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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 2022**

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

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

	NOTES	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>2,033,134</b>	1,853,802
Cost of sales and services		<b>(1,394,228)</b>	(1,261,528)
<b>Gross profit</b>		<b>638,906</b>	592,274
Other income	6	<b>36,328</b>	21,433
Selling and distribution costs		<b>(266,649)</b>	(244,311)
Administrative expenses		<b>(140,848)</b>	(133,693)
Finance costs		<b>(182)</b>	(264)
Other expenses		<b>(17,023)</b>	(18,907)
Other gains and losses	7	<b>(6,168)</b>	(58)
Profit before taxation		<b>244,364</b>	216,474
Income tax expense	8	<b>(61,667)</b>	(28,965)
Profit for the period	9	<b>182,697</b>	187,509

	<b>Six months ended 30 June</b>	
<i>NOTES</i>	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive (expense) income</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(104,354)</u>	<u>23,237</u>
Total comprehensive income for the period	<u><b>78,343</b></u>	<u>210,746</u>
Profit for the period attributable to:		
Owners of the Company	<u>164,908</u>	<u>170,862</u>
Non-controlling interests	<u>17,789</u>	<u>16,647</u>
	<u><b>182,697</b></u>	<u>187,509</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>66,978</u>	<u>192,710</u>
Non-controlling interests	<u>11,365</u>	<u>18,036</u>
	<u><b>78,343</b></u>	<u>210,746</u>
Earnings per share	<i>11</i>	
Basic (HK cents)	<u><b>15.80</b></u>	<u>15.94</u>
Diluted (HK cents)	<u><b>15.80</b></u>	<u>15.94</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2022**

	<i>NOTES</i>	<b>30 June 2022 HK\$'000 (unaudited)</b>	31 December 2021 HK\$'000 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment		1,574,509	1,625,369
Right-of-use assets		197,744	207,510
Goodwill		64,133	65,239
Intangible assets		38,135	42,170
Interest in an associate		116	116
Financial assets at fair value through profit or loss		34,143	37,210
Deferred tax assets		60,384	62,511
Loan receivable		547	821
Deposits paid for acquisition of property, plant and equipment		22,769	22,057
Time deposits with maturity over one year		81,853	85,616
Rental deposits		2,051	2,051
		<u>2,076,384</u>	<u>2,150,670</u>
<b>Current Assets</b>			
Inventories		443,259	464,999
Trade receivables	12	494,203	475,382
Bond receivables		35,899	37,087
Other receivables, prepayments and deposits		110,015	87,288
Loan receivable		547	547
Amount due from ultimate holding company		3,965	3,511
Amounts due from fellow subsidiaries		29,707	32,504
Tax recoverable		951	–
Financial assets at fair value through profit or loss		201,467	198,985
Time deposits with maturity over three months but not exceeding one year		27,660	17,642
Bank balances and cash		1,577,834	1,790,954
		<u>2,925,507</u>	<u>3,108,899</u>
<b>Current Liabilities</b>			
Trade payables	13	187,172	270,227
Other payables and accruals		703,005	712,383
Amount due to ultimate holding company		38,610	35,144
Amounts due to fellow subsidiaries		5,292	7,199
Lease liabilities		7,353	5,576
Tax liabilities		28,197	29,482
Deferred income		3,132	423
		<u>972,761</u>	<u>1,060,434</u>
<b>Net Current Assets</b>		<u>1,952,746</u>	<u>2,048,465</u>
<b>Total Assets less Current Liabilities</b>		<u><u>4,029,130</u></u>	<u><u>4,199,135</u></u>

		<b>30 June 2022</b>	31 December 2021
	<i>NOTES</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>866,851</b>	1,009,198
		<hr/>	<hr/>
Equity contributable to owners of the Company		<b>3,808,292</b>	3,950,639
Non-controlling interests		<b>138,648</b>	165,622
		<hr/>	<hr/>
<b>Total Equity</b>		<b>3,946,940</b>	4,116,261
		<hr/>	<hr/>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		<b>61,106</b>	56,270
Lease liabilities		<b>2,335</b>	5,636
Deferred income		<b>18,749</b>	20,968
		<hr/>	<hr/>
		<b>82,190</b>	82,874
		<hr/>	<hr/>
		<b>4,029,130</b>	4,199,135
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 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 Mainland China.

