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**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 2021**

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 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

	NOTES	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>1,853,802</b>	1,735,394
Cost of sales and services		<b>(1,261,528)</b>	(1,147,406)
<b>Gross profit</b>		<b>592,274</b>	587,988
Other income	6	<b>21,433</b>	21,932
Selling and distribution costs		<b>(244,311)</b>	(220,232)
Administrative expenses		<b>(133,693)</b>	(113,895)
Finance costs		<b>(264)</b>	(96)
Other expenses		<b>(18,907)</b>	(15,211)
Other gains and losses	7	<b>(58)</b>	(9,836)
Profit before taxation		<b>216,474</b>	250,650
Income tax expense	8	<b>(28,965)</b>	(55,153)
Profit for the period	9	<b>187,509</b>	195,497

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
	<i>NOTE</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive income (expense)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>23,237</u>	<u>(37,382)</u>
Total comprehensive income for the period		<u><b>210,746</b></u>	<u>158,115</u>
Profit for the period attributable to:			
Owners of the Company		<u>170,862</u>	178,405
Non-controlling interests		<u>16,647</u>	<u>17,092</u>
		<u><b>187,509</b></u>	<u>195,497</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		<u>192,710</u>	143,047
Non-controlling interests		<u>18,036</u>	<u>15,068</u>
		<u><b>210,746</b></u>	<u>158,115</u>
Earnings per share			
Basic (HK cents)	<i>11</i>	<u>15.94</u>	<u>16.61</u>
Diluted (HK cents)		<u>15.94</u>	<u>16.61</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2021**

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current Assets</b>			
Property, plant and equipment		<b>1,552,386</b>	1,515,848
Right-of-use assets		<b>206,674</b>	165,265
Goodwill		<b>64,801</b>	64,520
Intangible assets		<b>45,141</b>	48,219
Interest in an associate		<b>116</b>	116
Financial assets at fair value through profit or loss		<b>40,346</b>	32,828
Bond receivables		<b>36,932</b>	–
Deferred tax assets		<b>63,199</b>	33,523
Loan receivable		<b>1,094</b>	1,368
Deposits paid for acquisition of property, plant and equipment		<b>48,161</b>	23,288
Time deposits with maturity over one year		<b>108,163</b>	–
Rental deposits		<b>1,444</b>	2,307
		<b>2,168,457</b>	1,887,282
<b>Current Assets</b>			
Inventories		<b>348,919</b>	363,144
Trade receivables	12	<b>471,031</b>	508,545
Other receivables, prepayments and deposits		<b>94,470</b>	92,877
Loan receivable		<b>547</b>	547
Amount due from ultimate holding company		<b>4,935</b>	3,766
Amounts due from fellow subsidiaries		<b>17,541</b>	15,640
Tax recoverable		<b>718</b>	–
Financial assets at fair value through profit or loss		<b>197,686</b>	197,069
Time deposits with maturity over three months but not exceeding one year		<b>71,835</b>	507,758
Bank balances and cash		<b>1,729,815</b>	1,607,247
		<b>2,937,497</b>	3,296,593
<b>Current Liabilities</b>			
Trade payables	13	<b>216,320</b>	234,540
Other payables and accruals		<b>718,604</b>	742,962
Amount due to ultimate holding company		<b>28,062</b>	36,712
Amounts due to fellow subsidiaries		<b>4,973</b>	3,715
Lease liabilities		<b>7,300</b>	7,278
Tax liabilities		<b>40,682</b>	39,713
Deferred income		<b>416</b>	411
		<b>1,016,357</b>	1,065,331
<b>Net Current Assets</b>		<b>1,921,140</b>	2,231,262
<b>Total Assets less Current Liabilities</b>		<b>4,089,597</b>	4,118,544

		<b>30 June 2021</b>	31 December 2020
	<i>NOTE</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(audited)
<b>Capital and Reserves</b>			
Share capital	<i>14</i>	<b>2,941,441</b>	2,941,441
Reserves		<b>931,595</b>	954,238
		<hr/>	<hr/>
Equity contributable to owners of the Company		<b>3,873,036</b>	3,895,679
Non-controlling interests		<b>144,705</b>	147,504
		<hr/>	<hr/>
<b>Total Equity</b>		<b>4,017,741</b>	4,043,183
		<hr/>	<hr/>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		<b>45,209</b>	46,311
Lease liabilities		<b>7,387</b>	9,396
Deferred income		<b>19,260</b>	19,654
		<hr/>	<hr/>
		<b>71,856</b>	75,361
		<hr/>	<hr/>
		<b>4,089,597</b>	4,118,544
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 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 vegetable products, 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 unaudited 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 2020 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 2020 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.

