NISSIN 日清食品有限公司
NISSIN FOODS COMPANY LIMITED

Nissin Foods Company Limited
日 清 食 品 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1475)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "Board") of Nissin Foods Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**1,735,394**	1,497,883
Cost of sales and services		**(1,147,406)**	(1,015,028)
Gross profit		**587,988**	482,855
Other income	*6*	**21,932**	23,831
Selling and distribution costs		**(220,232)**	(211,160)
Administrative expenses		**(113,895)**	(101,308)
Finance costs		**(96)**	(61)
Other expenses		**(15,211)**	(12,254)
Other gains and losses	*7*	**(9,836)**	(2,714)
Profit before taxation		**250,650**	179,189
Income tax expense	*8*	**(55,153)**	(33,190)
Profit for the period	*9*	**195,497**	145,999

	NOTE	Six months ended 30 June 2020 HK$'000 (unaudited)	2019 HK$'000 (unaudited)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(37,382)**	(8,337)
Total comprehensive income for the period		**158,115**	137,662
Profit for the period attributable to:			
Owners of the Company		**178,405**	132,866
Non-controlling interests		**17,092**	13,133
		195,497	145,999
Total comprehensive income for the period attributable to:			
Owners of the Company		**143,047**	125,918
Non-controlling interests		**15,068**	11,744
		158,115	137,662
Earnings per share	*11*		
Basic (HK cents)		**16.61**	12.37
Diluted (HK cents)		**16.61**	12.37

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	30 June 2020 HK$'000 (unaudited)	31 December 2019 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment		**1,386,539**	1,365,671
Right-of-use assets		**143,622**	145,621
Intangible assets		**21,654**	–
Goodwill		**62,597**	40,082
Trademark		**27,571**	25,040
Interest in an associate		**116**	116
Financial assets at fair value through profit or loss		**32,776**	33,239
Deferred tax assets		**27,365**	20,977
Loan receivable		**1,642**	1,916
Deposits paid for acquisition of property, plant and equipment		**19,680**	6,050
		1,723,562	1,638,712
Current Assets			
Inventories		**295,273**	326,593
Trade receivables	*12*	**480,717**	421,056
Other receivables, prepayments and deposits		**74,812**	73,187
Loan receivable		**547**	547
Amount due from ultimate holding company		**4,896**	5,760
Amounts due from fellow subsidiaries		**13,505**	3,269
Tax recoverable		**815**	93
Financial assets at fair value through profit or loss		**196,442**	397,819
Other financial assets		**–**	156,630
Time deposits with maturity over three months		**388,214**	105,003
Bank balances and cash		**1,492,341**	1,505,261
		2,947,562	2,995,218
Current Liabilities			
Trade payables	*13*	**177,836**	213,944
Other payables and accruals		**615,850**	586,317
Amount due to ultimate holding company		**27,001**	31,355
Amounts due to fellow subsidiaries		**7,862**	5,327
Lease liabilities		**2,106**	1,660
Tax liabilities		**23,814**	19,561
Deferred income		**17,532**	1,063
		872,001	859,227
Net Current Assets		**2,075,561**	2,135,991
Total Assets less Current Liabilities		**3,799,123**	3,774,703

	NOTE	30 June 2020 HK$'000 (unaudited)	31 December 2019 HK$'000 (audited)
Capital and Reserves			
Share capital	*14*	**2,941,441**	2,941,441
Reserves		**665,628**	648,124
Equity contributable to owners of the Company		**3,607,069**	3,589,565
Non-controlling interests		**124,021**	122,753
Total Equity		**3,731,090**	3,712,318
Non-current Liabilities			
Deferred tax liabilities		**45,872**	42,231
Lease liabilities		**1,085**	131
Deferred income		**21,076**	20,023
		68,033	62,385
		3,799,123	3,774,703

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION

Nissin Foods Company Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate and ultimate holding company is Nissin Foods Holdings Co., Ltd., a company incorporated in Japan with its shares listed on the Tokyo Stock Exchange.