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 2021 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 2021 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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

## 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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 2022 (unaudited)			For the six months ended 30 June 2021 (unaudited)		
	Hong Kong (as defined in Note 5) HK\$'000	Mainland China (as defined in Note 5) HK\$'000	Total HK\$'000	Hong Kong (as defined in Note 5) HK\$'000	Mainland China (as defined in Note 5) HK\$'000	Total HK\$'000
<b>Types of goods and services</b>						
Sales of goods	758,067	1,271,924	2,029,991	680,274	1,169,847	1,850,121
Others (Note)	1,873	1,270	3,143	1,904	1,777	3,681
Total	<u>759,940</u>	<u>1,273,194</u>	<u>2,033,134</u>	<u>682,178</u>	<u>1,171,624</u>	<u>1,853,802</u>
<b>Timing of revenue recognition</b>						
A point in time	758,331	1,273,194	2,031,525	680,381	1,171,624	1,852,005
Over time	1,609	–	1,609	1,797	–	1,797
Total	<u>759,940</u>	<u>1,273,194</u>	<u>2,033,134</u>	<u>682,178</u>	<u>1,171,624</u>	<u>1,853,802</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:

- Hong Kong: Manufacturing and sales of noodles, frozen foods and other products in Hong Kong and overseas, and provision of research and publicity service
- Mainland China: Manufacturing and sales of noodles, frozen foods and other products in Mainland China 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 2022 (unaudited):

	Hong Kong HK\$'000	Mainland China HK\$'000	Reportable segment total HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Revenue</b>					
Segment revenue from external customers	759,940	1,273,194	2,033,134	–	2,033,134
Inter-segment revenue ( <i>Note</i> )	94,978	111,871	206,849	(206,849)	–
Segment revenue	<u>854,918</u>	<u>1,385,065</u>	<u>2,239,983</u>	<u>(206,849)</u>	<u>2,033,134</u>
<b>Result</b>					
Segment results	<u>50,003</u>	<u>165,892</u>	<u>215,895</u>	<u>–</u>	<u>215,895</u>
Unallocated income					25,690
Unallocated other losses					(3,078)
Interest income					8,947
Fair value changes in financial assets at fair value through profit or loss					(3,067)
Loss on disposal of property, plant and equipment					<u>(23)</u>
Consolidated profit before taxation					<u>244,364</u>

For the six months ended 30 June 2021 (unaudited):

	Hong Kong HK\$'000	Mainland China HK\$'000	Reportable segment total HK\$'000	Elimination HK\$'000	Total HK\$'000
<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> )	105,502	89,261	194,763	(194,763)	–
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					10,651
Unallocated 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>

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

## 6. OTHER INCOME

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest income from bank deposits	7,987	7,534
Interest income from financial assets at fair value through profit or loss	960	328
	<u>8,947</u>	<u>7,862</u>
Miscellaneous income	27,381	13,571
	<u>36,328</u>	<u>21,433</u>

## 7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Exchange losses, net	(3,078)	(2,865)
Fair value changes in financial assets at fair value through profit or loss	(3,067)	7,518
Loss on disposal of property, plant and equipment	(23)	(4,711)
	<u>(6,168)</u>	<u>(58)</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	10,798	11,512
Mainland China Enterprise Income Tax	43,233	42,470
Mainland China Withholding tax	3,709	2,430
	<u>57,740</u>	<u>56,412</u>
Deferred taxation	3,927	(27,447)
	<u>61,667</u>	<u>28,965</u>



