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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 2023

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 2023 together with the comparative unaudited figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited and restated)
Revenue	4	1,929,345	2,055,241
Cost of sales and services		<u>(1,271,027)</u>	<u>(1,409,506)</u>
Gross profit		658,318	645,735
Other income	6	24,699	36,371
Selling and distribution costs		(276,752)	(275,735)
Administrative expenses		(147,537)	(144,223)
Finance costs		(134)	(182)
Other expenses		(19,031)	(17,023)
Other gains and losses	7	<u>(9,671)</u>	<u>(5,835)</u>
Profit before taxation		229,892	239,108
Income tax expense	8	<u>(57,244)</u>	<u>(61,667)</u>
Profit for the period	9	<u>172,648</u>	<u>177,441</u>

	Six months ended 30 June	
	2023	2022
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited and restated)
Other comprehensive expense		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(57,561)</u>	<u>(104,187)</u>
Total comprehensive income for the period	<u>115,087</u>	<u>73,254</u>
Profit for the period attributable to:		
Owners of the Company	171,687	161,387
Non-controlling interests	<u>961</u>	<u>16,054</u>
	<u>172,648</u>	<u>177,441</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	113,354	63,569
Non-controlling interests	<u>1,733</u>	<u>9,685</u>
	<u>115,087</u>	<u>73,254</u>
Earnings per share	<i>11</i>	
Basic (HK cents)	<u>16.45</u>	<u>15.46</u>
Diluted (HK cents)	<u>16.45</u>	<u>15.46</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	<i>NOTES</i>	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (restated)
Non-current Assets			
Property, plant and equipment		1,655,299	1,616,034
Right-of-use assets		177,205	186,398
Goodwill		62,391	63,108
Intangible assets		28,576	31,454
Interest in an associate		116	116
Financial assets at fair value through profit or loss		37,056	34,371
Deferred tax assets		56,245	57,041
Loan receivable		–	274
Deposits paid for acquisition of property, plant and equipment		47,336	34,322
Time deposits with maturity over one year		75,924	78,364
Rental deposits		1,444	1,789
		<u>2,141,592</u>	<u>2,103,271</u>
Current Assets			
Inventories		370,160	442,340
Trade receivables	12	428,545	430,898
Other receivables, prepayments and deposits		72,691	88,121
Loan receivable		410	547
Amount due from ultimate holding company		4,741	4,174
Amounts due from fellow subsidiaries		43,490	34,582
Tax recoverable		2,678	13,987
Financial assets at fair value through profit or loss		210,244	204,239
Time deposits with maturity over three months but not exceeding one year		5,423	20,073
Cash and cash equivalents		1,132,577	1,257,573
		<u>2,270,959</u>	<u>2,496,534</u>
Current Liabilities			
Trade payables	13	166,799	185,144
Other payables and accruals		610,214	657,731
Amount due to ultimate holding company		37,582	33,808
Amounts due to fellow subsidiaries		3,423	3,623
Lease liabilities		4,096	6,249
Tax liabilities		27,949	37,588
Deferred income		2,610	2,826
		<u>852,673</u>	<u>926,969</u>
Net Current Assets		<u>1,418,286</u>	<u>1,569,565</u>
Total Assets less Current Liabilities		<u><u>3,559,878</u></u>	<u><u>3,672,836</u></u>

		30 June 2023	31 December 2022
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (restated)
Capital and Reserves			
Share capital	<i>14</i>	2,941,441	2,941,441
Reserves		494,948	614,312
		<hr/>	<hr/>
Equity contributable to owners of the Company		3,436,389	3,555,753
Non-controlling interests		45,642	43,909
		<hr/>	<hr/>
Total Equity		3,482,031	3,599,662
		<hr/>	<hr/>
Non-current Liabilities			
Deferred tax liabilities		59,851	53,655
Lease liabilities		1,737	2,126
Deferred income		16,259	17,393
		<hr/>	<hr/>
		77,847	73,174
		<hr/>	<hr/>
		3,559,878	3,672,836
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 other Asia 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 2022 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 2022 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.

Merger accounting for business combination involving a subsidiary under common control

During the interim period, Nissin Foods Company Limited (the “Company”, “Purchaser”) entered into a capital transfer agreement with Nissin Foods Asia Co., Ltd. (the “Vendor”), a company wholly-owned by Nissin Foods Holdings Co., Ltd., which is the ultimate controlling shareholder of the Company and Nissin Foods Vietnam Co., Ltd., (the “Target Company”). The principal activities of the Target Company are manufacturing, importing, and exporting instant noodles. Prior to the transaction, the Target Company was a wholly owned subsidiary of the Vendor, and the Vendor became a non-controlling shareholder of the Target Company upon the completion of the transaction. Pursuant to the capital transfer agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the 66.01% of all contributed capital in the Target Company at a consideration of approximately US\$9,500,000 (equivalent to HK\$74,435,000) (the “Acquisition”), which was satisfied by the Company through payment in cash during the current interim period. Furthermore, upon the completion of the Acquisition, the Company has agreed to contribute additional capital to the Target Company of US\$2,000,000 (equivalent to HK\$15,671,000) for obtaining 0.99% additional interest of the Target Company. The equity interest held by the Company and the Vendor will then be adjusted from 66.01% and 33.99% respectively as at 30 June 2023, to 67% for the Company and 33% for the Vendor upon completion of the capital contribution. The capital injection of US\$2,000,000 (equivalent to HK\$15,671,000) was settled subsequent to the reporting period.

