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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of Nissin Foods Company Limited (the “Company”) is pleased to announce the consolidated audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 together with the comparative figures for the previous year in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	3,518,847	3,087,781
Cost of sales		(2,360,170)	(2,074,351)
Gross profit		1,158,677	1,013,430
Other income	6	78,588	48,009
Selling and distribution costs		(471,483)	(454,958)
Administrative expenses		(243,203)	(221,909)
Impairment losses recognised under expected credit loss model, net of reversal		(2,585)	457
Other expenses		(69,612)	(26,488)
Other gains and losses	7	(16,324)	(5,839)
Finance costs	8	(116)	(64)
Profit before taxation		433,942	352,638
Income tax expense	9	(101,378)	(73,720)
Profit for the year	10	332,564	278,918

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>137,672</u>	<u>(42,564)</u>
Total comprehensive income for the year		<u>470,236</u>	<u>236,354</u>
Profit for the year attributable to:			
Owners of the Company		<u>301,912</u>	250,964
Non-controlling interests		<u>30,652</u>	<u>27,954</u>
		<u>332,564</u>	<u>278,918</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<u>431,720</u>	210,859
Non-controlling interests		<u>38,516</u>	<u>25,495</u>
		<u>470,236</u>	<u>236,354</u>
Earnings per share			
Basic (HK cents)	<i>12</i>	<u>28.11</u>	<u>23.36</u>
Diluted (HK cents)		<u>28.10</u>	<u>23.36</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		1,515,848	1,365,671
Right-of-use assets		165,265	145,621
Goodwill		64,520	40,082
Intangible assets		48,219	25,040
Interest in an associate		116	116
Financial assets at fair value through profit or loss (“FVTPL”)		32,828	33,239
Deferred tax assets		33,523	20,977
Loan receivable		1,368	1,916
Deposits paid for acquisition of property, plant and equipment		23,288	6,050
Rental deposits		2,307	–
		1,887,282	1,638,712
Current Assets			
Inventories		363,144	326,593
Trade receivables	<i>13</i>	508,545	421,056
Other receivables, prepayments and deposits		92,877	73,187
Loan receivable		547	547
Amount due from ultimate holding company		3,766	5,760
Amounts due from fellow subsidiaries		15,640	3,269
Tax recoverable		–	93
Financial assets at fair value through profit or loss		197,069	397,819
Other financial assets		–	156,630
Time deposits with maturity over three months		507,758	105,003
Bank balances and cash		1,607,247	1,505,261
		3,296,593	2,995,218
Current Liabilities			
Trade payables	<i>14</i>	234,540	213,944
Other payables and accruals		742,962	586,317
Amount due to ultimate holding company		36,712	31,355
Amounts due to fellow subsidiaries		3,715	5,327
Lease liabilities		7,278	1,660
Tax liabilities		39,713	19,561
Deferred income		411	1,063
		1,065,331	859,227
Net Current Assets		2,231,262	2,135,991
Total Assets less Current Liabilities		4,118,544	3,774,703

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital and Reserves			
Share capital	<i>15</i>	2,941,441	2,941,441
Reserves		954,238	648,124
		<hr/>	<hr/>
Equity attributable to owners of the Company		3,895,679	3,589,565
Non-controlling interests		147,504	122,753
		<hr/>	<hr/>
Total Equity		4,043,183	3,712,318
		<hr/>	<hr/>
Non-current Liabilities			
Deferred tax liabilities		46,311	42,231
Lease liabilities		9,396	131
Deferred income		19,654	20,023
		<hr/>	<hr/>
		75,361	62,385
		<hr/>	<hr/>
		4,118,544	3,774,703
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, snacks and vegetable products, and provision of research and publicity services.

The consolidated financial statements are presented in Hong Kong Dollar (“HK\$”), which is also the functional currency of the Company.

2. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results 2020 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the “Companies Ordinance”) is as follows:

The Company will deliver the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

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

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD

Amendments to HKFRSs that are mandatorily effective for the current year.

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

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 *Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group’s financial position and performance as the Group does not intend to apply the practical expedient.

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2018 – 2020*

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

4. REVENUE

a) Disaggregation of revenue from contracts with customers

	31 December 2020			31 December 2019		
	HK Operations (as defined in Note 5) HK\$'000	PRC Operations (as defined in Note 5) HK\$'000	Total HK\$'000	HK Operations (as defined in Note 5) HK\$'000	PRC Operations (as defined in Note 5) HK\$'000	Total HK\$'000
Types of goods and services						
Sales of goods	1,415,665	2,096,207	3,511,872	1,299,259	1,778,993	3,078,252
Others	2,742	4,233	6,975	505	9,024	9,529
Total	<u>1,418,407</u>	<u>2,100,440</u>	<u>3,518,847</u>	<u>1,299,764</u>	<u>1,788,017</u>	<u>3,087,781</u>
Timing of revenue recognition						
A point in time	1,415,665	2,100,440	3,516,105	1,299,764	1,781,139	3,080,903
Over time	2,742	–	2,742	–	6,878	6,878
Total	<u>1,418,407</u>	<u>2,100,440</u>	<u>3,518,847</u>	<u>1,299,764</u>	<u>1,788,017</u>	<u>3,087,781</u>