## 9. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</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	3,384	3,459
Cost of inventories recognised as expense	1,394,228	1,261,528
Depreciation of property, plant and equipment	80,083	77,198
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(62,686)</u>	<u>(64,305)</u>
	<u>17,397</u>	<u>12,893</u>
Depreciation of right-of-use assets	7,737	5,566
Research and development expenditure	15,333	15,985
Staff costs ( <i>Note</i> )		
Directors' emoluments:		
– fees	500	500
– other emoluments	<u>9,407</u>	<u>8,262</u>
	<u>9,907</u>	<u>8,762</u>
Other staff costs excluding directors' emoluments	<u>329,737</u>	<u>309,083</u>
Total staff costs	339,644	317,845
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(170,829)</u>	<u>(159,302)</u>
Less: Amount included as research and development expenditure as shown in above	<u>(10,799)</u>	<u>(9,549)</u>
	<u><u>158,016</u></u>	<u><u>148,994</u></u>

*Note:* Contributions to retirement benefit scheme included in other staff costs for the six months ended 30 June 2022 amounted to HK\$38,279,000 (for the six months ended 30 June 2021: HK\$35,093,000). For the six months ended 30 June 2021, 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 government of Mainland China.

## 10. DIVIDEND

During the current interim period, a final dividend of 14.56 HK cents and a special dividend of 2.91 HK cents per ordinary share in respect of the year ended 31 December 2021 were declared and paid to owners of the Company. The aggregate amount of the dividends declared and paid in the interim period amounted to HK\$182,333,000 (for the six months ended 30 June 2021: HK\$150,942,000).

## 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<u>Earnings</u>		
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share ( <i>HK\$ '000</i> )	<b>164,908</b>	170,862
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,043,920,950</b>	1,071,710,799
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<b>42,098</b>	42,110
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,043,963,048</b>	1,071,752,909

## 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.

	<b>30 June</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$ '000</i></b>	<b><i>HK\$ '000</i></b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade receivables – sales of goods	<b>497,283</b>	478,585
Less: allowance for credit losses	<b>(3,080)</b>	(3,203)
	<b>494,203</b>	475,382
0 to 30 days	<b>329,502</b>	314,566
31 to 90 days	<b>136,455</b>	143,369
91 to 180 days	<b>18,073</b>	17,447
over 180 days	<b>10,173</b>	–
	<b>494,203</b>	475,382

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 2022 HK\$'000 (unaudited)</b>	31 December 2021 HK\$'000 (audited)
0 to 30 days	<b>136,900</b>	194,557
31 to 90 days	<b>42,412</b>	58,261
91 to 180 days	<b>7,279</b>	11,707
Over 180 days	<b>581</b>	5,702
	<b><u>187,172</u></b>	<u>270,227</u>

### 14. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares, issued and fully paid:		
At 1 January 2021 (audited)	1,074,319,480	2,941,441
Share bought back and cancelled ( <i>Note</i> )	<u>(10,628,000)</u>	<u>–</u>
At 30 June 2021 (unaudited)	1,063,691,480	2,941,441
Share bought back and cancelled ( <i>Note</i> )	<u>(15,901,000)</u>	<u>–</u>
At 31 December 2021 (audited)	1,047,790,480	2,941,441
Share bought back and cancelled ( <i>Note</i> )	<u>(4,099,000)</u>	<u>–</u>
At 30 June 2022 (unaudited)	<b><u>1,043,691,480</u></b>	<b><u>2,941,441</u></b>

During the year ended 31 December 2021 and current interim period, the Company bought back its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of buy-back	Number of ordinary shares bought back (Note)	Consideration per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2021	833,000	6.11	5.87	5,001
May 2021	9,795,000	6.40	5.83	60,210
August 2021	172,000	5.42	5.32	925
September 2021	4,975,000	6.04	5.40	28,741
October 2021	800,000	6.10	5.94	4,810
November 2021	6,754,000	5.90	5.48	38,445
December 2021	3,200,000	5.86	5.54	18,248
January 2022	4,099,000	6.50	6.17	25,988
	<u>30,628,000</u>			<u>182,368</u>

*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 dates of the resolutions being passed. During the current interim period, the Company bought back a total of 4,099,000 ordinary shares, and all these shares were cancelled during the same period.