The Acquisition was considered as a business combination under common control as the Company and the Target Company are both ultimately controlled by Nissin Foods Holdings Co., Ltd. before and after the Acquisition and the control is not transitory. The acquisition of the Target Company was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.

Under merger accounting, based on the guidance set out in AG 5, the financial information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are condensed consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The adjustments to eliminate contributed capital of the combining entities or businesses against the related investment costs have been made to merger reserve in the condensed consolidated statements of changes in equity.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the prior years have been restated to include the results of the Target Company as if the Acquisition had been completed since the date the Target Company first came under the common control. The condensed consolidated statement of financial position as at 1 January 2022 and 31 December 2022 have been restated to adjust the carrying amounts of the assets and liabilities of the Target Company which had been in existence as at 1 January 2022 and 31 December 2022 as if those entities or businesses were combined from the date when they first came under the common control (see below for the financial impacts).

- (i) Effect on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2022:

	The Group HK\$'000 (as previously reported)	Effect of business combination of entities under common control HK\$'000	The Group HK\$'000 (unaudited and restated)
Revenue	2,033,134	22,107	2,055,241
Cost of sales and services	(1,394,228)	(15,278)	(1,409,506)
Gross profit	638,906	6,829	645,735
Other income	36,328	43	36,371
Selling and distribution costs	(266,649)	(9,086)	(275,735)
Administrative expenses	(140,848)	(3,375)	(144,223)
Finance costs	(182)	–	(182)
Other expenses	(17,023)	–	(17,023)
Other gains and losses	(6,168)	333	(5,835)
Profit (loss) before taxation	244,364	(5,256)	239,108
Income tax expense	(61,667)	–	(61,667)
Profit (loss) for the period	182,697	(5,256)	177,441
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	(104,354)	167	(104,187)
Total comprehensive income (expense) for the period	78,343	(5,089)	73,254
Profit (loss) for the period attributable to:			
Owners of the Company	164,908	(3,521)	161,387
Non-controlling interests	17,789	(1,735)	16,054
	182,697	(5,256)	177,441
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company	66,978	(3,409)	63,569
Non-controlling interests	11,365	(1,680)	9,685
	78,343	(5,089)	73,254
Earnings per share			
– Basic (HK cents)	15.80	(0.34)	15.46
– Diluted (HK cents)	15.80	(0.34)	15.46

(ii) Effect on the condensed consolidated statement of financial position as at 31 December 2022:

	The Group <i>HK\$'000</i> (as previously reported)	Effect of business combination of entities under common control <i>HK\$'000</i>	The Group <i>HK\$'000</i> (restated)
Non-current Assets			
Property, plant and equipment	1,580,304	35,730	1,616,034
Right-of-use assets	186,398	–	186,398
Goodwill	63,108	–	63,108
Intangible assets	31,454	–	31,454
Interest in an associate	116	–	116
Financial assets at fair value			
through profit or loss	34,371	–	34,371
Deferred tax assets	57,041	–	57,041
Loan receivable	274	–	274
Deposits paid for acquisition of property, plant and equipment	34,322	–	34,322
Time deposits with maturity over one year	78,364	–	78,364
Rental deposits	1,789	–	1,789
	<u>2,067,541</u>	<u>35,730</u>	<u>2,103,271</u>
Current Assets			
Inventories	431,610	10,730	442,340
Trade receivables	426,835	4,063	430,898
Other receivables, prepayments and deposits	85,661	2,460	88,121
Loan receivable	547	–	547
Amount due from ultimate holding company	4,174	–	4,174
Amounts due from fellow subsidiaries	34,582	–	34,582
Tax recoverable	12,698	1,289	13,987
Financial assets at fair value through profit or loss	204,239	–	204,239
Time deposits with maturity over three months but not exceeding one year	17,763	2,310	20,073
Cash and cash equivalents	1,249,460	8,113	1,257,573
	<u>2,467,569</u>	<u>28,965</u>	<u>2,496,534</u>
Current Liabilities			
Trade payables	179,942	5,202	185,144
Other payables and accruals	653,197	4,534	657,731
Amount due to ultimate holding company	33,808	–	33,808
Amounts due to fellow subsidiaries	3,623	–	3,623
Lease liabilities	6,249	–	6,249
Tax liabilities	37,588	–	37,588
Deferred income	2,826	–	2,826
	<u>917,233</u>	<u>9,736</u>	<u>926,969</u>
Net current assets	<u>1,550,336</u>	<u>19,229</u>	<u>1,569,565</u>
Total assets less current liabilities	<u><u>3,617,877</u></u>	<u><u>54,959</u></u>	<u><u>3,672,836</u></u>