Note: Others mainly include revenue from sales of scrap noodle and provision of research and publicity services.

b) Performance obligations for contracts with customers

Sales of goods (revenue recognised at one point in time)

For sales of goods (including noodles, retort foods, frozen foods, beverage products, snacks and vegetable products), revenue is recognised when control of the goods has transferred, being when (i) the goods have been loaded on board for export sales; or (ii) the goods have been delivered to the customers' specific location for local sales and the Group received acceptance confirmations from customers. Upon the relevant goods are loaded on board for export sales or delivered to the customers' specific location for local sales, the customers have full discretion over the manner of distribution and price to sell the goods, and have the primary responsibility for selling the goods and bearing the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon invoice issued.

The amount of consideration the Group receives and revenue the Group recognises varies with changes in sales rebates the Group offers to the customers. The Group estimates the sales rebates based on analysis of historical experience, and adjusts for the most likely amount of consideration to be received. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated rebates which is estimated based on experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in other payables and accruals) is recognised for expected rebates to customers in relation to sales made at the end of the reporting period. No element of financing is deemed present as the sales rebates are payable on demand from customers.

Under the Group's standard contract terms, customers have a right to exchange for expiry products without limitation of time period. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognise will not occur. Based on accumulated experience, the management considers the amount of goods returned as immaterial due to large volume of revenue with low value of each good sold. Therefore, the probability of significant reversal in revenue in relation to sales return in the future is remote.

Provision of research and publicity services (revenue recognised over time)

Revenue from provision of research and publicity services are recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

With the provision of research and publicity services are at period of one year or less, as permitted under HKFRS 15, the transaction price allocation to the unsatisfied contracts is not disclosed.

5. SEGMENT INFORMATION

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

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

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

There are no aggregation of individual operating segments to derive the reportable segment.

Segment revenue and results

Segment information about these operating and reportable segments is presented below:

For the year ended 31 December 2020

	HK Operations	PRC Operations	Reportable Segments Total	Elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
Segment revenue from external customers	1,418,407	2,100,440	3,518,847	–	3,518,847
Inter-segment revenue	<u>205,252</u>	<u>180,030</u>	<u>385,282</u>	<u>(385,282)</u>	<u>–</u>
Segment revenue	<u>1,623,659</u>	<u>2,280,470</u>	<u>3,904,129</u>	<u>(385,282)</u>	<u>3,518,847</u>
Result					
Segment results	<u>165,490</u>	<u>247,122</u>	<u>412,612</u>	<u>–</u>	<u>412,612</u>
Unallocated income					53,039
Unallocated other gains and losses					(15,801)
Interest income					24,615
Donation charged to profit or loss					(40,000)
Fair value changes on financial assets at FVTPL					(411)
Loss on disposal of property, plant and equipment					<u>(112)</u>
Consolidated profit before taxation					<u>433,942</u>

For the year ended 31 December 2019

	HK Operations <i>HK\$'000</i>	PRC Operations <i>HK\$'000</i>	Reportable Segment Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
Segment revenue from external customers	1,299,764	1,788,017	3,087,781	–	3,087,781
Inter-segment revenue	<u>157,819</u>	<u>172,811</u>	<u>330,630</u>	<u>(330,630)</u>	<u>–</u>
Segment revenue	<u>1,457,583</u>	<u>1,960,828</u>	<u>3,418,411</u>	<u>(330,630)</u>	<u>3,087,781</u>
Result					
Segment results	<u>99,974</u>	<u>210,558</u>	<u>310,532</u>	<u>–</u>	310,532
Unallocated income					8,063
Unallocated other gains and losses					(13,331)
Interest income					39,882
Fair value changes on financial assets at FVTPL					6,905
Gain on disposal of property, plant and equipment					<u>587</u>
Consolidated profit before taxation					<u>352,638</u>

Inter-segment revenue are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned by each segment without allocation of certain other income, net exchange gain or loss, donation charged to profit or loss, interest income, fair value changes on financial assets at FVTPL, and (loss) gain on disposal of property, plant and equipment. This is measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance. Therefore, only segment revenue and segment results are presented.