## 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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

## Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2021 (unaudited)			For the six months ended 30 June 2020 (unaudited)		
	HK Operations (as defined in Note 5) HK\$'000	PRC Operations (as defined in Note 5) HK\$'000	Total HK\$'000	HK Operations (as defined in Note 5) HK\$'000	PRC Operations (as defined in Note 5) HK\$'000	Total HK\$'000
<b>Types of goods and services</b>						
Sales of goods	680,274	1,169,847	1,850,121	707,414	1,025,524	1,732,938
Others (Note)	1,904	1,777	3,681	1,136	1,320	2,456
Total	<u>682,178</u>	<u>1,171,624</u>	<u>1,853,802</u>	<u>708,550</u>	<u>1,026,844</u>	<u>1,735,394</u>
<b>Timing of revenue recognition</b>						
A point in time	680,381	1,171,624	1,852,005	707,650	1,026,844	1,734,494
Over time	1,797	–	1,797	900	–	900
Total	<u>682,178</u>	<u>1,171,624</u>	<u>1,853,802</u>	<u>708,550</u>	<u>1,026,844</u>	<u>1,735,394</u>

Note: Others mainly include 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 2021 (unaudited):

	HK Operations <i>HK\$'000</i>	PRC Operations <i>HK\$'000</i>	Reportable segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>					
Segment revenue from external customers	682,178	1,171,624	1,853,802	–	1,853,802
Inter-segment revenue ( <i>Note</i> )	<u>105,502</u>	<u>89,261</u>	<u>194,763</u>	<u>(194,763)</u>	<u>–</u>
Segment revenue	<u>787,680</u>	<u>1,260,885</u>	<u>2,048,565</u>	<u>(194,763)</u>	<u>1,853,802</u>
<b>Result</b>					
Segment results	<u>52,614</u>	<u>145,405</u>	<u>198,019</u>	<u>–</u>	<u>198,019</u>
Unallocated income and other gains					10,651
Unallocated expenses and other losses					(2,865)
Interest income					7,862
Fair value changes in financial assets at fair value through profit or loss					7,518
Loss on disposal of property, plant and equipment					<u>(4,711)</u>
Consolidated profit before taxation					<u>216,474</u>

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

	HK Operations <i>HK\$'000</i>	PRC Operations <i>HK\$'000</i>	Reportable segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>					
Segment revenue from external customers	708,550	1,026,844	1,735,394	–	1,735,394
Inter-segment revenue ( <i>Note</i> )	<u>111,874</u>	<u>89,985</u>	<u>201,859</u>	<u>(201,859)</u>	<u>–</u>
Segment revenue	<u>820,424</u>	<u>1,116,829</u>	<u>1,937,253</u>	<u>(201,859)</u>	<u>1,735,394</u>
<b>Result</b>					
Segment results	<u>97,938</u>	<u>142,794</u>	<u>240,732</u>	<u>–</u>	<u>240,732</u>
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					<u>91</u>
Consolidated profit before taxation					<u>250,650</u>

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

## 6. OTHER INCOME

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest income from bank deposits	7,534	12,692
Interest income from financial assets at fair value through profit or loss	<u>328</u>	<u>2,173</u>
	7,862	14,865
Miscellaneous income	<u>13,571</u>	<u>7,067</u>
	<u>21,433</u>	<u>21,932</u>

## 7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Exchange losses, net	(2,865)	(9,464)
Fair value changes in financial assets at fair value through profit or loss	7,518	(463)
(Loss) gain on disposal of property, plant and equipment	<u>(4,711)</u>	<u>91</u>
	<u>(58)</u>	<u>(9,836)</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	11,512	12,615
PRC Enterprise Income Tax	42,470	43,952
PRC Withholding tax	<u>2,430</u>	<u>2,085</u>
	<u>56,412</u>	<u>58,652</u>
Deferred taxation	<u>(27,447)</u>	<u>(3,499)</u>
	<u>28,965</u>	<u>55,153</u>