	The Group <i>HK\$'000</i> (as previously reported)	Effect of business combination of entities under common control <i>HK\$'000</i>	The Group <i>HK\$'000</i> (restated)
Capital and Reserves			
Share capital	2,941,441	–	2,941,441
Reserves	577,489	36,823	614,312
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Equity contributable to owners of the Company	3,518,930	36,823	3,555,753
Non-controlling interests	25,773	18,136	43,909
	<hr/>	<hr/>	<hr/>
Total Equity	3,544,703	54,959	3,599,662
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Non-current Liabilities			
Deferred tax liabilities	53,655	–	53,655
Lease liabilities	2,126	–	2,126
Deferred income	17,393	–	17,393
	<hr/>	<hr/>	<hr/>
	73,174	–	73,174
	<hr/>	<hr/>	<hr/>
	3,617,877	54,959	3,672,836
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(iii) The effect on the restatement on the Group's equity on 1 January 2022 is summarised as follows:

	The Group <i>HK\$'000</i> (as previously reported)	Effect of business combination of entities under common control <i>HK\$'000</i>	The Group <i>HK\$'000</i> (restated)
Share capital	2,941,441	–	2,941,441
PRC statutory reserve	73,894	–	73,894
Capital reserve	1,099	–	1,099
Translation reserve	93,194	(46,866)	46,328
Merger reserve	(238,168)	344,401	106,233
Shares held for share award scheme	(230)	–	(230)
Other reserve	14,403	–	14,403
Retained profits (accumulated losses)	1,065,006	(256,954)	808,052
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Subtotal	3,950,639	40,581	3,991,220
Non-controlling interests	165,622	19,987	185,609
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Total	4,116,261	60,568	4,176,829
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- (iv) The effect of the restatement on the Group's basic and diluted earnings per share for the six months ended 30 June 2022 is as follows:

	Six months ended 30 June 2022 <i>HK cents</i>
Basic and diluted earnings per share unaudited and as previously reported	15.80
Adjustments arising from business combination under common control	<u>(0.34)</u>
Unaudited and restated	<u><u>15.46</u></u>

- (v) The effect of the restatement on the Group's condensed consolidated statement of cash flow for the six months ended 30 June 2022 is summarised as follows:

	Six months ended 30 June 2022 <i>HK\$'000</i>
Increase in net cash from operating activities	9,575
Increase in net cash from investing activities	<u>886</u>
Increase in cash and cash equivalents at the end of period	<u><u>10,461</u></u>

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 change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), and application of accounting policies of business combination involving entities under common control (as detailed in note 2) in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the group’s condensed consolidated financial statements:

HKFRS 17(including the October 2020 and February 2022 Amendments to HKFRS17)	Insurance Contracts
Amendments to HKAS8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction

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 2023 (unaudited)			For the six months ended 30 June 2022 (unaudited and restated)		
	Hong Kong and other Asia (as defined in Note 5) HK\$'000	Mainland China (as defined in Note 5) HK\$'000	Total HK\$'000	Hong Kong and other Asia (as defined in Note 5) HK\$'000	Mainland China (as defined in Note 5) HK\$'000	Total HK\$'000
Types of goods and services						
Sales of goods	749,782	1,176,253	1,926,035	780,073	1,271,924	2,051,997
Others (<i>Note</i>)	1,754	1,556	3,310	1,974	1,270	3,244
Total	<u>751,536</u>	<u>1,177,809</u>	<u>1,929,345</u>	<u>782,047</u>	<u>1,273,194</u>	<u>2,055,241</u>
Timing of revenue recognition						
A point in time	750,113	1,177,809	1,927,922	780,438	1,273,194	2,053,632
Over time	1,423	–	1,423	1,609	–	1,609
Total	<u>751,536</u>	<u>1,177,809</u>	<u>1,929,345</u>	<u>782,047</u>	<u>1,273,194</u>	<u>2,055,241</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 and other Asia: 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 2023 (unaudited):

	Hong Kong and other Asia HK\$'000	Mainland China HK\$'000	Reportable segment total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue					
Segment revenue from external customers	751,536	1,177,809	1,929,345	–	1,929,345
Inter-segment revenue (<i>Note</i>)	103,995	110,498	214,493	(214,493)	–
Segment revenue	<u>855,531</u>	<u>1,288,307</u>	<u>2,143,838</u>	<u>(214,493)</u>	<u>1,929,345</u>
Result					
Segment results	<u>55,961</u>	<u>160,585</u>	<u>216,546</u>	<u>–</u>	<u>216,546</u>
Unallocated income					10,969
Unallocated other losses					(12,722)
Interest income					12,182
Fair value changes in financial assets at fair value through profit or loss					2,685
Gain on disposal of property, plant and equipment					366
Finance Cost					(134)
Consolidated profit before taxation					<u>229,892</u>