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

	Average purchase price HK\$	Number of shares held	Value of shares HK\$'000
At 1 January 2021	4.4	42,110	187
Share purchased from secondary market under share award scheme	5.8	255,030	1,474
Shares vested under share award scheme	5.8	(244,820)	(1,431)
At 31 December 2021 and 30 June 2022	<u>4.4</u>	<u>52,320</u>	<u>230</u>

## 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 12 May 2021, a total of 137,200 award 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.

On 31 March 2022, a total of 81,600 award 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 Group recognised the total expense of HK\$448,000 (unaudited) for the six months ended 30 June 2022 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\$97,152,000 (unaudited) (31 December 2021: HK\$68,238,000).

## 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 2022.

### EMBRACING A GRADUAL RETURN TO NORMALCY

Three years from the initial outbreak of Coronavirus Diseases 2019 (“COVID-19” or the “pandemic”), the start of 2022 saw an increasing number of countries shifting towards a return to normal life. After a year of the vaccination campaign, the global vaccination rate of having at least one dose of a COVID-19 vaccine has reached approximately 68% of the world population, which is close to the coverage target of 70% set by the World Health Organisation. Prevention measures such as dine-in restrictions and mandatory mask-wearing have been lifted in some countries. More international flights have resumed around the globe, the borders of many countries have been reopened, and more inbound tourists are being allowed and welcomed.

In Mainland China and Hong Kong, the Central government and the Hong Kong SAR government have continued with “dynamic zero” COVID-19 policy with a more scientific and targeted approach. In late June 2022, China reduced quarantine period for inbound travellers by half. Travellers only need to spend seven days in government-designated quarantine facilities and proceed to self-monitor their health for the following three days. In Hong Kong, the second stage of the relaxation of social distancing measures has already been implemented. The flight suspension mechanism of airline routes that brought in infected passengers was suspended in early July 2022. In mid-August 2022, compulsory hotel quarantine duration for overseas inbound travellers was shortened to three nights, followed by four nights of medical surveillance. Hence, we are tasting a sweet spot towards a more normal life.

On the flip side, the turbulence and distortion brought by this unprecedented pandemic remained. Disruption to the global supply chain system and distortion in the supply and demand for most of the raw materials has continued during the first half of 2022. In addition, geopolitical uncertainties further deteriorated the balance of supply and demand for our key raw materials, namely, wheat flour and palm oil. Their prices skyrocketed in the first quarter of 2022. In particular, the palm oil price has climbed to a historical high level. Moreover, the export ban initiated by countries such as Indonesia and India has aggravated the unbalanced supply and demand dynamics in the second quarter of 2022, accelerating the increase in our key raw materials prices.

Despite the challenging condition arising from increasing raw materials prices, the Group is committed to continuous product upgrades and cost optimisation. We are dedicated to pursuing a premiumisation strategy and providing good quality food to bring contentment and an enjoyable experience to our valuable customers. As a result, *Demae Iccho* offered a higher-quality noodles series using 100% Hokkaido wheat flour in the Hong Kong market, delighting our beloved customers with great taste. Leveraging our solid foundation and footholds in Hong Kong and Mainland China, as well as our rich and diversified product portfolio that was developed over the years, it helps us sail through the good times and bad. The direction and strategy of the Group are proven with solid business results.

Besides, as a responsible corporate citizen, we are committed to protecting consumers’ well-being by providing a stable food supply even under severe business conditions. We also attach great importance to food safety by conducting regular product testings, research and development. The Company will continue to invest in our production process and improve our product quality, so as to delight our customers.