The addresses of the registered office and principal place of business of the Company are 21-23 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, and 11-13 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the manufacturing and sales of noodles, retort foods, frozen foods, beverage products and snacks, and provision of research and publicity services, the place of operation are located in Hong Kong and People's Republic of China (the "PRC").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial information relating to the year ended 31 December 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. In the PRC, the local governments have introduced mandatory factory shutdowns to curb the spread of COVID-19. The Group has temporarily suspended operations in all of our production facilities in the PRC during the requested period of time and have gradually resumed production in February 2020. On the other hand, the Hong Kong and PRC governments have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including increase in deferred income and decrease in expenses in respect of COVID-19 related subsidies and government financial assistances, and increase in revenue due to increasing demand for instant noodles.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and the application of accounting policies in relation to intangible assets, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The application of the amendments in the current period had no impact on the condensed consolidated statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

	For the six months ended 30 June 2020 (unaudited)			For the six months ended 30 June 2019 (unaudited)		
	HK Operations (as defined in Note 5)	**PRC Operations (as defined in Note 5)**	**Total**	HK Operations (as defined in Note 5)	PRC Operations (as defined in Note 5)	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Types of goods and services						
Sales of goods	**707,414**	**1,025,524**	**1,732,938**	626,159	868,838	1,494,997
Others *(Note)*	**1,136**	**1,320**	**2,456**	252	2,634	2,886
Total	**708,550**	**1,026,844**	**1,735,394**	626,411	871,472	1,497,883
Timing of revenue recognition						
A point in time	**707,650**	**1,026,844**	**1,734,494**	626,411	870,459	1,496,870
Over time	**900**	**–**	**900**	–	1,013	1,013
Total	**708,550**	**1,026,844**	**1,735,394**	626,411	871,472	1,497,883

Note: Other mainly includes revenue from provision of research and publicity services.

5. SEGMENT INFORMATION

The Group is organised into operating business units according to the major place of operations of the relevant group entities. The Group determines its operating segments based on these business units by reference to their respective major place of operations, for the purpose of reporting to the chief operating decision maker, i.e. the managing director of the Company.

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

- HK Operations: Manufacturing and sales of noodles, frozen foods and other products in Hong Kong and overseas, and provision of research and publicity service

- PRC Operations: Manufacturing and sales of noodles, frozen foods and other products in the PRC and provision of publicity service

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

For the six months ended 30 June 2020 (unaudited):

	HK Operations *HK$'000*	PRC Operations *HK$'000*	Reportable segment total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue					
Segment revenue from external customers	**708,550**	**1,026,844**	**1,735,394**	**–**	**1,735,394**
Inter-segment revenue *(Note)*	**111,874**	**89,985**	**201,859**	**(201,859)**	**–**
Segment revenue	**820,424**	**1,116,829**	**1,937,253**	**(201,859)**	**1,735,394**
Result					
Segment results	**97,938**	**142,794**	**240,732**	**–**	**240,732**
Unallocated income and other gains					**7,067**
Unallocated expenses and other losses					**(12,105)**
Interest income					**14,865**
Gain on disposal of property, plant and equipment					**91**
Consolidated profit before taxation					**250,650**

For the six months ended 30 June 2019 (unaudited):

	HK Operations HK$'000	PRC Operations HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
Segment revenue from external customers	626,411	871,472	1,497,883	–	1,497,883
Inter-segment revenue *(Note)*	76,429	81,220	157,649	(157,649)	–
Segment revenue	702,840	952,692	1,655,532	(157,649)	1,497,883
Result					
Segment results	58,711	99,361	158,072	–	158,072
Unallocated income and other gains					2,082
Unallocated expenses and other losses					(1,083)
Interest income					19,944
Gain on disposal of property, plant and equipment					174
Consolidated profit before taxation					179,189

Note: Inter-segment revenue is charged at prevailing market rates.

6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income from bank deposits	**12,692**	18,649
Interest income from financial assets at fair value through profit or loss	**2,173**	1,295
	14,865	19,944
Miscellaneous income	**7,067**	3,887
	21,932	23,831

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Exchange losses, net	**(9,464)**	(1,083)
Fair value changes on financial assets at fair value through profit or loss	**(463)**	(1,805)
Gain on disposal of property, plant and equipment	**91**	174
	(9,836)	(2,714)

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**12,615**	9,670
PRC Enterprise Income Tax	**43,952**	22,376
PRC withholding tax	**2,085**	1,911
	58,652	33,957
Deferred taxation	**(3,499)**	(767)
	55,153	33,190