For the six months ended 30 June 2022 (unaudited and restated):

	Hong Kong and other Asia HK\$'000	Mainland China HK\$'000	Reportable segment total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue					
Segment revenue from external customers	782,047	1,273,194	2,055,241	–	2,055,241
Inter-segment revenue (<i>Note</i>)	94,978	111,871	206,849	(206,849)	–
Segment revenue	<u>877,025</u>	<u>1,385,065</u>	<u>2,262,090</u>	<u>(206,849)</u>	<u>2,055,241</u>
Result					
Segment results	<u>44,144</u>	<u>165,892</u>	<u>210,036</u>	<u>–</u>	<u>210,036</u>
Unallocated income					26,129
Unallocated other losses					(2,745)
Interest income					8,960
Fair value changes in financial assets at fair value through profit or loss					(3,067)
Loss on disposal of property, plant and equipment					(23)
Finance Cost					(182)
Consolidated profit before taxation					<u>239,108</u>

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

6. OTHER INCOME

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited and restated)
Interest income from bank deposits	7,005	8,000
Interest income from financial assets at fair value through profit or loss	5,177	960
	<u>12,182</u>	<u>8,960</u>
Miscellaneous income	12,517	27,411
	<u>24,699</u>	<u>36,371</u>

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited and restated)
Exchange losses, net	(12,722)	(2,745)
Fair value changes in financial assets at fair value through profit or loss	2,685	(3,067)
Gain (loss) on disposal of property, plant and equipment	366	(23)
	<u>(9,671)</u>	<u>(5,835)</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Current tax:		
Hong Kong Profits Tax	9,329	10,798
Mainland China Enterprise Income Tax	40,131	43,233
Mainland China Withholding tax	1,072	3,709
	<u>50,532</u>	<u>57,740</u>
Deferred taxation	6,712	3,927
	<u>57,244</u>	<u>61,667</u>

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited and restated)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	2,500	3,384
Cost of inventories recognised as expense	1,271,027	1,409,506
Depreciation of property, plant and equipment	73,660	85,813
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(58,789)</u>	<u>(64,268)</u>
	<u>14,871</u>	<u>21,545</u>
Depreciation of right-of-use assets	4,842	7,737
Research and development expenditure	17,806	15,527
Staff costs (<i>Note</i>)		
Directors' emoluments:		
– fees	500	500
– other emoluments	<u>10,020</u>	<u>9,407</u>
	<u>10,520</u>	<u>9,907</u>
Other staff costs excluding directors' emoluments	<u>360,405</u>	<u>336,729</u>
Total staff costs	370,925	346,636
Less: Amount capitalised in inventories and included in cost of sales upon sales	(161,825)	(172,982)
Less: Amount included as research and development expenditure as shown in above	<u>(10,478)</u>	<u>(10,856)</u>
	<u><u>198,622</u></u>	<u><u>162,798</u></u>

Note: Contributions to retirement benefit scheme included in other staff costs for the six months ended 30 June 2023 amounted to HK\$37,151,000 (unaudited) (for the six months ended 30 June 2022 (unaudited): HK\$38,279,000).

10. DIVIDEND

During the current interim period, a final dividend of 15.16 HK cents per ordinary share in respect of the year ended 31 December 2022 (during the six months ended 30 June 2022: 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) 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\$158,224,000 (unaudited) (for the six months ended 30 June 2022: HK\$182,333,000 (unaudited)).

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	
	2023	2022
	(unaudited)	(unaudited and restated)
<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>)	171,687	161,387
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,043,670,279	1,043,920,950
Effect of dilutive potential ordinary shares in respect of outstanding share awards	21,201	42,098
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,043,691,480	1,043,963,048

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	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(restated)
Trade receivables – sales of goods	432,346	434,818
Less: allowance for credit losses	(3,801)	(3,920)
	428,545	430,898
0 to 30 days	302,343	335,137
31 to 90 days	105,520	81,089
91 to 180 days	9,920	3,754
over 180 days	10,762	10,918
	428,545	430,898

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:

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (restated)
0 to 30 days	113,316	137,049
31 to 90 days	45,291	34,399
91 to 180 days	8,176	13,680
Over 180 days	16	16
	<u>166,799</u>	<u>185,144</u>

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2022	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), 31 December 2022 and 30 June 2023 (unaudited)	<u>1,043,691,480</u>	<u>2,941,441</u>

During the year ended 31 December 2022, the Company bought back its own ordinary shares for cancellation 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\$	
January 2022	<u>4,099,000</u>	6.50	6.17	<u>25,988</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.

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 2022	4.4	52,320	230
Share purchased from secondary market under share award scheme	6.3	264,510	1,664
Shares vested under share award scheme	<u>6.0</u>	<u>(301,310)</u>	<u>(1,801)</u>
At 31 December 2022	<u>6.0</u>	<u>15,520</u>	<u>93</u>
Share purchased from secondary market under share award scheme	6.8	110,000	743
Shares vested under share award scheme	<u>6.8</u>	<u>(99,880)</u>	<u>(684)</u>
At 30 June 2023 (unaudited)	<u>5.9</u>	<u>25,640</u>	<u>152</u>

During the current interim period, the trustee of the share award scheme purchased the Company's ordinary shares from secondary market for the share award scheme of the Company, and no share was bought back for cancellation.