Other segment information

Amounts included in the measure of segment results:

For the year ended 31 December 2020

	HK Operations <i>HK\$'000</i>	PRC Operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of intangible assets	3,231	2,483	5,714
Depreciation of property, plant and equipment	12,214	10,435	22,649
Depreciation of right-of-use assets	1,258	6,942	8,200

For the year ended 31 December 2019

	HK Operations <i>HK\$'000</i>	PRC Operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of intangible assets	3,231	–	3,231
Depreciation of property, plant and equipment	7,559	11,879	19,438
Depreciation of right-of-use assets	1,726	2,010	3,736

Geographical information

The Group's revenue from external customers is mainly derived from customers located in Hong Kong (location of domicile), the PRC and others, which is determined based on the location of customers, while the Group's non-current assets are located in Hong Kong and the PRC, which is determined based on the geographical location of these assets or place of group entities that hold such assets, where appropriate.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
External revenue:		
Hong Kong	1,214,766	1,189,414
The PRC	2,100,440	1,788,017
Others (Canada, Australia, the United States of America, Taiwan, Macau, etc.)	203,641	110,350
	<u>3,518,847</u>	<u>3,087,781</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets (<i>Note</i>):		
Hong Kong	606,540	604,152
The PRC	1,210,716	978,428
	<u>1,817,256</u>	<u>1,582,580</u>

Note: Non-current assets excluded financial assets at FVTPL, deferred tax assets, loan receivable and rental deposits.

Information about major customers

Revenue from customers of the respective years ended 31 December 2020 and 2019, individually contributing over 10% of the total revenue of the Group are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	830,796	786,140
Customer B ²	589,047	512,262
Customer C ²	475,403	426,267

¹ From the PRC operations

² From both HK and the PRC operations

6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Government grant related to acquisition of assets	954	1,813
Government grant related to expenses recognised (<i>Note</i>)	47,804	–
Interest income from bank deposits	19,988	31,734
Interest income from financial assets at FVTPL	4,627	8,148
Miscellaneous income	3,352	3,343
Other scrap materials sales	1,863	2,971
	78,588	48,009

Note: During the current year, the Group recognised government grants of HK\$43,685,000 in respect of Covid-19-related subsidies in Hong Kong under Employment Support Scheme provided by the Hong Kong government. The remaining government grants of HK\$4,119,000 represents other subsidies provided by the PRC government.

7. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Exchange loss, net	(15,801)	(13,331)
Fair value changes on financial assets at FVTPL	(411)	6,905
(Loss) gain on disposal of property, plant and equipment	(112)	587
	(16,324)	(5,839)

8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	116	64

9. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	24,986	16,262
PRC Enterprise Income Tax	79,869	47,868
PRC Withholding tax	2,110	1,900
	<u>106,965</u>	<u>66,030</u>
(Over)underprovision in prior years:		
Hong Kong Profits Tax	(278)	(276)
PRC Enterprise Income Tax	1,426	1,556
	<u>1,148</u>	<u>1,280</u>
	108,113	67,310
Deferred tax	<u>(6,735)</u>	<u>6,410</u>
	<u>101,378</u>	<u>73,720</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The EIT Law requires withholding tax to be levied on distribution of profits earned by the PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation	<u>433,942</u>	<u>352,638</u>
Tax at the domestic income tax rate of 16.5%	71,600	58,185
Tax effect of expenses not deductible for tax purpose	15,430	4,555
Tax effect of income not taxable for tax purpose	(13,870)	(5,756)
Utilisation of tax losses previously not recognised	(4,128)	(5,400)
Effect of different tax rates of subsidiaries operating in the PRC	27,654	17,655
Underprovision in prior years	1,148	1,280
Withholding tax attributable to undistributed profits of the PRC subsidiaries	2,767	2,410
Income tax at concessionary rate	(165)	(165)
Others	942	956
Income tax expense for the year	<u>101,378</u>	<u>73,720</u>

10. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Amortisation of intangible assets	5,714	3,231
Auditors' remuneration	5,921	5,676
Cost of inventories recognised as an expense	2,360,170	2,074,351
Depreciation of property, plant and equipment	144,447	137,936
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(121,798)</u>	<u>(118,498)</u>
Depreciation of right-of-use assets	<u>22,649</u>	<u>19,438</u>
Depreciation of right-of-use assets	<u>8,200</u>	<u>3,736</u>
Total depreciation	30,849	23,174
Donation charged to profit or loss (<i>Note i</i>)	40,000	–
Expenses relating to short-terms lease	2,239	4,801
Research and development expenditure	29,300	26,488
Staff costs (<i>Note ii</i>)		
Directors' emoluments		
– fees	850	733
– other emoluments	16,154	14,340
– equity-settled share-based payment	2,009	–
	<u>19,013</u>	<u>15,073</u>
Other staff costs excluding directors' emoluments (<i>Notes ii and iii</i>)	584,395	557,997
Equity-settled share-based payment	<u>745</u>	<u>230</u>
Total staff costs	604,153	573,300
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(282,059)</u>	<u>(277,623)</u>
Less: Amount included as research and development expenditure as shown in above	<u>(17,539)</u>	<u>(15,052)</u>
	<u>304,555</u>	<u>280,625</u>