## 9. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	3,459	2,564
Cost of inventories recognised as expense	1,261,528	1,147,406
Depreciation of property, plant and equipment	77,198	66,963
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(64,305)</u>	<u>(54,911)</u>
	<u>12,893</u>	<u>12,052</u>
Depreciation of right-of-use assets	5,566	2,620
Research and development expenditure	15,985	13,033
Staff costs ( <i>Note</i> )		
Directors' emoluments:		
– fees	500	350
– other emoluments	<u>8,262</u>	<u>7,895</u>
	8,762	8,245
Other staff costs excluding directors' emoluments	<u>309,083</u>	<u>295,839</u>
Total staff costs	317,845	304,084
Less: Amount capitalised in inventories and included in cost of sales upon sales	(159,302)	(141,981)
Less: Amount included as research and development expenditure as shown in above	<u>(9,549)</u>	<u>(8,435)</u>
	<u><u>148,994</u></u>	<u><u>153,668</u></u>

*Note:* Contributions to retirement benefit scheme included in other staff costs for the six months ended 30 June 2021 amounted to HK\$35,093,000 (for the six months ended 30 June 2020: HK\$16,388,000). 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 14.05 HK cents per ordinary share in respect of the year ended 31 December 2020 (for six months ended 30 June 2020: 11.7 HK cents per ordinary share in respect of the year ended 31 December 2019) 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\$150,942,000 (for the six months ended 30 June 2020: HK\$125,695,000).

## 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	
	2021	2020
	(unaudited)	(unaudited)
<u>Earnings</u>		
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share (HK\$'000)	<u>170,862</u>	<u>178,405</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,071,710,799	1,074,073,386
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>42,110</u>	<u>151,380</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,071,752,909</u>	<u>1,074,224,766</u>

## 12. TRADE RECEIVABLES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade receivables – sales of goods	474,405	512,009
Less: allowance for credit losses	<u>(3,374)</u>	<u>(3,464)</u>
	<u>471,031</u>	<u>508,545</u>
0 to 30 days	293,276	311,404
31 to 90 days	144,623	170,519
91 to 180 days	22,055	26,622
over 180 days	<u>11,077</u>	<u>–</u>
	<u>471,031</u>	<u>508,545</u>

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 analysis of trade payables by age, presented based on the invoice date at the end of the reporting period:

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
0 to 30 days	<b>149,510</b>	159,010
31 to 90 days	<b>56,223</b>	69,783
91 to 180 days	<b>7,972</b>	3,737
Over 180 days	<b>2,615</b>	2,010
	<b><u>216,320</u></b>	<u>234,540</u>

### 14. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares, issued and fully paid:		
At 1 January 2020 (audited), 30 June 2020 (unaudited) and 1 January 2021 (audited)	1,074,319,480	2,941,441
Shares bought back and cancelled ( <i>Note</i> )	<u>(10,628,000)</u>	–
At 30 June 2021 (unaudited)	<b><u>1,063,691,480</u></b>	<b><u>2,941,441</u></b>

During the current interim period, the Company bought back its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

<b>Month of buy-back</b>	<b>Number of ordinary shares bought back (<i>Note</i>)</b>	<b>Consideration per share</b>		<b>Aggregate consideration paid HK\$'000</b>
		<b>Highest HK\$</b>	<b>Lowest HK\$</b>	
April 2021	833,000	6.0455	5.9230	5,000
May 2021	<u>9,795,000</u>	<u>6.3292</u>	<u>5.8987</u>	<u>60,200</u>
	<b><u>10,628,000</u></b>			<b><u>65,200</u></b>

*Note:* The Company was authorised at its annual general meetings to buy back its own ordinary shares not exceeding 10% of the total number of its issued shares as at the date of the resolutions being passed. During the six months ended 30 June 2021, the Company bought back 10,628,000 ordinary shares, and all were cancelled during the same period.