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of trademark	**1,730**	1,615
Amortisation of intangible asset	**834**	–
Cost of inventories recognised as expense	**1,147,406**	1,015,028
Depreciation of property, plant and equipment	**66,963**	68,900
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(54,911)**	(60,195)
	12,052	8,705
Depreciation of right-of-use assets	**2,620**	1,737
Research and development expenditure	**13,033**	12,254
Staff costs (Note)		
Directors' emoluments:		
– fees	**350**	400
– other emoluments	**7,895**	7,828
	8,245	8,228
Other staff costs excluding directors' emoluments (Note)	**295,839**	287,991
Total staff costs	**304,084**	296,219
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(141,981)**	(136,918)
Less: Amount included as research and development expenditure as shown in above	**(8,435)**	(7,155)
	153,668	152,146

Contributions to retirement benefit scheme included in other staff costs for six months ended 30 June 2020 amounted to HK$16,388,000 (for six months ended 30 June 2019: HK$28,288,000). For the six months ended 30 June 2020, the total staff costs has netted off the reductions in the payment of contribution toward social security benefits and housing provident funds due to COVID-19, which was promulgated by the PRC government.

10. DIVIDEND

During the current interim period, a final dividend of 11.7 HK cents per ordinary share in respect of the year ended 31 December 2019 (for six months ended 30 June 2019: 9.5 HK cents per ordinary share in respect of the year ended 31 December 2018) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$125,695,000 (for the six months ended 30 June 2019: HK$102,060,000).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share (HK$'000)	**178,405**	132,866
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,074,073,386**	1,074,144,370
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**151,380**	159,210
Weighted average number of ordinary shares of the purpose of diluted earnings per share	**1,074,224,766**	1,074,303,580

12. TRADE RECEIVABLES

The following is an aged analysis of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates at the end of the reporting period.

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables – sales of goods	**482,681**	421,935
Less: allowance for credit losses	**(1,964)**	(879)
	480,717	421,056
0 to 30 days	**272,318**	215,436
31 to 90 days	**154,457**	137,280
91 to 180 days	**53,942**	68,340
	480,717	421,056

The Group allows an average credit period of 90 days to its trade customers.

13. TRADE PAYABLES

The average credit period on purchases of goods is 60 days.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**123,156**	118,059
31 to 90 days	**45,013**	94,597
91 to 180 days	**9,652**	1,279
Over 180 days	**15**	9
	177,836	213,944

14. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Issued and fully paid		
At 1 January 2020 and 30 June 2020	1,074,319,480	2,941,441

Details of the shares held under the share award scheme are set out below:

	Average purchase price	**Number of shares held**	**Value of shares**
	HK$		*HK$'000*
At 1 January 2019	4	295,840	1,146
Shares vested under share award scheme	–	(120,730)	(468)
At 31 December 2019	4	175,110	678
Shares purchased from secondary market under share award scheme	6	282,000	1,790
Shares vested under share award scheme	6	(276,910)	(1,758)
At 30 June 2020	5	180,200	710

During the six months ended 30 June 2020, a total of 282,000 ordinary shares of the Company were acquired by the trustee of the share award scheme at price of HK$6.35 for an aggregate consideration of HK$1,790,000 in the open market.

15. SHARE-BASED PAYMENT TRANSACTIONS

On 7 March 2016, the share award scheme was adopted by the Company. The share award scheme is valid and effective for a period of 10 years commencing from 7 March 2016. Pursuant to the rules of the share award scheme, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they are vested.

On 25 May 2018, a total of 279,940 award shares (the "2018 Awarded Shares") of the Company have been awarded to certain selected employees (including but not limited to directors, executives, officers and other employees, whether full-time or part-time, of any members of the Group) at no consideration.

120,730 of the 2018 Awarded Shares were vested on 11 June 2018 and the remaining 151,380 of the 2018 Awarded Shares shall vest on 11 December 2020. During the respective vesting periods, the selected employees must remain as a director or an employee of the Company or its subsidiaries.

On 17 May 2020, a total of 276,910 award shares (the "2020 Awarded Shares") of the Company have been awarded and vested to certain selected employees (including but not limited to directors, executives, officers and other employees, whether full-time or part-time, of any members of the Group) at no consideration.

The following table discloses movements of the Company's share award held by directors and employees during the period:

			Numbers of shares awarded			
Category of grantees	**Date of grant**	**Vesting period**	**Balance as at 1 January 2020**	**Granted**	**Vested**	**Balance as at 30 June 2020**
Employees	25 May 2018	From 25 May 2018 to 11 December 2020	151,380	–	–	151,380
Employees	17 May 2020	17 May 2020	–	276,910	(276,910)	–
			151,380	276,910	(276,910)	151,380

The Group recognised the total expense of HK$1,942,000 (for the six months period ended 30 June 2019: HK$118,000) in relation to share award granted by the Company.