## FINANCIALS

For the period under review, the Hong Kong operations were well-performed because of the strong demand for instant noodles and frozen food products brought by the resurgence of the fifth wave of the pandemic. Concurrently, the Mainland China operations continued to deliver a satisfactory performance as the sales volume of our signature products constantly recorded a positive growth year-on-year, offset by the decrease in distribution business due to the lockdown in Shanghai. Revenue increased by 9.7% to HK\$2,033.1 million (2021: HK\$1,853.8 million), primarily attributable to solid business results from both Hong Kong operations and Mainland China operations. Gross profit increased by 7.9% to HK\$638.9 million (2021: HK\$592.3 million), representing a gross profit margin of 31.4% in the first half of 2022 (2021: 31.9%). The decline in gross profit margin was mainly attributable to the dramatic leap in key raw materials prices year-on-year and the high production costs during the fifth wave of the pandemic in Hong Kong.

Profit attributable to owners of the Company slightly decreased by 3.5% to HK\$164.9 million (2021: HK\$170.9 million), representing the net profit margin of 8.1% for the period (2021: 9.2%). Profitability has been diminished during the period mainly due to the surge in raw material costs and the absence of an unusual low applicable tax rate caused by the recognition of deferred tax assets in the corresponding period of the previous year. The Group's basic earnings per share decreased to 15.80 HK cents for the period (2021: 15.94 HK cents).

At the Adjusted EBITDA level <sup>(note)</sup>, the Group grew by 8.4% to HK\$305.1 million (2021: HK\$281.3 million), representing the Adjusted EBITDA margin of 15.0% for the period (2021: 15.2%).

*Note:* Adjusted EBITDA is a non-HKFRS measurement used by the management to assess the 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 the 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 encountered the most severe and difficult times ever since the outbreak of COVID-19 as the spread of the fifth wave of the pandemic was rapid and fierce. The total retail sales value has dropped by 2.6% year-on-year since the beginning of this year, while supermarkets' retail sales have shown an opposite trend and increased by 3.3% during the period, as reported by the Census and Statistics Department. As the market leader in the instant noodles category in Hong Kong, the Company has benefited from the strong demand brought by the resurgence of the pandemic.

Meanwhile, the soaring raw materials prices including wheat flour and palm oil, as well as the production and logistics disruption caused by the fifth wave of the pandemic have dampened the growing momentum driven by strong demand in Hong Kong. On 1 April 2022, the Company implemented a mid-to-high single-digit price adjustment for the noodles category to partially cope with the rising pressures in production costs and raw materials costs.

As the pandemic trend in Hong Kong continued to stabilise in the latter half of the reporting period, the Hong Kong SAR government implemented the second stage of the relaxation of social distancing measures, intending to relaunch social and economic activities in an orderly manner. The restrictions on dine-in service in restaurants and certain premises such as cinemas and museums were relaxed, recreation facilities such as swimming pools and gazetted beaches were re-opened, and citizens were allowed to not wear masks under certain conditions in outdoor areas. The city is returning to normalcy gradually.

Revenue from Hong Kong operations increased solidly by 11.4% to HK\$759.9 million (2021: HK\$682.2 million), mainly attributable to the strong demand for instant noodles and frozen food products stimulated by the hoarding behaviour of customers. Currently, revenue from Hong Kong operations accounted for 37.4% (2021: 36.8%) of the Group's revenue.

In terms of segment results, the Hong Kong operations decreased by 5.0% to HK\$50.0 million (2021: HK\$52.6 million), owing to the higher-than-normal production and logistics costs that occurred during the fifth wave of the pandemic.

### **Instant Noodles Business**

For the period under review, the performance for both cup-type and bag-type instant noodles was eminent as customers were more inclined to stay home.

The Company has began a revamp of *Cup Noodles* that features upgrades with smoother noodles and improved soup quality since June 2021, bringing an irresistible delicacy for our beloved customers. Positive responses from many customers were received with continuous expanded sales volume during the period under review. The sales of *Demae Iccho* 100% Hokkaido wheat flour series have also attracted good response during the period. The Company focuses on the research and development of premium products and is seeking for further sales volume growth along with our premiumisation strategy.