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

	<b>Average purchase price HK\$</b>	<b>Number of shares held</b>	<b>Value of shares HK\$'000</b>
At 1 January 2020	4	175,110	678
Share purchased from secondary market under share award scheme	6	282,000	1,790
Shares vested under share award scheme	6	(276,910)	(1,758)
	<hr/>	<hr/>	<hr/>
At 30 June 2020	5	180,200	710
Share purchased from secondary market under share award scheme	8	110,000	875
Shares vested under share award scheme	6	(248,090)	(1,398)
	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 30 June 2021	<b>4.4</b>	<b>42,110</b>	<b>187</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 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 140,940 of the 2018 Awarded Shares were vested on 11 December 2020. During the respective vesting periods, the selected employees remained as a director or an employee of the Company or its subsidiaries. The remaining shares of 7,830 and 10,440 of the 2018 Awarded Shares were cancelled in the year ended 31 December 2018 and 31 December 2020 respectively.

On 17 May 2020 and 11 December 2020, a total of 384,030 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.

No share award was granted by the Company during the six months ended 30 June 2021. The Group recognised the total expense of HK\$1,942,000 (unaudited) for the six months ended 30 June 2020 in relation to share award granted by the Company.

## 16. COMMITMENTS

As at the end of the current interim period, capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements was amounted to HK\$19,961,000 (31 December 2020: HK\$20,651,000).

## 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 2021.

### RESETTING OUR LIFE

Following the outbreak of the Coronavirus Diseases 2019 (“COVID-19” or the “pandemic”) in the beginning of year 2020, the challenges brought by the pandemic continued to weigh on the global economy during the first half of 2021, bringing negative impact to the livelihood of many people. The COVID-19 has ushered in the opportunity to reconsider how a company should operate under such dramatic change of operating environment. Companies are either fighting for survival, or risking extinction if they are not adapting to this reshaping economy. This unprecedented pandemic has also caused a major disruption to the global supply chain system, which ultimately resulted in a distortion in the supply and demand of most raw materials worldwide. On the same token, consumption power was impaired as a result of various preventive measures to contain the pandemic. This wide-spreading impact of the pandemic was worsen with the spread of the pandemic variants in recent months, which severely dampened the already weakened economy in most parts of the world for the time being. The slowdown of the global recovery has exposed vulnerabilities in the underlying economy.

As we are riding along with the pandemic and in a transition to resume our normal life, different countries have put their effort to introduce vaccination programmes to a larger extent to combat the pandemic and to better protect its citizens. Thus, we witnessed an early sign of recovery as the economy began to step out of the gloom. While the operating environment is still full of uncertainty, the domestic market in Hong Kong and the PRC has bottomed out and the people began to taste a sweet spot towards a more normal life.

With the expectation falling short on a relatively pandemic-free economy in the near term, the Company has relentlessly kept serving you with major product upgrade and product optimisation in our strategic business during the period. We considered the pursuit of quality as a strategic move towards the Company’s success. While demand still fluctuates under the global economy reset, the commitment to provide better product quality has led to a more curated customer experience, which help us sail through the good times and the bad.

With the travel restriction and border control measures still in place given the severity of the pandemic in various geographical regions, we are yet to see a more meaningful opening of border and resumption of international travel and thus, a more meaningful consumption, in our operating regions. During the time of turbulence, the Company has taken a more prudent approach in its business expansion. As a responsible corporate citizen, we are committed to protect consumers’ wellbeing by providing a stable food supply.

### FINANCIALS

For the period under review, the PRC operations continued to perform well under our cautious management approach with sales volume for the signature products marked positive growth year-on-year, while the Hong Kong operations were hard-hit by the high-base effect benefiting from the “stay-at-home” economy last year. On a two-year-basis, the Group was able to deliver a resilient growth in our operations. Revenue increased by 6.8% to HK\$1,853.8 million (2020: HK\$1,735.4 million), primarily attributable to continuous revenue growth in the PRC operations, offset by the decrease in consumption in the Hong Kong operations. Gross profit increased minimally by 0.7% to HK\$592.3 million (2020: HK\$588.0 million), representing a gross profit margin of 31.9% in the first half of 2021 (2020: 33.9%). The decrease in gross profit margin was mainly attributable to the increase in price of key raw materials year-on-year, the decrease in revenue from the Hong Kong operations and the lower contribution from the joint venture distribution business in Shanghai in the first year of its operations.