16. COMMITMENTS

As at the end of the reporting period, capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements amounted to HK$31,799,000 (31 December 2019: HK$82,317,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Nissin Foods Company Limited ("Nissin Foods" or the "Company") is pleased to announce the interim results for the six months ended 30 June 2020.

UNKNOWN SPACE; SAME GREAT TASTE

Following the already dampened economic environment throughout 2019, the year of 2020 began with an unexpected deterioration that exceeded everyone's imagination. On 31 January 2020, the World Health Organisation declared the outbreak of Coronavirus Disease 2019 ("COVID-19" or the "pandemic") as a public health emergency of international concern and subsequently characterised COVID-19 as a pandemic on 11 March 2020. The general economic activities globally have since been significantly and adversely affected. All of a sudden, the world turns to be an unknown space in everyone's mindset. Countries around the world are increasingly adopting sweeping preventive measures, including full lockdowns, shutting down airports, imposing travel restrictions and completely sealing their borders, to contain the COVID-19. Not only did we witness a substantial meltdown of retail activities under the social distancing rules, travel restrictions also presented a heavy blow to the cross-border tourism as a whole. Undoubtedly, the pandemic has caused severe disruption to the trading and daily business activities and has hindered the economic development of the global economy.

In Hong Kong and the PRC, the Governments and the private sectors have implemented various precautionary measures such as maintaining social distancing, work-from-home/stay-at-home and school closures. Strict quarantine measures have also been imposed to further protect the citizens from the virus. On the one hand, those precautionary measures have safeguarded health and safety for the general public. But on the other hand, it has also triggered a chain reaction of economic recession. From the closure of retail outlets, restaurants and shopping malls to the corporate actions on deferral of capital expenditure, cost cutting, staff layoff and essentially, bankruptcy, the economy was surrounded by a sense of pessimism. While the Hong Kong Government has launched Anti-epidemic Fund and Employment Support Scheme to support the local corporations and maintain livelihoods of citizens, the continuous escalation of the pandemic has added to worries on unemployment, and has emotionally and physically led to a tightening pocket on all discretionary items and a mindful and conscious spending on all daily necessities. By and large, people are essentially detained from their normal social networking and ordinary lifestyle, preferring more "stay-at-home" and "eat-at-home". The outbreak of the COVID-19 has predominantly reshaped the human behaviour across the world.

Notwithstanding such challenges, the Company has been working hard at every forefront of this unprecedented challenge. As Nissin Foods proclaimed to be the "EARTH FOOD CREATOR", it is of utmost importance for us to ensure a stable and sufficient supply of readily available convenient food products to every corner, especially at the time when most dining places are shut down for a considerable period of time. We are proud to report that our production facilities in Hong Kong have been operating in full scale right after the Chinese New Year public holiday, to ensure a timely replenishment of instant noodles and frozen food products to supermarkets and convenience stores in Hong Kong. In the PRC, the local governments have introduced mandatory factory shutdowns to curb the spread of COVID-19. Nissin Foods has temporarily suspended operations in all of our production facilities during the requested period of time and have gradually resumed production in February 2020. Nonetheless, we assured you that the same delicacy would be delivered to you whenever in need.

To demonstrate our sincere support to the local community and to express our appreciation to the healthcare professionals, the Company has collaborated with the World Instant Noodles Association to donate 1,000 cases of noodle products and 500 cases of vegetable juices to three hospitals under the Hospital Authority in Hong Kong. And to protect the wellbeing of our staff, through the Influenza Contingency Committee (流感應變委員會), the Company closely monitors the impact from the COVID-19 on our staff and their family. In view of such outbreak, all staff are requested to have body temperature check upon arrival while surgical masks and hand sanitisers are provided to all our staff to reduce the non-contact transmission of the virus.

As of 30 June 2020, the Company's cash and cash equivalent was HK$1,492.3 million and the gearing ratio was zero. We foresee the Company should have enough resources to sail through these challenging times and to deliver sustainable business development and performance in the long run.