To further complement the instant noodles portfolio, the Company has launched different new flavours under the *RAOH*, *Nissin UFO* and *FUKU* brands. Various spicy flavours have been rolled out, such as *Raoh Spicy Tonkotsu Flavour Instant Noodle (Non-Fried)* and *Nissin UFO Stir Noodles Spicy Miso Flavour Instant Noodle*. The Company has once again collaborated with Irvins, a famous brand of salted egg fish skin from Singapore, to bring excitement and delightful experience to customers. *Nissin Irvins salted Egg Flavour Stir Noodle* and *Nissin Irvins Hot Boom Salted Egg Flavour Stir Noodles* were launched.

### **Non-Noodles Business**

The diversification of our product portfolio into non-noodles business that has been underway since the listing of the Company has laid a solid ground and foundation for us to overcome adversity. It enables our non-noodles business to capitalise on the management expertise and distribution network of the instant noodles business to create synergy and enhance the Company's overall competitiveness.

#### *Frozen food products*

During the period under review, frozen food products demonstrated a strong demand due to the resurgence of the pandemic in Hong Kong, and customers were more inclined to stay home. Its high convenience, time-saving, and easy-to-cook characteristics are able to address the needs of urban citizens.

#### *Distribution business*

The Company and Mitsubishi Corporation ("Mitsubishi") entered into a share sales and purchase agreement, pursuant to which the Company agreed to purchase, and Mitsubishi agreed to sell, 300 ordinary shares of MC Marketing & Sales (Hong Kong) Limited ("MCMS"), representing 30.0% of the total issued shares of MCMS for the consideration of approximately HK\$13.7 million (the "Acquisition"). The completion of the Acquisition took place on 6 January 2022. For details of the Acquisition, please refer to the announcement of the Company dated 23 December 2021.

MCMS is engaged in the distribution of beverages, confectionery, snacks, Japanese brand seasoning sauce and chilled products in Hong Kong. Its business was undesirably impacted by the fifth wave of the pandemic in the first half of the year as some of our customers such as luxurious hotels and fine-dining restaurants were seriously hit by the dine-in restrictions and a lack of inbound tourists. Nevertheless, the Company continues to explore and bring new brands such as *S&B Foods* and *Yamasa* to enrich our product portfolio. In addition, we attempted to further expand the distribution channels to the local wet market, taking advantage of new opportunities.

#### *Kagome, Granola and Fresh-cut vegetable*

Our *Kagome* vegetable and fruit juice, *Granola* product and ready-to-eat *fresh-cut vegetable* continue to be one of the customers' favourite choices in light of the rising health awareness of customers in the wake of the pandemic.

For *Kagome* business, the relaxation of social distancing measures by the Hong Kong SAR government after the fifth wave of the pandemic has contributed to the rebound and sales growth. Plant-based soy and oat milks were launched to promote nutritious and healthy choices to health-conscious customers.

We replicated the success of *Granola* in Greater China to the new markets in Southeast Asia. The sales volume grew considerably in Singapore and Thailand during the first half of the year.

The *fresh-cut vegetable* business developed in December 2020 has shown a rising demand, and the distribution channels have further expanded from supermarkets to restaurants and cafeterias.

#### **Mainland China Operations**

In the first half of the year, Mainland China's economy grew 2.5% year-on-year, the slowest pace ever since the outbreak of COVID-19, following various lockdowns in different cities. Achieving its GDP target goal of 5.5% growth in 2022 was admitted to be a challenge. However, the Chinese government strives to pick up the pace in the second half of the year amid the complexities and adversity. A package of pro-stability stimulus measures was rolled out in late May 2022 to restore economic vitality. The National Bureau of Statistics of China reported that retail sales dropped 0.7% year-on-year.