Notes:

- i. Donation made to a charitable fund amounted to HK\$40,000,000 (2019: nil) during the year ended 31 December 2020.
- ii. Contributions to retirement benefit scheme included in other staff costs for the year ended 31 December 2020 amounted to HK\$33,597,000 (2019: HK\$58,198,000).
- iii. In addition to the employee benefits expense presented above, the Group also provides other non-monetary benefits (such as staff quarters and motor vehicles to employees). Depreciation of right-of-use assets in relation to these non-monetary benefits is amounted to HK\$513,000 for the year ended 31 December 2020 (2019: HK\$390,000).

11. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2019 Final – 11.7 HK cents (2019: 2018 final dividend – 9.5 HK cents) per share	<u>125,695</u>	<u>102,060</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of 14.05 HK cents per ordinary share, in an aggregate amount of HK\$150,942,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. 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:

	2020	2019
<u>Earnings figures are calculated as follows:</u>		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share (<i>HK\$'000</i>)	<u>301,912</u>	<u>250,964</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,074,085,719</u>	1,074,144,370
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>210,031</u>	<u>156,600</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,074,295,750</u>	<u>1,074,300,970</u>

13. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables – sales of goods	512,009	421,935
Less: allowance for credit losses	(3,464)	(879)
	<u>508,545</u>	<u>421,056</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	311,404	215,436
31 to 90 days	170,519	137,280
91 to 180 days	26,622	68,340
	<u>508,545</u>	<u>421,056</u>

14. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	159,010	118,059
31 to 90 days	69,783	94,597
91 to 180 days	3,737	1,279
Over 180 days	2,010	9
	<u>234,540</u>	<u>213,944</u>

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

15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	1,074,319,480	2,941,441

Details of the shares held under the share award scheme (Note 16) are set out below:

	Average purchase price HK\$	Number of shares held	Value of shares HK\$'000
At 1 January 2019 and 31 December 2019	4	175,110	678
Share purchased from secondary market under share award scheme	6.8	392,000	2,665
Shares vested under share award scheme	6.0	(525,000)	(3,156)
At 31 December 2020	4.4	42,110	187

16. SHARE-BASED PAYMENT TRANSACTIONS

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

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

120,730 of the 2018 Awarded Shares shall vest on 11 June 2018 and the remaining 159,210 of the 2018 Awarded Shares shall vest on 11 December 2020. During the respective vesting periods, the selected employees must remain as a director or an employee of the Company or its subsidiaries.

On 17 May 2020 and 11 December 2020, a total of 384,030 award shares (“2020 Awarded Shares”) of the Company have been awarded and vested to certain selected employees (including but not limited to director, executives, officers and other employees, whether full-time or part-time, of any members of the Group) at no consideration.

The following table discloses movements of the Company’s share award held by employees during the year:

Category of grantees	Date of grant	Vesting period	Number of shares awarded				Balance as at 31 December 2020
			Balance as at 1 January 2020	Awarded during the year	Vested during the year	Cancelled during the year	
Employees	25 May 2018	From 25 May 2018 to 11 December 2020	151,380	–	(140,940)	(10,440)	–
Employees	17 May 2020	17 May 2020	–	276,910	(276,910)	–	–
Employees	11 December 2020	11 December 2020	–	107,120	(107,120)	–	–
			151,380	384,030	(524,970)	(10,440)	–

Category of grantees	Date of grant	Vesting period	Number of shares awarded			
			Balance as at 1 January 2019	Awarded during the year	Vested during the year	Balance as at 31 December 2019
Employees	25 May 2018	From 25 May 2018 to 11 December 2020	159,210	–	(7,830)	151,380

The estimated fair values of the 2018 Awarded Shares and 2020 Awarded Shares are HK\$4.58 and HK\$6.61 respectively per share based on the market trading price of the share at the grant date. The total fair value of the 2018 Awarded Shares and 2020 Awarded Shares are HK\$1,282,000 and HK\$2,538,000 respectively.

The Group recognised the total expense of HK\$2,754,000 for the year ended 31 December 2020 (2019: HK\$230,000) in relation to share award granted by the Company.

17. CAPITAL COMMITMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>20,651</u>	<u>82,317</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of Nissin Foods Company Limited (the “Company”) is pleased to announce its annual results for the year ended 31 December 2020.