FINANCIALS

For the period under review, the Group has recorded a resilient performance in Hong Kong and the PRC, despite the outbreak of the pandemic. Revenue increased by 15.9% to HK$1,735.4 million (2019: HK$1,497.9 million), primarily attributable to the increase in demand of most types of instant noodles and frozen food products in Hong Kong, as well as the improvement in sales volume of cup-type instant noodles and the made-in-Hong Kong bag-type instant noodles in the PRC as a result of the panic buying, reflecting the additional demand driven by the "stay-at-home" economy. During the period, the new joint venture distribution business in Shanghai has already commenced operation in April 2020 as scheduled and has contributed to increase in revenue in the second quarter of the year. Gross profit increased by 21.8% to HK$588.0 million (2019: HK$482.9 million), representing a gross profit margin of 33.9% in the first half of 2020 (2019: 32.2%). The increase in gross profit margin was mainly attributable to the reduction in utility overheads, the relatively stable price for key raw-materials year-on-year and the shift of product mix in Hong Kong.

At Adjusted EBITDA level *(note)*, the Group grew by 34.9% to HK$310.7 million (2019: HK$230.3 million), representing the Adjusted EBITDA margin of 17.9% for the period (2019: 15.4%). Profit attributable to owners of the Company increased by 34.3% to HK$178.4 million (2019: HK$132.9 million), representing the net profit margin of 10.3% for the period (2019: 8.9%). Profitability has been improved significantly during the period as a result of the boost in sales among our operating regions and the better control in the operating and non-operating expenses. The Group's basic earnings per share increased to 16.61 HK cents for the period (2019: 12.37 HK cents).

Note: Adjusted EBITDA is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions. The measurement basis of Adjusted EBITDA is defined as net profit before net interest expenses, tax, depreciation of property, plant and equipment, depreciation of right-of-use asset and amortisation of trademark. This also excludes share of material gains or losses which are of capital nature or non-operational related and fair value changes on financial assets at fair value through profit or loss.

BUSINESS REVIEW

Hong Kong Operations

In Hong Kong, we have witnessed one of the worst market landscapes since the outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003. In addition to the Sino-US trade disputes and the social unrest last year, the retail sentiment was eventually broken apart in 2020 with the outbreak of the COVID-19 in early January 2020. According to the statistics released by the Census and Statistics Department, the total retail sales value decreased by 33.3% year-on-year for the first six months of 2020. Amongst all the retail outlets, discretionary spending like jewellery and clothing industry suffered the most with a drop of over 50% in retail sales value year-on-year. However, supermarket retail sales value unsurprisingly recorded a double digit growth at 10.6% for the same period, as consumers are procuring and stocking up daily groceries and necessities under the pandemic. The pandemic has not only weakened the retail sales, but also caused a rippling effect to enormous aspects. A significant decline in tourist arrival, tightening local consumption, escalating unemployment rate, closure of restaurants and shops and reduction in business scale in various sectors all came into place. Against this backdrop, we have witnessed a series of precautionary measures being introduced in Hong Kong, leading to a shift in daily life with a prolonged period of time staying at home. The suspension of schools across Hong Kong has also resulted in a change in consumption pattern for food. As the market leader in the instant noodles category in Hong Kong, Nissin Foods has been benefiting from the evolving "stay-at-home" economy for the period under review.

Revenue from Hong Kong operations increased by 13.1% to HK$708.6 million (2019: HK$626.4 million), mainly attributable to the surge in demand for most types of instant noodles and frozen food products as customers were more inclined to stay home. During the period, package noodles has attracted a lot of demand in Hong Kong due to its compact size as well as the possibility to prepare the noodles with toppings and condiments at home, which is common to most people in Hong Kong. As the COVID-19 became mild in the latter part of the period, we witnessed a pick-up of the demand of cup-type instant noodles. Currently, revenue from Hong Kong operations accounted for 40.8% (2019: 41.8%) of the Group's revenue.

In terms of segment results, the Hong Kong operations increased significantly by 66.8% to HK$97.9 million (2019: HK$58.7 million), mainly due to surge in revenue and less deployment in advertising and promotion during the first half of the year.

Under this difficult circumstance, Nissin Foods has been walking extra miles to keep serving you at all times. The Company has pursued different approaches to help everyone keeping up with the recovery stage when the economy is deep under water and the people are living in the darkness.

Signature Offerings: Instant noodles is considered a daily necessity for every household in Hong Kong. No matter for a quick snack, a late-night eatery or a proper meal, the trace of instant noodles almost always appears in the kitchen. To ensure a stable supply of our signature ***Demae Iccho*** and ***Cup Noodles*** in Hong Kong, the Company has been working closely with the production and the logistics team as well as keeping close dialogues with the distributors, wholesalers and retailers to ensure timely replenishment of our household brands to everyone every day and to make sure there is no disruption to our procurement, production and supply chain logistics under the pandemic.