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 31 March 2022 and 30 June 2022 and 10 October 2022, a total of 301,310 award shares (the “2022 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.

On 6 April 2023, a total of 99,880 award shares (the “2023 Awarded shares”) of the Company have been awarded and vested to certain selected employees (including but no limited to directors, executives, officers and other employees, whether full-time or part-time, of any members of the Group) at no consideration.

The estimated fair values of the awarded shares are HK\$6.8 (unaudited) (2022: HK\$5.63 (unaudited)) per share based on the market trading price of the share at the grant date. The total fair value of the 2023 Awarded Shares are HK\$684,000 (unaudited) (2022 Awarded Shares: HK\$448,000 (unaudited)).

The Group recognised the total expense of HK\$684,000 (unaudited) for the six months ended 30 June 2023 (30 June 2022: HK\$448,000 (unaudited)) in relation to share award granted by the Company. At 30 June 2023 and 2022, there was no outstanding award share.

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\$79,459,000 (unaudited) (31 December 2022: HK\$93,033,000).

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 2023.

OVERCOMING PERSISTENT CHALLENGES AMID SIGN OF RESILIENCE AND REOPENING

During the first half of 2023, the Mainland China and Hong Kong economies resumed a notable year-on-year growth after the easing of the COVID-19 pandemic and relaxation of pandemic control in late 2022. The governments also launched various stimulus measures to sustain the recoveries. However, the global economy has been under the shadow of slow economic growth, rising interest rates and heightened uncertainties. The International Monetary Fund predicted that the world economic growth will slow down from 3.5% last year to 3% in both 2023 and 2024.

In Mainland China, consumer spending quickly recovered at the beginning of the year after the lifting of the COVID-19 related restrictions in December 2022. However, the future uncertainty has imposed an unfavourable impact on household spending and growth after the Chinese New Year.

In Hong Kong, local consumer spending was encouraged by the government through the launching of Consumption Voucher Scheme and “Happy Hong Kong” campaign. Nonetheless, consumers’ preference to eat out and the outbound “revenge travel” since the reopening of borders affected the local food and beverage industry.

The Group is committed to continuous product upgrades and cost optimisation against this backdrop. We are dedicated to pursuing a premiumisation strategy and providing good quality food to bring contentment and enjoyable experience to our valuable consumers. Riding on our solid foundation and footholds in Hong Kong and Mainland China, as well as the rich and diversified product portfolio developed over time, we sail through good times and bad.

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 and pursuing relevant research and development. Moreover, the Company adopts a wide range of measures and policies to reduce environmental impact in this new era of global boiling, such as the installation of solar panels in various production plants.

FINANCIALS

On 29 June 2023, the Company and Nissin Foods Asia Co., Ltd. (“Nissin Asia”), a wholly-owned subsidiary of Nissin Foods Holdings Co., Ltd. (“Nissin Japan”) entered into a capital transfer agreement (“Capital Transfer Agreement”) in relation to (i) the acquisition of 66.01% of the assigned contribution capital (the “Acquisition”) of Nissin Foods Vietnam Co., Ltd. (“Nissin Vietnam”); and (ii) capital contribution of USD2 million to the capital of Nissin Vietnam (the “Capital Contribution”) after the completion of the Acquisition. In terms of preparation of financial results for the Group, the condensed consolidated financial statements of the current interim period have been prepared using the principles of merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA and the figures of the previous interim period were therefore restated to include the results of Nissin Vietnam correspondingly.

For the period under review, the Group's overall business was dampened because of the weakened consumption sentiment for instant noodles, the absence of a sudden surge in demand driven by the pandemic in 2022 and the negative effects of foreign currency translation for Hong Kong Dollars against Renminbi. Revenue decreased by 6.1% to HK\$1,929.3 million (2022 restated: HK\$2,055.2 million), primarily attributable to the decrease in consumption and the negative effects of foreign exchange rate. Gross profit grew by 1.9% to HK\$658.3 million (2022 restated: HK\$645.7 million), boosting gross profit margin by 2.7 percentage points to 34.1% in 2023 from 31.4% (restated) in 2022. The increase in gross profit margin was mainly attributable to the price adjustments implemented in both Hong Kong and Mainland China in 2022 to offset the surge in manufacturing costs, as well as the easing of the key raw material costs.

Profit attributable to owners of the Company increased by 6.4% to HK\$171.7 million (2022 restated: HK\$161.4 million), representing the net profit margin of 8.9% for the period (2022 restated: 7.9%). Profit and profitability improved over the same period last year mainly due to the implementation of price adjustments to offset the leap in production cost and the profit contribution from the acquisition of minority interests in Zhuhai Golden Coast Winner Food Products Limited. The Group's basic earnings per share increased to 16.45 HK cents for the period (2022 restated: 15.46 HK cents).