Meanwhile, same as the situation in Hong Kong, the spike in raw materials prices has added to the operating burden for manufacturers, leading to escalating pressure over its production costs. On 1 March 2022, the Company implemented a mid-single digit price adjustment for the noodles category in Mainland China to tackle the rising pressures in production costs and raw materials costs.

For the period under review, the Company continued to record a decent revenue growth year-on-year, demonstrating our time-proven business model and our commitment to Mainland China operations. Revenue increased by 8.7% (in local currency: 8.4%) to HK\$1,273.2 million (2021: HK\$1,171.6 million), thanks to the growth in sales volume from the cup-type instant noodles as customers continued to prefer better quality products, offset by a drop in the distribution business. Currently, revenue from Mainland China operations accounted for 62.6% (2021: 63.2%) of the Group's revenue.

In terms of segment results, the Mainland China operations increased favourably by 14.1% to HK\$165.9 million (2021: HK\$145.4 million), mainly attributable to the sound performance on organic revenue growth, coupled with the execution of price adjustment during the period.



Same as the revamp of *Cup Noodles* in Hong Kong, the Company has had a product upgrade in Mainland China which features smoother texture of noodles and thicker soup base since May 2021. Good response from customers was received with continuous expanded sales volume during the period under review. Following the overwhelming response to the new spicy *Cup Noodles* big cup flavours, the Company has extended the *Cup Noodles Spicy Shrimp Soup Flavour* (赤海鮮濃蝦湯風味) and *Cup Noodles Spicy Tonkotsu Flavour* (赤豚骨濃湯風味) to the regular cup line during the period. In doing so, the Company has nicely integrated the two flavours of seafood and pork bone with a spicy flavour to accommodate the preferences of local consumers.

The Company continued its geographical business expansion strategy in Mainland China and explored certain new markets in the Western and Northern regions of China. Leveraging our diversified product portfolio, we seized the opportunity to promote other product categories such as frozen pasta and ramen during the lockdown in Shanghai due to resurgence of COVID-19, and the sales volume of these products was considerably broadened as a result.

Shanghai's joint venture distribution business commenced operation in April 2020 and is engaged in the distribution of confectionery and beverages under a number of famous third-party Japanese brands. Meanwhile, the Company has been striving to broaden the sales of our brands, such as granola and *Kagome* products in Mainland China. During the period under review, the distribution business has been challenged due to the temporary closure of retail stores in the midst of the lockdown. As a result, online sales channels such as online group purchase were more emphasised to help alleviate the impact.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2022, the total assets of the Group amounted to HK\$5,001.9 million (31 December 2021: HK\$5,259.6 million), and the total equity was HK\$3,946.9 million (31 December 2021: HK\$4,116.3 million). The Group's working capital was HK\$1,952.7 million (31 December 2021: HK\$2,048.5 million), represented by the difference between the total current assets of HK\$2,925.5 million (31 December 2021: HK\$3,108.9 million) and the total current liabilities of HK\$972.8 million (31 December 2021: HK\$1,060.4 million). The current ratio was 3.0 as at 30 June 2022 (31 December 2021: 2.9).

The financial position of the Group remained healthy, with net cash of approximately HK\$1,687.3 million (31 December 2021: HK\$1,894.2 million) and HK\$180.8 million (31 December 2021: HK\$180.8 million) in available banking facilities as at 30 June 2022. The Group had no external borrowing, and the gearing ratio was nil as at 30 June 2022 (31 December 2021: Nil).

### Capital Expenditure

The Group's capital expenditure was HK\$81.5 million during the period under review (2021: HK\$138.0 million), mainly due to the capital investments in the production plants in Hong Kong and Mainland China.

### Capital Commitment

The Group had a capital commitment for the acquisition of property, plant and equipment contracted for but not provided in the amount of HK\$97.2 million as at 30 June 2022 (31 December 2021: HK\$68.2 million).

### Financial Risk Management

The Group had not entered into or traded derivative financial instruments for hedging or speculative purposes. The Company and 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 the Japanese Yen and Renminbi against HK Dollar.