Novelty: To restore the joy to the society, the Company has been launching new products under various brands to cater to your needs. During the period, we have brought to you ***Demae Iccho New Japan Ramen Shop Style Cup Series***, featuring authentic Japanese taste with thick soup base. New flavours are also introduced for ***Cup Noodles***, ***U.F.O.***, and other brands to offer Asian gourmet and different styles of spicy flavours to our customers. Under the non-fried instant noodles category, ***Nissin Frozen Ramen*** has collaborated with four popular ramen shops to launch their signature ramen that one will expect from ramen shops.

Healthiness: To promote wellness and health, the Company has further developed a 40g small-pack Granola product this year, in addition to the 500g regular size currently offered. The small pack is convenient as breakfast on its own, and also a good choice as snacks and afternoon tea. Since the expansion of distribution channels for ***Kagome*** vegetable and fruit juices in last year, the Company has recorded exceptional performance for this joint venture business in the period under review. The Company considers this non-instant noodles segment to have a bright future in years to come.

This year, to broaden our income stream and to enhance the healthy options to the customers, the Company has made an initial investment of approximately HK$7.1 million to set up its first production line on pre-packaged ready-to-eat fresh-cut vegetables in Hong Kong, which would be situated in the Group's chilled and frozen food production plant in Tai Po Industrial Estate. Production is expected to commence in December 2020, utilising the Japanese production and management expertise to offer a healthy, fresh, delicious and yet convenient and affordable choice for the health-conscious customers.

The PRC Operations

The PRC economy has been lackluster in 2020, recording its first ever negative figure of the GDP growth rate since the start of the Economic Reform in 1978. According to the latest data from the National Bureau of Statistics of the PRC ("NBSC"), GDP shrank by 6.8% in the first quarter but rebounded by 3.2% in the second quarter. The retail sales growth reported by the NBSC has also been negative for the first six months of the year, dropping by 11.4% year-on-year. Subsequent to the outbreak of the pandemic in early January 2020, the PRC Government has introduced a number of national-wide measures to contain the virus, such as the suspension of all factories operations and schools, lockdown with strict restrictions in and out of the area, closure of most recreation and leisure places, mandatory healthy check and monitoring, and ban on cross-border and cross-provinces/cities travel. These measures have caused substantial disruption to the business activities and corporate planning, making it difficult to arrange for sufficient production of instant noodles products, as well as arranging logistics arrangement in our business territory temporarily.

For the period under review, the PRC operations performed consistently with our plan and continued to maintain its double-digit growth pace for the third year (in local currency) amid the impact of and the lock-down under the COVID-19. Revenue increased by 17.8% (in local currency: 23.8%) to HK$1,026.8 million (2019: HK$871.5 million). The cup-type instant noodles, especially the ***Cup Noodles*** brand, continued to be the dominant growth driver in the PRC, recording a good momentum in sales volume across different regions during the period. By the same token, our signature made-in-Hong Kong bag-type instant noodles under ***Demae Iccho*** brand has also recorded a substantial growth in Southern and Eastern China with increased brand awareness and customers purchase, thanks to the continual brand investment and cultivation that the Company has undergone in the past couple of years. The new joint venture distribution business in Shanghai has started contributing to the Company since the second quarter this year. During the period, we continued to record double-digit revenue growth (in local currency) for our key operating regions with especially satisfactory growth in the Eastern China. Currently, revenue from the PRC operations accounted for 59.2% (2019: 58.2%) of the Group's revenue.

In terms of segment results, the PRC operations increased by 43.7% to HK$142.8 million (2019: HK$99.4 million), mainly attributable to the solid performance on organic revenue growth, coupled with the reduction in advertising and promotional expenses.

The Company closely monitored the impact of the COVID-19 to our daily operation. At Chinese New Year or later, it temporarily suspended operations in all of our production facilities in the PRC in the wake of COVID-19 outbreak. Since gradually resuming operations in February 2020, it produced limited SKU of instant noodles on a large scale. Since March onward when most workers backed to our factories, the production lines have been operating at a high utilisation rate.

Nonetheless, the pandemic has led to a favourable condition for the convenient food manufacturers in the PRC. The Company has witnessed good sales pick-up from our customers amid the pandemic. On top of the regular purchase from our existing customers, we received a warm welcome from new customers to our ***Cup Noodles*** and the made-in-Hong Kong ***Demae Iccho*** package noodles as a broader spectrum of customers are aware of the good quality of our products through product trial.