CARVING OUT A NICHE IN AN UNKNOWN SPACE

The year 2020 will be remembered as one of the most challenging years in the recent history! The emergence and the outbreak of Coronavirus Disease 2019 (“COVID-19” or the “pandemic”) since January 2020 and the subsequent evolution and spread of the pandemic variants on a global scale dramatically reshaped the way we live in this uncertain world. Governments from countries and cities around the world proactively introduced a series of precautionary measures such as social distancing, travel restrictions and even complete national lockdowns, to curb the severe spreading of the pandemic. However, the measures were largely ineffective and the world continued to submerge deeply into an unknown space far beyond our imagination, with no sign of recovery in the near future. The wide spreading COVID-19 has also triggered a strong sense of insecurity, depression and anxiety among the public. People’s lives are at an unprecedented level of risk which has not been observed in recent history. The pandemic has adversely impacted a wide spectrum of industries and has almost grounded the global economy to a halt.

In Hong Kong, the Government has tightened and extended the social distancing measures multiple times in year 2020 and has stepped up with both mandatory and target group virus testing to contain the pandemic. These necessary measures have hindered the normal economic and social activities. At the same time, the pandemic also prompted more consumption of the instant and convenient food as they were strongly advised to “work-from-home” and “stay-at home”. In the PRC, vigorous measures have managed to control the pandemic quickly in the first half of the year and the economy geared up its momentum and returned to a growth phrase in the latter part of the year.

As a responsible food manufacturing company, we strive to ensure a readily supply of affordable, safe and tasty food products to customers. Under this difficult circumstance, the Company proactively offered help and care to the community in need and fulfilled its corporate social responsibility. During the year, the Company has been adjusting its production line for instant noodles and frozen foods and closely coordinating with our distributors, wholesalers and retailers in order to react to the surge in demand of our products. The Company has operated all of its production plants in Hong Kong right after the Chinese New Year while the production plants were temporarily suspended in the PRC amid the COVID-19 outbreak. Operation in our production plants in the PRC resumed in the middle of February 2020. Our attention to the customers’ demand has helped heighten our reputation among customers and has essentially translated into a good financial performance for the year under review.

As we sail through the crisis of the pandemic, one of the key elements that help us a lot is our thorough risk management plan which defines our responsiveness to sudden change. Being a food manufacturing company, the Company has readily available precautionary hygiene supplies in our inventory such as surgical masks, hand sanitisers and disinfectants to fulfill our standard operating procedures. The Company can deploy such materials to our employees and operations in an efficient manner should there be a virus outbreak. Alternatively, through our broad global procurement network, the Company can also solicit and procure precautionary hygiene supplies easily to replenish our inventory. This detailed preparation mechanism has warranted the healthiness of our employees amid the pandemic.

It all comes back to one of our founder’s spirit over 60 years ago which says “Create Foods to serve society”, i.e., to create a food culture and provide people with happiness and inspiration. We hope our initiatives will pave the way for our sustainable growth in the future.

FINANCIALS

For the year under review, our dedication in the provision of steady food supply in both Hong Kong and the PRC has resulted in a resilient performance for the Group throughout the year. Revenue increased by 14.0% to HK\$3,518.8 million (2019: HK\$3,087.8 million), primarily attributable to satisfactory performance in both instant noodles and frozen foods businesses in Hong Kong as a result of the successive waves of the pandemic, as well as the surge in demand for instant noodles in the PRC. As reported in the 2020 Interim Results, the joint venture distribution business commenced operation in April 2020 and has contributed to the revenue during the year. Gross profit increased by 14.3% to HK\$1,158.7 million (2019: HK\$1,013.4 million), representing a gross profit margin of 32.9% for the year (2019: 32.8%). The increase in gross profit margin was mainly attributable to the reduction in utility overheads and the relatively stable price for key raw-materials year-on-year, but was adversely impacted by the commencement of distribution business in the PRC.

At Adjusted EBITDA level^(Note), the Group grew by 25.2% to HK\$570.0 million (2019: HK\$455.4 million), representing the Adjusted EBITDA margin of 16.2% for the year (2019: 14.7%). Profit attributable to owners of the Company increased by 20.3% to HK\$301.9 million (2019: HK\$251.0 million), representing a net profit margin of 8.6% for the year (2019: 8.1%). Profitability has been improved substantially as a result of the boost in sales and the better control in the operating and non-operating expenses.

Note: Adjusted EBITDA is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions. The measurement basis of Adjusted EBITDA is defined as net profit before net interest expenses, tax, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets. 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.

The Group's basic earnings per share increased to 28.11 HK cents for the year (2019: 23.36 HK cents). For the fiscal year of 2020, the Board has resolved to propose a final dividend of 14.05 HK cents per share (2019: 11.70 HK cents), representing a dividend payout ratio of 50.0% (2019: 50.1%) for the year.

As of 31 December 2020, the Company's cash and cash equivalent was HK\$1,607.2 million and the gearing ratio was zero. We foresee the Company should have enough resources to sail through the unprecedented challenges ahead and to continue to deliver sustainable business development and performance in the long run.