At the Adjusted EBITDA level ^(Note), the Group decreased by 3.3% to HK\$295.9 million (2022 restated: HK\$305.6 million), representing the Adjusted EBITDA margin of 15.3% for the period (2022 restated: 14.9%).

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 and Other Asia Operations

The Hong Kong economy continued to recover during the first half of 2023, as real gross domestic product ("GDP") resumed year-on-year growth of 2.9% and 1.5% in the first quarter and the second quarter, respectively. Led by the recovery of inbound tourism and private consumption, significant year-on-year growth in terms of visitor arrivals and total retail sales have been witnessed. According to the Hong Kong Tourism Board and Census and Statistics Department, the number of visitor arrivals reached 12.9 million and the value of total retail sales jumped 20.7% year-on-year in the first half of 2023.

However, the supermarket retail sales value presented an opposite landscape, experiencing a six-month-consecutive drop of 7.8% compared to the same period last year, as it was simultaneously and negatively impacted by the public's preference to eat out and the "revenge travel" after the pandemic eased and the borders reopened. Despite inbound tourism in the first half has gradually picked up, the number was far lagging behind the pre-pandemic level, accounting for about 40% of visitor arrivals in 2019. As a market leader in instant noodles and frozen food products in Hong Kong, the Company has suffered from the disappointing consumption sentiment on daily necessities.

Revenue from Hong Kong and other Asia operations decreased by 3.9% to HK\$751.5 million (2022 restated: HK\$782.0 million), owing to the absence of a sudden surge in demand, especially for bag-type instant noodles and frozen foods, which was evident during the pandemic last year. Currently, revenue from Hong Kong and other Asia operations accounted for 39.0% (2022 restated: 38.1%) of the Group's total revenue.

In terms of segment results, the Hong Kong and other Asia operations jumped by 26.8% to HK\$56.0 million (2022 restated: HK\$44.1 million), owing to the implementation of price adjustments and the easing of raw material costs.

Instant Noodles Business

For the period under review, the performances of both cup-type and bag-type instant noodles were mediocre as consumers moved away from the work-from-home and stay-at-home lifestyles, which were the norms during the pandemic, and favoured eating out and “revenge travel”. To encourage and stimulate additional consumption from consumers, the Company continues to add new flavours for **Cup Noodles**, including *Cup Noodles Big Cup Kimchi Seafood Hotpot Flavour* and *Cup Noodles Big Cup Kimchi Pork Hotpot Flavour*. It also collaborated with a Japanese anime named “Jujutsu Kaisen” (咒術廻戰) to launch limited-edition crossover for **Cup Noodles**. To further enrich our instant noodles portfolio, the Company launched different new flavours under the **Raoh**, **Nissin U.F.O**, **Fuku** and **Doll** brands.

Non-Noodles Business

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

Frozen food products

Same as the instant noodles business, the performance of frozen food products was below expectation during the reporting period, due to the resumption of eating out lifestyle and outbound traveling among the consumers in Hong Kong. In addition, the industry’s competitive landscape has further intensified. Besides offering a wider product range with premium SKUs under **NISSIN** brand, the Company further expanded its exposure in various sales channels, including the business-to-business channel, to overcome the fierce competition.

Distribution business

MC Marketing & Sales (Hong Kong) Limited is engaged in the distribution of beverages, confectionery, snacks, Japanese brand seasoning sauce and chilled products in Hong Kong. During the first half of 2023, its business recorded a substantial rebound owing to the easing of pandemic and the revival of economic activities. A gradual pick-up in the number of tourist arrivals also contributed to the growth in sales.

KAGOME, Nissin Granola and Fresh-cut vegetable

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

The performance of **KAGOME** business was outstanding after the relaxation of pandemic restrictions. We received remarkable consumer response after expanding into new markets in Southeast Asia such as Singapore and Thailand, and **KAGOME** products can now be enjoyed in airline lounges of both countries.

We replicated the success of *Nissin Granola* in Hong Kong and Mainland China to the new markets in Southeast Asia, and sales volume grew considerably in Taiwan and Singapore. A new *Granola Royal Milk Tea Flavour* has been added during the period to further enhance our product collection.

The *fresh-cut vegetable* business developed in December 2020 has shown a rising demand. The distribution channels continued to expand ranging from supermarkets to restaurants, cafeterias and coffee shops.

Nissin Vietnam

On 29 June 2023, the Company and Nissin Asia entered into the Capital Transfer Agreement in relation to the Acquisition and the Capital Contribution in Nissin Vietnam. The total consideration for the Acquisition and the Capital Contribution was approximately USD11.5 million. Upon the completion of the Acquisition on 10 July 2023, Nissin Vietnam becomes a non-wholly-owned subsidiary of the Company, and its financial results have been consolidated into that of the Company according to the relevant accounting policy (AG 5).