For the new joint venture distribution business in Shanghai, we believe that the strategic cooperation will enable the Group to further strengthen the Group's business foundation in Shanghai and is beneficial to the future growth and business development of the Group. This would enable other Japanese manufacturers to enter the region through this trading platform. At the same time, it will also help us to penetrate our products across the PRC in the long run. Currently, we own the distribution right of a number of famous Japanese brands in the PRC.

Regarding the construction of a new production plant for the purpose of manufacturing packaging materials as announced in July 2019, the Company targets to complete the construction by year 2021. The progress of construction has been on track and we do not foresee any delay on the construction based on the currently available information.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2020, total assets of the Group amounted to HK$4,671.1 million (31 December 2019: HK$4,633.9 million) and the total equity was HK$3,731.1 million (31 December 2019: HK$3,712.3 million). The Group's working capital was HK$2,075.6 million (31 December 2019: HK$2,136.0 million), represented by the difference between the total current assets of HK$2,947.6 million (31 December 2019: HK$2,995.2 million) and the total current liabilities of HK$872.0 million (31 December 2019: HK$859.2 million). The current ratio was 3.4 as at 30 June 2020 (31 December 2019: 3.5).

The financial position of the Group remained healthy, as at 30 June 2020 our bank and deposits balances amounted to HK$1,880.6 million (31 December 2019: HK$1,610.3 million) and HK$180.8 million (31 December 2019: HK$180.8 million) in available banking facilities as at 30 June 2020. The Group had no external borrowing and the gearing ratio was nil as at 30 June 2020 (31 December 2019: Nil).

Capital expenditures

The Group's capital expenditure was HK$104.7 million during the period under review (30 June 2019: HK$128.2 million), which are primarily for the investments on the new office and equipments in Hong Kong and the PRC.

Capital commitment

The Group had capital commitment in respect of acquisition of property, plant and equipment contracted for but not provided of HK$31.8 million as at 30 June 2020 (31 December 2019: HK$82.3 million).

Financial Risk Management

The Group had not entered into or trade in derivative financial instruments either for hedging or speculative purposes. The Company and its several subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk. As HK Dollar is currently pegged to US Dollar, the Company considered that the Group's exposure to fluctuation in HK Dollar against US Dollar is limited. The currencies giving rise to this risk are primarily Japanese Yen and Renminbi against HK Dollar.

Contingent Liability

For the period under review, there has been no material development to the legal proceedings against the Company in respect of an alleged wrongful termination of distributorship of a former sub-distributor of our "Demae Iccho" instant noodles products (the "Proceedings") as disclosed in the prospectus of the Company issued on 29 November 2017 (the "Prospectus"). No provision for the claim in respect of the Proceedings was made by the Group and as at 30 June 2020, the Group had no material contingent liability (2019: Nil). For more details of the Proceedings, please refer to the section headed "Business – Legal proceedings and regulatory compliance – Particulars of claims against the Company as at the Latest Practicable Date" in the Prospectus.

Pledge of Assets

The Group did not have pledged assets as at 30 June 2020 (2019: Nil).

Use of Proceeds from Global Offering

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 11 December 2017 (the "Listing"). The total proceeds from the Global Offering involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK$950.8 million. As at 30 June 2020, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

According to the proposed applications of the proceeds set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the utilisation of the net proceeds from the Listing to 30 June 2020 was shown on the below table:

Usage disclosed in the Prospectus		**Planned use of the net proceeds** *HK$ million*	**Utilised net proceeds up to 30 June 2020** *HK$ million*	**Unutilised net proceeds up to 30 June 2020** *HK$ million*
Further expanding and upgrading production plants and facilities	45%	409.8	(409.8)	–
Further expanding sales and distribution network	10%	91.1	(91.1)	–
Enhancing research and development capabilities	5%	45.5	(45.5)	–
Partnerships and/or acquisitions	30%	273.2	(92.7)	180.6
Working capital	10%	91.1	(91.1)	–
Net Proceeds		**910.8**	**(730.2)**	**180.6**

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

As disclosed in the voluntary announcement of the Company dated 23 January 2020 and reported in the annual report of the Company for 2019, the Company has formed a joint venture with Ms. Liu Feng in January 2020 for engagement in import and sale of Japanese brand food and beverage products in Shanghai and other first tier cities in the PRC. As mentioned in the paragraphs respectively headed "Financials" and "Business Review – The PRC operation" above, this new joint venture distribution business in Shanghai has already commenced operation in April 2020 and has contributed to increase in revenue in the second quarter of the year. The formation of such joint venture did not constitute notifiable transaction of the Company under the Listing Rules as so disclosed in the said voluntary announcement.