At Adjusted EBITDA level <sup>(note)</sup>, the Group dropped by 9.5% to HK\$281.3 million (2020: HK\$310.7 million), representing the Adjusted EBITDA margin of 15.2% for the period (2020: 17.9%). Profit attributable to owners of the Company decreased by 4.2% to HK\$170.9 million (2020: HK\$178.4 million), representing the net profit margin of 9.2% for the period (2020: 10.3%). Profitability has been dampened during the period as a result of the surge in raw material costs, as well as the increase in both operating and non-operating expenses as the Company continued to invest in our brands, but compensated by the lower applicable tax rate during the period. The Group's basic earnings per share decreased to 15.94 HK cents for the period (2020: 16.61 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 intangible asset. 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 a more normalised way of living during the first half of 2021 as the Government relaxed several social distancing measures to encourage a gradual resumption of the business and social development. Catering premises with dine-in services are allowed to extend its operating hours by fulfilling certain prerequisite while other premises for leisure and recreations such as cinemas and some outdoor sports premises were also allowed to reopen under certain restrictions. As reported by the Census and Statistics Department, the total retail sales value has shown a positive rebound since the beginning of this year and increased by 8.4% year-on-year, reflecting a progressive improvement towards a normal life even though the figures were far below the pre-pandemic level as inbound tourism remained frozen amid travel restrictions worldwide. The supermarket retail sales value, however, presented an opposite landscape as customers were stocking up daily necessities last year under the pandemic. For the first half of the year, the supermarket retail sales recorded a six-month-consecutive drop at 9.5% during the period. As a market leader in instant noodles and frozen foods in Hong Kong, the Company has suffered from the poor consumption sentiment on daily necessities during the period.

Revenue from Hong Kong operations decreased by 3.7% to HK\$682.2 million (2020: HK\$708.6 million), owing to the absence of sudden surge in demand especially in the bag-type instant noodles and frozen foods under the pandemic last year. Currently, revenue from Hong Kong operations accounted for 36.8% (2020: 40.8%) of the Group's revenue.

In terms of segment results, the Hong Kong operations decreased materially by 46.3% to HK\$52.6 million (2020: HK\$97.9 million), mainly attributable to decrease in revenue, coupled with the escalating raw materials price since the second half of last year and the expenses related to our brand investments.

### **Instant Noodles Business**

For the period under review, the performance for both cup-type and bag-type instant noodles were unsatisfactory as consumers gradually resumed their social interactions and moved away from the "work-from-home" and "stay-at-home" lifestyle under the pandemic. Nonetheless, the Company keeps up our effort to offer original and authentic Japanese delicacy to you with the launch of the inspirational and popular specialty of Kyushu Oita – fresh yuzu pepper, in tonkotsu soup base for both *Demae Iccho* and *Demae Iccho Bar Noodle*.

This year also marks a milestone for the *Cup Noodles* brand. Celebrating the 50<sup>th</sup> anniversary of the *Cup Noodles* this year, the Company has introduced a bold revamp to the *Cup Noodles* brand with the latest cutting-edge technology to revolutionise the noodles quality in June 2021. The whole series of sixteen flavours of the *Cup Noodles* were completely upgraded with smoother noodles and improved soup quality, bringing excellent dining experience for our beloved customers.

To further complement the instant noodles portfolio, the Company has launched additional offerings under the *ROAH* and *FUKU* brands, together with the broad spectrum of offerings from the *Doll* brand in instant noodles and frozen foods, to allow our customers to enjoy a series of novel and innovative products.

### **Non-Noodles Business**

During the past few years, the Company has introduced various fruitful elements under its non-noodles business in order to broaden our product portfolio in Hong Kong. The distribution business has shown a solid improvement during the period as the people resume their normal activities while our in-house production of granola continued to be one of the consumers' favourite choices. Further efforts were also *made to the KAGOME* products for the period under review.

There was also a bright start for the vegetable business during the period, with the products reaching the shelf of the supermarkets already. We foresee the vegetable business would continue to be a good complement in the long run.