INCLUSION IN INDEXES

As reported in 2020 Interim Results, with effect from 7 September 2020, the Company is selected as a constituent in the *Hang Seng Composite Index and its family of indices* and is eligible for trading via the southbound trading link of Stock Connect. This inclusion reflects the continuous support from the investment community and demonstrates the capital market's recognition to the Group's performance and business outlook. As reported earlier, the Company has also been added to the *MSCI Hong Kong Small Cap Index* since May 2019.

BUSINESS REVIEW

Hong Kong Operations

In Hong Kong, the threat of COVID-19 since the early 2020 has seriously disrupted a wide range of local economic activities and supply chain in the region, sparking a fear of economic recession, unemployment and bankruptcy. With the disease evolving into a pandemic in March 2020, the economic fallout became even more severe. For the year under review, according to the Census and Statistics Department, the Real GDP, CPI inflation and the total retail sales value were unsatisfactory at -6.1%, +0.3% and -24.3% year-on-year respectively. Although the Government has introduced a series of anti-epidemic measures to contain the virus, the third and the fourth wave of pandemic in the second half of the year has led to a more pessimistic outlook in Hong Kong. As the Government advocates the change in living style to “work-from-home”, “stay-at-home” and “eat-at-home” to reduce the flow of people and social contact in the community, we saw a surge in supermarket retail sales value at +9.7% for the same period as customers stocked up daily necessities at home. Being one of the market leaders in the instant noodles and frozen foods industry in Hong Kong, the Company has been benefiting from such reshaping behaviour for the year under review.

Revenue from Hong Kong operations increased by 9.1% to HK\$1,418.4 million (2019: HK\$1,299.8 million). In the beginning of the year, we witnessed a sudden surge in sales for instant noodles and frozen foods, as customers stocked up for food items that have longer shelf life and are easier to prepare, which contributed to the sales growth during the year. The trend for stocking up was amplified again and regained its momentum in the second half of the year when Hong Kong suffered from further pandemic cases. Currently, revenue from Hong Kong operations accounted for 40.3% (2019: 42.1%) of the Group’s revenue.

In terms of segment results, the Hong Kong operations increased drastically by 65.5% to HK\$165.5 million (2019: HK\$100.0 million), mainly due to surge in revenue from the instant noodles and non-noodles businesses and the better control in the cost of sales and the selling expenses during the year.

During the current year, the Group recognised government grants of HK\$43.7 million in respect of Covid-19-related subsidies in Hong Kong under Employment Support Scheme provided by the Hong Kong Government.

Instant Noodles Business

The Company has been optimising its product collections in Hong Kong during the year. A series of new products have been launched to promote the product price optimisation and a product upgrade. As a household name, our signature brand *Demae Iccho* has recorded an encouraging growth in sales amid the pandemic situation, benefiting from the prolonged period of time staying at home. On top of the original offerings, the Company launched the Hokkaido Wheat Flour Sesame Oil Flavour *Demae Iccho* in July 2020, featuring 100% Hokkaido wheat flour with a chewy in texture and exudes a sweet wheat aroma. For *Cup Noodles*, the Company has further expanded its Western-style flavor collection to three offerings with a new Mushroom Seafood Chowder Flavour, as well as its Southeast Asian-style flavor collection to two offerings with a new Thai Crab Curry Flavour.

To further expand the taste collection for our customers, the Company has launched novel offerings under *UFO*, *RAOH*, *FUKU* and *DOLL* brands, as well as the non-fried Bar Ramen and Bar Udon. We hope the customers could find a moment of joy under this difficult time.

Non-Noodles Business

In the past few years, the Company consistently diversified its product portfolio into the non-noodles business to broaden its product offerings and to achieve further growth in Hong Kong. Our strategic move proved to be a clear winner in year 2020 under the impact of the COVID-19. For the frozen food products under the *DOLL* brand, the ready-to-eat microwavable items have been well-received by customers for its convenience. *KAGOME*, vegetable and fruit juice products that we have launched since 2018, was expectedly performing well this year due to its advocacy of healthiness. For the granola business, the Company has further introduced a new Strawberry Granola this year to enhance its product collection.

This year also marked the first strategic movement for the Company to enter into the vegetable businesses to cater for the health-conscious customers. As reported in the 2020 Interim Results, the Company has made an investment of approximately HK\$7.1 million in setting up its production line on pre-packaged ready-to-eat fresh-cut vegetables in Hong Kong. This business has already commenced operation since December 2020 and the products are available at certain supermarkets in Hong Kong. In August 2020, the Company has also made a capital injection of approximately HK\$6.0 million to ValleyFarm Holdings Limited (“ValleyFarm”) to invest in indoor hydroponic farm in Hong Kong, whose products are for sale in Hong Kong. We foresee the vegetable business would be a fruitful outcome in the future.