## Contingent Liability

As at 30 June 2022, the Group had no material contingent liability (31 December 2021: Nil).

## Pledge of Assets

The Group did not have pledged assets as at 30 June 2022 (2021: 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 of Hong Kong Limited (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 2022, the Group held the unutilised net proceeds as a 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 of the Company dated 29 November 2017 (the “Prospectus”), the utilisation of the net proceeds from the Listing up to 30 June 2022 was shown in the below table:

Usage disclosed in the Prospectus	Planned use of the net proceeds	Unutilised proceeds as at 1 January 2022	Proceeds utilised during the period under review	Utilised net proceeds up to 30 June 2022	Unutilised net proceeds up to 30 June 2022
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Further expanding and upgrading production plants and facilities	45%	409.8	0.0	409.8	0.0
Further expanding sales and distribution network	10%	91.1	0.0	91.1	0.0
Enhancing research and development capabilities	5%	45.5	0.0	45.5	0.0
Partnerships and/or acquisitions	30%	273.2	125.3	167.7	105.5*
Working capital	10%	91.1	0.0	91.1	0.0
<b>Net Proceeds</b>		<b>910.8</b>	<b>125.3</b>	<b>805.2</b>	<b>105.5</b>

\* The Company expects to utilise the remaining balance in the coming few years, subject to the identification of suitable mergers and acquisitions opportunities.

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the period under review, except for the aforesaid Acquisition of an additional 30% shareholding in MCMS, 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

The Company is cautiously optimistic about the long-term business development in the regions and would continue to look into ways better to alleviate the cost pressure under this competitive landscape. Despite the recent peak-out for the key raw material costs such as wheat flour and palm oil, there remains a veil of uncertainty over the future outlook of the business environment considering the rising risk of worldwide stagflation.

In Hong Kong, the cost pressure has not yet been fully released. In face of rising production costs and continuous high-level for raw materials prices, the Company will implement the second phase of ex-factory price adjustment for the products that were not included in the first phase implemented in April 2022, with an average increase of high single-digit percentage, starting from September 2022.

In Mainland China, consumer consumption continues to improve as per capita spending rises and the per capita income gap between urban and rural residents is narrowed. The Company continues to carry out its business territory expansion and penetration in other areas alongside the development of additional sales channels.

Furthermore, a new membership programme designated to strengthen the connection with customers and bring them enjoyment has been launched in both Hong Kong and Mainland China in July and August 2022, respectively. The “Nissin Foodium” in the WeChat Mini Program offers our members a series of exclusive benefits, exciting rewards and interactive games. To enjoy more benefits and surprises, customers are encouraged to scan the distinctive QR code on our products using the mini program and complete various tasks to earn points. Such membership programme aims to facilitate the Group to retain existing customers, boost product sales and better understand our customers’ preferences.

Building on a solid foundation, well-diversified product portfolio and the premiumisation strategy pursued, the Company is well-positioned to deliver continuous revenue and earnings growth, as well as expand business territories with increasing brand recognition in Hong Kong and Mainland China for the years ahead.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2022, the total number of staff of the Group was approximately 3,570 (31 December 2021: 3,590), with staff costs (excluding directors’ remuneration) amounting to approximately HK\$329.7 million for the period. The remuneration package is determined concerning the individual performance, qualification and experience of employees concerned and prevailing industry practices. The Group also provides medical benefits, internal and external training and discretionary bonuses based on individual performance. The share award scheme is in place to provide long-term incentives to the selected key staff of the Group.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021: 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 2022 except the following:

Pursuant to Code Provision C.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 2022 in conjunction with the Company's external auditor.

## PURCHASE, SALE OR REDEMPTION LISTED SECURITIES

The Company bought back a total of 4,099,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$26.0 million during the six months ended 30 June 2022 (2021: HK\$65.2 million) at price ranging from HK\$6.17 to HK\$6.50. 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 2022.

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

Hong Kong, 30 August 2022

*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.*