### **CUPNOODLES MUSEUM Hong Kong**

In March 2021, the much-anticipated **CUPNOODLES MUSEUM Hong Kong** (the "Museum") was launched in Hong Kong. The Company introduced the Museum under the theme of "The Innovation Journey of Momofuku Ando". The Museum comprises three interactive workshops and many distinctive exhibition corners and visitors can create personalised products and take them home. The inventive determination to create foods to serve society remains at the heart of our operation in the Company. We hope to continue to nurture the next generation through educational and entertaining encounters with food.

### **The PRC Operations**

The PRC's economy has posted a robust growth in 2021, boosted by the entrenched recovery after the containment of COVID-19 as domestic demand continues to gain its traction. Real consumption growth has gradually improved to pre-COVID-19 level with enhanced consumer confidence. As reported by the National Bureau of Statistics of the PRC, the retail sales has delivered a 23.0% growth year-on-year during the period, or an average growth of 4.4% in two years, demonstrating a solid recovery from the pandemic. Nonetheless, the surge in both domestic and imported raw material prices since later part of last year has added to the operating burden for manufacturers along the upstream value chain, leading to an escalating pressure over its production costs.

For the period under review, the Company continued to record a positive revenue growth year-on-year amid a higher comparable base last year, demonstrating our time-proven business model and our commitment in the PRC operations. Revenue increased by 14.1% (in local currency: 4.8%) to HK\$1,171.6 million (2020: HK\$1,026.8 million), thanks to the growth in sales volume from the cup-type instant noodles as customers continued to prefer better quality products. The joint venture distribution business also contributed inorganically to the revenue in this first quarter of the year. Currently, revenue from the PRC operations accounted for 63.2% (2020: 59.2%) of the Group's revenue.

In terms of segment results, the PRC operations increased slightly by 1.8% to HK\$145.4 million (2020: HK\$142.8 million), mainly attributable to the better control in cost of sales and a prudent investment in our branding.

Same as the *Cup Noodles* in Hong Kong, the Company has had a major product reform in the PRC with the product upgrade since May 2021 to celebrate the *Cup Noodles* 50<sup>th</sup> anniversary. *Cup Noodles* offered in the PRC will now reconcile with the product offerings in Hong Kong, which features a smoother texture of noodles and thicker soup base. We hope this unification of products can offer a synchronised delicacy to customers everywhere.

To foster a stronger sense of brand loyalty and to reinforce a feeling of fashionable and premium brand, the Company consistently launched various online and offline marketing and advertising campaign, focusing on different clientele. During the period, through the *ROAH* brand, the Company has collaborated with a mobile game during their anniversary. The campaign was launched with customised packaging with offline promotion at the exhibition during the annual carnival in early May 2021. For *Cup Noodles*, on top of various traditional marketing events, the product has had a collaboration with a Japanese designer clothing company in the PRC with crossover packaging to enhance our brand image of premium and trendy.

For the joint venture distribution business in Shanghai which the Company commenced operation in April 2020, the Company currently distributes snacks and beverages under a number of famous third party Japanese brands and at the same time it also handles the distribution of granola and *KAGOME* products of the Company in the PRC. During the period, the distribution business has performed up to the Company's expectation.

Regarding the new production plant for the manufacture of packaging materials as announced in July 2019, it is anticipated that the construction work will be completed shortly.

## **FINANCIAL REVIEW**

### **Liquidity, Financial Resources and Gearing Ratio**

As at 30 June 2021, total assets of the Group amounted to HK\$5,106.0 million (31 December 2020: HK\$5,183.9 million) and the total equity was HK\$4,017.7 million (31 December 2020: HK\$4,043.1 million). The Group's working capital was HK\$1,921.1 million (31 December 2020: HK\$2,231.3 million), represented by the difference between the total current assets of HK\$2,937.5 million (31 December 2020: HK\$3,296.6 million) and the total current liabilities of HK\$1,016.4 million (31 December 2020: HK\$1,065.3 million). The current ratio was 2.9 as at 30 June 2021 (31 December 2020: 3.1).

The financial position of the Group remained healthy with net cash of approximately HK\$1,801.7 million (31 December 2020: HK\$2,115.0 million) and HK\$180.8 million (31 December 2020: HK\$180.8 million) in available banking facilities as at 30 June 2021. The Group had no external borrowing and the gearing ratio was nil as at 30 June 2021 (31 December 2020: Nil).