The PRC Operations

The beginning of year 2020 represented a rare start for the PRC economy, with the economic growth severely impacted by the outbreak of the pandemic and the GDP recorded its first-ever negative growth since year 1978. In response to the pandemic, strict nation-wide precautionary measures have been introduced throughout the country to contain the virus. Thanks to a faster-than-expected recovery from the COVID-19 and the strict control and prevention measures to curb the pandemic, the PRC geared up its growth momentum in the second half of the year and might be one of the very few economies in the world to show positive growth in year 2020. As reported by the National Bureau of Statistics of the PRC, the retail sales growth shrank by 11.4% year-on-year in the first half of the year, but has rebounded quickly since August 2020 and dropped by only 3.9% for the year under review. All major areas ranging from manufacturing to retail sales and consumption reported positive and faster growth especially in the last quarter of the year.

For the year under review, thanks to the sudden surge in demand for instant noodles in the first half of the year, the PRC operations achieved an outstanding overall performance. Revenue increased by 17.5% (in local currency: 18.6%) to HK\$2,100.4 million (2019: HK\$1,788.0 million) in year 2020. It also marks the third year in which the Company delivered a double-digit growth pace on its revenue growth for the full year, demonstrating the time-proven record of our commitment to the long term growth in the PRC. During the year, we observed a good take-up for both the *Cup Noodles* and *Demae Iccho* brands in the PRC as customers got prepared for potential outbreak of the pandemic. The new joint venture distribution business in Shanghai commenced operation in the second quarter this year and contributed to the revenue this year. Currently, revenue from the PRC operations accounted for 59.7% (2019: 57.9%) of the Group’s revenue.

In terms of segment results, the PRC operations increased by 17.4% to HK\$247.1 million (2019: HK\$210.6 million), mainly attributable to the solid performance from the instant noodles business, as well as the additional contribution from the new joint venture distribution business in Shanghai.

During the year, the Company continued our effort in geographical expansion and key regions development, aiming at delivering sustainable growth in the PRC. Through investment in infrastructure and people, we have delivered a satisfactory performance for our *Cup Noodles* brand and it was especially encouraging for the made-in-Hong Kong *Demae Iccho* brand in our key operating regions in the Eastern and Southern China. Further investments were made in the Western and Northern China as we further expanded our geographical coverage. With customers preferring instant and convenient food under the pandemic, competition were mild throughout the year.

In terms of product innovation, the Company continued to develop innovative products through collaboration with Japanese anime that have been beloved and well received among the youngsters in the PRC. Following the successive launch of the collaborative commercials of *Cup Noodles* and Japanese anime “Kaguya-sama: Love is War” in August 2020, the Company has received good response for its collaborative packaged *Cup Noodles*. In addition, the Group launched four flavours of *RAOH* bowl type in November 2020, namely Black Garlic Oil Tonkotsu Flavour, Spicy Tonkotsu Flavour, Dandan Mian Flavour and Rich Chicken Soup Flavour, to further enhance our premium-end noodles collection and to satisfy demanding customers who pursue high-quality noodles and innovative tastes with quality close to those of ramen shops.

For the new joint venture distribution business in Shanghai, this strategic investment enabled the Group to further strengthen its business foundation in the Eastern China, and at the same time, creating a synergy with our current distribution channels as we further expand our business in the PRC. Currently, we distribute a number of famous Japanese brands of the snacks and the beverages in the PRC.

Regarding the construction of a new production plant for the purpose of manufacturing packaging materials as announced in July 2019, the Company targets to complete the construction within year 2021. The progress of the construction is on track.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2020, total assets of the Group amounted to HK\$5,183.9 million (31 December 2019: HK\$4,633.9 million) and the total equity was HK\$4,043.1 million (31 December 2019: HK\$3,712.3 million). The Group’s working capital was HK\$2,231.3 million (31 December 2019: HK\$2,136.0 million), represented by the difference between the total current assets of HK\$3,296.6 million (31 December 2019: HK\$2,995.2 million) and the total current liabilities of HK\$1,065.3 million (31 December 2019: HK\$859.2 million). The current ratio was 3.1 as at 31 December 2020 (31 December 2019: 3.5).

The financial position of the Group remained healthy with net cash of approximately HK\$2,115.0 million (31 December 2019: HK\$1,610.3 million) and HK\$180.8 million (31 December 2019: HK\$180.8 million) in available banking facilities as at 31 December 2020. The Group had no external borrowing and the gearing ratio was nil as at 31 December 2020 (31 December 2019: Nil).

Donation made to a charitable fund amounted to HK\$40,000,000 (2019: nil) during the year ended 31 December 2020.

Capital Expenditure

The Group's capital expenditure was HK\$259.7 million during the year under review (2019: HK\$283.6 million), which was mainly due to the capital investments on the production plants in Hong Kong and the PRC.