As reported by the World Instant Noodles Association, the demand for instant noodles in Vietnam ranked third globally in 2022, after China (Mainland China and Hong Kong) and Indonesia. The Acquisition allowed the Company to gain control over Nissin Vietnam, thereby expanding the geographic portfolio of the Group's businesses and providing greater flexibility to deploy the Group's production capabilities in Vietnam to respond to the increasing market demand and the changing business environment. In addition, the Company can leverage the human resources, expertise and experiences from the Hong Kong and Mainland China operations to accelerate Nissin Vietnam's business growth and capitalise on the long-term growth trends in the Vietnamese instant noodles market, which will in turn increase the overall income and profitability of the Company.

Mainland China Operations

The Mainland China's economy grew 5.5% year-on-year in the first half of 2023. During the second quarter, GDP expanded by 6.3% year-on-year from a low base, as reported by the National Bureau of Statistics of China. However, the recovery momentum seems to have faltered as GDP grew by only 0.8% from April to June 2023 compared to the first quarter, which was considerably lower than the 2.2% quarter-on-quarter growth registered from January to March 2023.

The falling capacity utilisation rate of factories in the coastal regions and the rising youth unemployment rate negatively impacted consumption sentiment in Mainland China. The total retail sales of consumer goods climbed 8.2% year-on-year but supermarket retail sales fell 0.4% year-on-year during the period.

For the period under review, revenue declined by 7.5% (in local currency: -1.1%) to HK\$1,177.8 million (2022 restated: HK\$1,273.2 million), owing to the slower consumption growth momentum in Mainland China and the negative effects of foreign currency translation. Currently, revenue from the Mainland China operations accounted for 61.0% (2022 restated: 61.9%) of the Group's total revenue.

In terms of segment results, the Mainland China operations declined by 3.2% (in local currency: +3.5%) to HK\$160.6 million (2022 restated: HK\$165.9 million), mainly attributable to the negative effects of the foreign exchange rate of Renminbi. Excluding the foreign currency impact, the segment results improved due to the implementation of price adjustment and the easing of raw material costs.

Instant Noodles Business

During the reporting period, the overall performance of instant noodles business slightly retreated because of the weak consumption sentiment caused by heightened economic uncertainty. Nonetheless, the Company continued its geographical business expansion strategy in Mainland China and explored certain new markets in the western and northern regions of China. Amid stiff industry competition, the Company adhered to its premiumisation strategy, and starting from the beginning of the second quarter, it has offered three premium Japanese flavours of **Cup Noodles** Regular Cup to our consumers. These include the *Japanese Cupnoodles Shrimp Flavour*, *Japanese Cupnoodles Seafood Flavour* and *Japanese Cupnoodles Curry Flavour*, which have followed the original recipes to provide authentic Japanese flavours, and these products further strengthen our position in pursuing premiumisation strategy. Besides offering new flavours, the Company also collaborated with a Japanese anime named “Onmyoji” (陰陽師) for a crossover involving **Cup Noodles** Big Cup.

Non-Noodles Business

Leveraging our presence as a premium instant noodles manufacturer, the Company moves forward to the non-noodles business to pursue product diversification and profit opportunities in the region.

Distribution Business

The Company’s distribution business through Eastpeak Trading (Shanghai) Co., Ltd. (“Shanghai Eastpeak”) commenced operation in April 2020. It is engaged in the distribution of confectionery and beverages of the Company’s own brands as well as certain famous third-party Japanese brands with growth potential, covering more than 300 products in six different categories. Its sales network comprises large domestic chain stores, high-end supermarkets, convenience stores and major online platforms in Mainland China. During the period under review, the business of Shanghai Eastpeak remained steady.

The Company acquired the remaining 19% shareholding interest in Hong Kong Eastpeak Limited (“Hong Kong Eastpeak”), which wholly-owns Shanghai Eastpeak, via the exercise of call option and the two companies became its wholly-owned subsidiaries on 3 July 2023.

Other Products

Crisp Choco, our baked corn flakes chocolate snack, has received an overwhelming response as there are a few substitutes in the market. The exclusive strawberry flavour together with white chocolate flavour have been introduced alongside the original cacao taste to enrich the product collection.

Having experienced the pandemic, consumers in Mainland China were motivated to purchase healthy and nutritious foods due to the rising health consciousness. As a result, the Japanese vegetable drink made from kale, named “Aojiru” or literally “green juices” and branded as *Demae Iccho Yingyou Aojiru Vegetable and Fruit Mixed Juice (Apple Flavour and White Peach Flavour)*, has been strategically added to our portfolio.