### **Capital Expenditure**

The Group's capital expenditure was HK\$138.0 million during the period under review (2020: HK\$104.7 million), which was mainly due to the capital investments on the production plants 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\$20.0 million as at 30 June 2021 (31 December 2020: HK\$20.7 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 several subsidiaries of the Company 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

As at 30 June 2021, the Group had no material contingent liability (31 December 2020: Nil).

## Pledge of Assets

The Group did not have pledged assets as at 30 June 2021 (2020: Nil).

## Use of Proceeds from Global Offering

The shares of the Company (the "Shares") have been listed on the Main Board of the Stock Exchange 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 2021, 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 up to 30 June 2021 was shown on the below table:

Usage disclosed in the Prospectus		Planned use of the net proceeds <i>HK\$ million</i>	Utilised net proceeds up to 30 June 2021 <i>HK\$ million</i>	Unutilised net proceeds up to 30 June 2021 <i>HK\$ million</i>
Further expanding and upgrading production plants and facilities	45%	409.8	409.8	0.0
Further expanding sales and distribution network	10%	91.1	91.1	0.0
Enhancing research and development capabilities	5%	45.5	45.5	0.0
Partnerships and/or acquisitions	30%	273.2	148.0	125.3
Working capital	10%	91.1	91.1	0.0
<b>Net Proceeds</b>		<b>910.8</b>	<b>785.5</b>	<b>125.3</b>

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 14 April 2021, the Group acquired 100% interest in Ming Fong Packaging & Chemicals Limited at a cash consideration of HK\$48,900,000. Ming Fong Packaging & Chemicals Limited holds a portfolio of plants and machineries and a right-of-use of the land and leasehold property which are all located in Hong Kong. The acquisition of such equity did not constitute notifiable transaction of the Company under the Listing Rules.

During the period under review, except for the aforesaid acquisition, 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.

## **FUTURE PROSPECTS**

Looking forward, not until there is a more controlled and normalised pandemic situation, the hiccup arising from the raw material price fluctuation would continue to impact on the manufacturing businesses in the near term. The Company is cautiously optimistic about the long term business development in the regions and would continue to look into ways to better alleviate the cost pressure under this competitive landscape.

In Hong Kong, while the retail sectors remained challenging due to the absence of inbound tourist spending, the launch of the Consumption Voucher Scheme is expected to help stimulate local consumption in the near-term, especially on the small-value items such as the groceries. Going forward, with the gradual increase in the vaccination rates, the economy would regain its momentum in the medium term.

In May 2021, the Company has announced a proposed investment of approximately HK\$194 million in consolidation of production facilities and investment in installation of new smart production lines in Hong Kong. The installation of new smart production lines which are equipped with advanced production technologies and incorporating state of the art automation has enabled enhancement in our productivity and management efficiency and better quality control. At the same time, the consolidation of the production facilities allows for flexible manufacturing system to produce a variety of products and provides additional areas for warehousing. The consolidation work and construction of new production lines would be completed by 2023.

In the PRC, with consumption continues to improve with higher per capita spending, the Company is confident in its time-proven track record and would continue to expand its business territory in the PRC with sustainable return.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2021, the total number of staff of the Group was approximately 3,450 (31 December 2020: 3,500) with staff costs (excluding directors' remuneration) amounting to approximately HK\$309.1 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 2021 (2020: 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 2021 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 2021 in conjunction with the Company’s external auditor.

## PURCHASE, SALE OR REDEMPTION LISTED SECURITIES

The Company bought back a total of 10,628,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$65.2 million during the six months ended 30 June 2021 (2020: Nil) at price ranging from HK\$5.8987 to HK\$6.3292. The particulars of the buyback are set out in Note 14 to the condensed consolidated financial statements.

Save as disclosed above, 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 2021.

By order of the Board

**Kiyotaka Ando**

*Chief Executive Officer and Executive Director*

Hong Kong, 30 August 2021

*As at the date of this announcement, Executive Directors are Mr. Kiyotaka Ando, Mr. Toshimichi Fujinawa, Mr. Shinji Tatsutani, Mr. Kazuo Kawasaki and Mr. Yasuhiro Yamada; and Independent Non-executive Directors are Dr. Sumio Matsumoto, Mr. Masaru Takahashi, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai.*