Capital Commitment

The Group had capital commitment in respect of acquisition of property, plant and equipment contracted for but not provided of HK\$20.7 million as at 31 December 2020 (31 December 2019: HK\$82.3 million).

Financial Risk Management

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

Contingent Liability

In respect of the legal proceedings against the Company regarding an alleged wrongful termination of distributorship of a former sub-distributor of our "Demae Iccho" instant noodles products (the "Proceedings") as disclosed in the prospectus of the Company issued on 29 November 2017 (the "Prospectus"), no provision for the claim in respect of the Proceedings was made by the Group and as at 31 December 2020, the Group had no material contingent liability (2019: Nil). The Company is pleased to report that subsequent to 31 December 2020, the Company received a judgment of the Proceedings issued by the High Court of Hong Kong and dated 12 March 2021 ruling in favor of the Company. The Court has dismissed the claims made by the former sub-distributor and awarded costs of the action to the Company.

As at 31 December 2020, the Group had no material contingent liability (31 December 2019: Nil).

Pledge of Assets

The Group did not have pledged assets as at 31 December 2020 (31 December 2019: Nil).

Use of Proceeds from Global Offering

The shares of the Company have been listed on the Main Board of the Stock Exchange since 11 December 2017 (the "Listing"). The total proceeds from the Global Offering involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK\$950.8 million. As at 31 December 2020, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

According to the proposed applications of the proceeds set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the utilisation of the net proceeds from the Listing to 31 December 2020 was shown on the below table:

Usage disclosed in the Prospectus		Planned use of the net proceeds	Utilised net proceeds up to 31 December 2020	Unutilised net proceeds up to 31 December 2020
	%	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Further expanding and upgrading production plants and facilities	45%	409.8	409.8	0.0
Further expanding sales and distribution network	10%	91.1	91.1	0.0
Enhancing research and development capabilities	5%	45.5	45.5	0.0
Partnerships and/or acquisitions	30%	273.2	98.7	174.6
Working capital	10%	91.1	91.1	0.0
Net Proceeds		910.8	736.2	174.6

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

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

FUTURE PROSPECTS

Looking ahead, we foresee the pandemic will continue to impact on the global economy in year 2021. Fluctuation in raw material costs may become more severe as the global economic development remains ambiguous. Not until the vaccinations become available to most of the population would economy reignite its growth momentum and the world return to peace.

In Hong Kong, the fourth wave of the pandemic continued to weigh on the local economy at the beginning of the year 2021. The Company would keep a close eye on the turbulent situation and would timely adjust its production capacity for instant noodles and frozen foods to keep serving you. In addition, as customers become more health-conscious, we foresee the non-noodles business would deliver a bright outcome in the years to come.

In the PRC, the Company is cautiously optimistic towards the future development in its key operating regions. Continuous research and development would be implemented on the production knowhow and product innovations to enhance customers value. Also, the Company would continue to expand its business territory in the PRC and deliver a sustainable growth in the long run. Efforts would be made to more closely monitor and control the operating costs.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2020, the total number of staff of the Group was approximately 3,500 (31 December 2019: 3,450) with staff costs (excluding directors' remuneration) amounting to HK\$585.1 million for the year. Remuneration package is determined with reference to the individual performance, qualification and experience of employees concerned and prevailing industry practice. The Group provides mandatory provident fund entitlement to its employees in Hong Kong.

CORPORATE GOVERNANCE

The Group is committed to the maintenance of good corporate governance practices as set out in the Code Provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with code provisions as set out in the CG Code for the year ended 31 December 2020 except the following:

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three Independent Non-executive Directors of the Company. The principal duties of the audit committee include the review of the Group's financial reporting procedures, risk management and internal control and financial results. Disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group and discussed auditing, financial reporting matters and results announcement in conjunction with the Company's external auditor.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors confirming that they have complied with the Model Code for the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

FINAL DIVIDEND

The Board recommends payment of a final dividend of 14.05 HK cents per share for the year ended 31 December 2020 to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 17 June 2021. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 4 June 2021 (the "AGM"), the proposed final dividend will be paid to the Company's shareholders on 29 June 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of eligibility to attend and vote at the AGM, the register of members of the Company will be closed from 1 June 2021 to 4 June 2021 both days inclusive during which no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31 May 2021.

For the purpose of determination of entitlement to final dividend, the register of members of the Company will be closed from 15 June 2021 to 17 June 2021 both days inclusive during which no transfer of shares will be registered. In order to qualify for final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 11 June 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.nissingroup.com.hk. The 2020 Annual Report of the Company will be available on the above websites and be despatched to shareholders of the Company in April 2021.

By order of the Board

Kiyotaka Ando

Chief Executive Officer and Executive Director

Hong Kong, 18 March 2021

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