boasts an operation history of 28 years in mainland China. By taking advantage of its sound localized management experience, the company has introduced advanced systematic management modes from the European and American countries while adjusted them as appropriate to better fit the Chinese market and to build up a competitive edge of being "more local than multinational enterprises and more professional than local competitors", a goal advocated by the CEO James Wei for long, who used to hold various senior-executive positions in multinational enterprises.

In its pursuit towards that goal, Master Kong has formed a complete strategy of "3D + 3R + 5I", rated and reported as its turnaround measure by CNBC, a well-known international financial media. As the report indicated, the three Ds represented "de-stocking to reduce inventory and ensure fresher products", "deleveraging or paying off debt as cash flow allowed", and "de-capacity through closing and consolidating some idle factories and production lines", which ensured the company's financial safety and helped the company's financials. The three Rs referred to "reconfiguring supply chains", "redesigning routes to market" and "restructuring the organization". On the basis of the three Ds and three Rs came the five Is, namely "invest in brand building", "innovate product offerings", "increase insight into consumers", and "create integration through digital transformation" and "international alliances".

The system of "3D + 3R + 5I", according to CNBC, functions as the very measure Master Kong took to succeed. It has yielded notable results. As was revealed in the newly-released *Master Kong 2020 Interim Report*, the company's profit in the first half of 2020 hit a record high. And its shares surged as much as 16.67% during its trading on the Hong Kong Stock Exchange on August 25, marking the biggest intraday gain since May 2010.

Digital transformation in production and operation systems

"System reform and comprehensive strength-enhancing through digital transformation" represent a long-held business philosophy of Master Kong. The company, as a leading market player, has kept up increasing investment in digital upgrading, promoting digitalization in all aspects of production and operation, and facilitating channel digitization and smarter decision-making, in a bid to make a swift and flexible response to the constantly changing market, optimize production as appropriate, increase insight into consumers, and deliver the right products at the right place to the right person in the right time.

Master Kong has directed its efforts to building a digitalized operation system and advancing the construction of the shared service center, thus allowing for its smooth progress in production, sales, and logistics during the COVID-19 pandemic. Apart from ensuring stable epidemic prevention and control measures and food safety, the company has fully prepared itself to cater to customer needs timely and has provided immediate material support for the personnel at the front line of epidemic containment, enhancing its capabilities to cope with challenges and difficulties.

Dedication to “doing well by doing good”

In line with what the concept highlights, Master Kong has attached great importance to the well-being of its partners, customers, and consumer families in business activities.

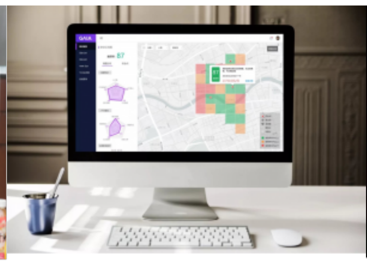
As has been pointed out, Master Kong, by virtue of its efforts and contributions in sustainable development, was selected as an outstanding case in the UNDP report. It is stressed that the company focuses on establishing mutually beneficial and win-win partnerships with suppliers from developing countries in the process of building a sustainable global supply chain. To fortify the industry’s food safety management and control ability across China, Master Kong takes the initiative in sharing its knowledge and experience and makes its technology platform accessible to others. The company also pays great attention to partnerships and exchanges with upstream and downstream companies, in order to improve food safety practices and technology.

HBS has shown great interest in how Master Kong creates new scenarios in the vast established market to stimulate consumption. James Wei elaborated the question in detail. Master Kong, under his leadership, has always developed new products based on the two dimensions of consumer demand and life cycle in addition to a commitment to “promoting Chinese food and beverage culture”. The company has dedicated itself to providing quality products with distinct Chinese characteristics and transforming itself into a truly sustainable company that accompanies its customers generation after generation.

Lately, Moody’s and S&P Global Ratings (S&P), two top credit rating agencies, have revised Master Kong’s rating outlook to “positive” from “stable”. Beyond all that, a number of renowned international investment banks, including CICC, UBS, Goldman Sachs and Morgan Stanley, have raised the target prices for Master Kong. The company, against the backdrop the damaging pandemic, has also been included in “Hang Seng Stock Connect China 500 Index” and “Hang Seng Defensive Industries Index”, demonstrating robust development momentum.

Recovering from the COVID-19 pandemic, Chinese companies, represented by Master Kong, have been gradually shifting their focus to high-quality development from business scaling. China’s economy is gearing itself towards a healthier and sustainable development trajectory.

SUSTAINABLE DEVELOPMENT HARVARD BUSINESS SCHOOL



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