The easy-to-cook microwavable frozen food items address the needs of urban citizens who opt for high convenience and time-saving products. During the period, the sales volume of frozen food products recorded an enormous jump due to the further expansion of distribution channels. New flavours of frozen pasta include *Nissin Pasta Creamy Urchin Flavour* and *Nissin Pasta Peperoncino Flavour* were rolled out. The Company expanded the sale of frozen ramen to catering channel besides supermarkets.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2023, the total assets of the Group amounted to HK\$4,412.6 million (31 December 2022 restated: HK\$4,599.8 million), and the total equity was HK\$3,482.0 million (31 December 2022 restated: HK\$3,599.7 million). The Group's working capital was HK\$1,418.3 million (31 December 2022 restated: HK\$1,569.6 million), represented by the difference between the total current assets of HK\$2,271.0 million (31 December 2022 restated: HK\$2,496.5 million) and the total current liabilities of HK\$852.7 million (31 December 2022 restated: HK\$927.0 million). The current ratio was 2.7 as at 30 June 2023 (31 December 2022 restated: 2.7).

The financial position of the Group remained healthy, with net cash of approximately HK\$1,138.0 million (31 December 2022 restated: HK\$1,277.6 million) and HK\$820.0 million (31 December 2022: HK\$820.0 million) in available banking facilities as at 30 June 2023. The Group had no external borrowing, and the gearing ratio was nil as at 30 June 2023 (31 December 2022: Nil).

Capital Expenditure

The Group's capital expenditure was approximately HK\$230.0 million during the period under review (2022 restated: HK\$95.7 million). The substantial increase in capital expenditure was mainly due to the acquisition of Nissin Vietnam and the capital investments in the production plants in Hong Kong and Mainland China.

Capital Commitments

The Group had a capital commitment for the acquisition of property, plant and equipment contracted for but not provided HK\$79.5 million as at 30 June 2023 (31 December 2022: HK\$93.0 million).

Financial Risk Management

The Group had not entered into nor 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. The Company continues to manage and monitor these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Contingent Liability

As at 30 June 2023, the Group had no material contingent liability (31 December 2022: Nil).

Pledge of Assets

The Group did not have pledged assets as at 30 June 2023 (2022: Nil).

FUTURE PROSPECTS

The Company is cautiously optimistic about the long-term business development in the region and continues to look into ways to alleviate the cost pressure in this competitive landscape. Premiumisation and diversification strategies are the keys to achieving growth amid market turbulence and volatility.

In Hong Kong, the business has returned to normal, economic activities have revived and inbound tourism has been recovering gradually. The Company continues to roll out more premium products to delight consumers, offering them great tastes and superior ingredients. Moreover, in light of rising health awareness among consumers, the Company will pursue further diversification of the business portfolio to non-noodles business, enriching the product lines with healthy food and drinks, such as yoghurt and yoghurt drink, to enlarge the income base.

In Mainland China, consumer consumption continues to grow. The per capita spending keeps rising and the per capita income gap between urban and rural residents is narrowing. Even though the short-term consumption sentiment has softened during the first half of the year, a turnaround in the second half year is expected after the Politburo meeting was held in July 2023. With the easing of the pandemic, the Company has carried out more promotional activities at locations with huge human traffic flow, such as retail outlets and transportation hubs, bringing the irresistible taste of our *Cup Noodles* to consumers. Furthermore, the Company continues to expand its business territory and penetrate into other areas alongside the development of additional sales channels.

In Vietnam, per capita annual expenditure on food and beverages continues to grow every year. The pandemic has significantly increased consumers' awareness of health and well-being. As such, consumers tend to opt for quality instant noodles products. The Company believes that this trend will continue and there will be ample opportunities for expansion of the premium instant noodles products market in Vietnam.

To further consolidate overall competitiveness, the Company has been actively implementing automated, robotic and smart technology at its production plants to realise digitalisation for the purpose of improving operational efficiency, productivity, product quality and customer experience.

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 29 June 2023, the Company and Nissin Asia entered into the Capital Transfer Agreement in relation to the Acquisition and Capital Contribution in Nissin Vietnam at a total consideration of approximately USD11.5 million. Upon completion of Acquisition which took place on 10 July 2023, Nissin Vietnam became a non-wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 29 June 2023 for details.

The Company acquired the remaining 19% shareholding interest in Hong Kong Eastpeak, which wholly-owns Shanghai Eastpeak, at a consideration of approximate RMB0.5 million via the exercise of call option and the two companies became its wholly-owned subsidiaries on 3 July 2023. The acquisition of such interest did not constitute notifiable transaction of the Company under the Listing Rules.

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

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2023, the total number of staff of the Group was 3,608 (31 December 2022: 3,511), with staff costs (excluding directors' remuneration) amounting to approximately HK\$360.4 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 2023 (2022: 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 2023 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 2023 in conjunction with the Company's external auditor.

PURCHASE, SALE OR REDEMPTION LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

By order of the Board

Kiyotaka Ando

Chief Executive Officer and Executive Director

Hong Kong, 30 August 2023

As at the date of this announcement, Executive Directors are Mr. Kiyotaka Ando, Mr. Toshimichi Fujinawa, Mr. Shinji Tatsutani, Mr. Yasuhiro Yamada, Mr. Katsunori Hiroi and Mr. Xi Xiaotong; and Independent Non-executive Directors are Mr. Masaru Takahashi, Professor Lynne Yukie Nakano, Mr. Toshiaki Sakai and Professor Keiko Ito.