During the period under review, except for the aforesaid joint venture, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group, and the Group did not hold any significant investments.

INCLUSION IN INDEXES

On 14 August 2020, Hang Seng Indexes Company Limited ("Hang Seng Indexes") has announced the results of the 2020Q2 review of the Hang Seng Family of Indexes. The Company has been selected as a constituent stock of the Hang Seng Composite Index ("HSCI"), Hang Seng Stock Connect Hong Kong Index ("HSHKI"), Hang Seng Consumer Goods & Services Index ("HSCGSI") and other Indexes. The constituent changes will be made to the Hang Seng Family of Indexes with effect from 7 September 2020.

Following the inclusion of the Company into MSCI Hong Kong Small Cap Index in May 2019, being a constituent stock of HSCI, HSHKI, HSCGSI and other Indexes enable Mainland-based investors to trade directly in the securities of the Company via the Stock Connect scheme. This represents continual capital market's recognition of the Company and is expected to expand shareholder base and increase trading liquidity of the Company.

FUTURE PROSPECTS

Looking forward, we anticipate that the COVID-19 would persist in the remaining of the year and would continue to impact on the economy in Hong Kong and the PRC. Not until the relaxation of certain precautionary measures will we see people returning to a more normalised social life in the future.

In Hong Kong, there has been a new wave of the outbreak of the COVID-19 since early July 2020 where the Government has reintroduced and tightened the precautionary measures. The Company would keep monitoring the situation and secure stable supply of our products to all local customers.

On 10 August 2020, the Company made a capital injection of approximately HK$6.0 million to ValleyFarm Holdings Limited ("ValleyFarm"), an indoor hydroponic farm in Hong Kong. Subsequent to the capital injection, ValleyFarm becomes a subsidiary of the Company and is owned as to 80% by the Company and 20% by its original founder.

ValleyFarm is a pioneer and an indoor hydroponic farm being accredited by the Agriculture, Fisheries and Conservation Department since 2019. It operates as a one-stop shop from vegetables plantation to the selling of indoor hydroponic vegetables locally in Hong Kong. The newly invested capital would be used to build a new farm with upgraded facilities for hydroponic vegetable production. The Company considers it as an opportune time to meet the growing market demand for fresh, tasty yet convenient food amid the COVID-19.

In the PRC, the COVID-19 situation has become more contained as of the date of this announcement. As the economy further normalised, we expect the premium instant noodles market to enjoy healthy growth in the short to medium term, The Company would closely monitor the future development and would rejuvenate our business in the PRC with new product launch as well as the geographical expansion.

In this challenging environment, the Company would live up to the spirit of our founder, Mr. Momofuku Ando, which says "Peace would come to the world when there is enough food", to ensure stable food supply to the community.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the total number of staff of the Group was approximately 3,450 with staff costs (excluding directors' remuneration) amounting to HK$295.8 million for the period. Remuneration package is determined with reference to the individual performance, qualification and experience of employees concerned and prevailing industry practice. The Group provides mandatory provident fund entitlement to Hong Kong's employees.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: Nil).

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the Code Provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2020 except the following:

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Kiyotaka Ando is currently the Chairman of the Board and the Chief Executive Officer, responsible for strategic planning and managing of the Group's overall business and operations. Mr. Ando has been responsible for overall management of the Group since 2009. The Board believes that the current structure enables the Company to make and implement business decision swiftly and effectively which promotes the Group's development in line with other strategies and business direction. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired because of the diverse background and experience of the independent non-executive directors. Further, the Audit Committee, which consists exclusively of independent non-executive directors, has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 in conjunction with the Company's external auditor.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

By order of the Board
Kiyotaka Ando
Chief Executive Officer and Executive Director

Hong Kong, 31 August 2020

As at the date of this announcement, Executive Directors are Mr. Kiyotaka Ando, Mr. Toshimichi Fujinawa, Mr. Shinji Tatsutani, Mr. Kazuo Kawasaka and Mr. Munehiko Ono; and Independent Non-executive Directors are Dr. Sumio Matsumoto, Mr. Junichi Honda, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai.