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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 2021

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 2021 together with the comparative figures for the previous year in 2020 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	4	3,866,335	3,518,847
Cost of sales		<u>(2,639,016)</u>	<u>(2,360,170)</u>
Gross profit		1,227,319	1,158,677
Other income	6	33,711	78,588
Selling and distribution costs		(492,025)	(471,483)
Administrative expenses		(277,837)	(243,203)
Impairment losses recognised under expected credit loss model, net of reversal		261	(2,585)
Other expenses		(35,167)	(69,612)
Other gains and losses	7	(14,321)	(16,324)
Finance costs	8	<u>(365)</u>	<u>(116)</u>
Profit before taxation		441,576	433,942
Income tax expense	9	<u>(102,341)</u>	<u>(101,378)</u>
Profit for the year	10	<u>339,235</u>	<u>332,564</u>

	<i>NOTE</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>67,025</u>	<u>137,672</u>
Total comprehensive income for the year		<u><b>406,260</b></u>	<u>470,236</u>
Profit for the year attributable to:			
Owners of the Company		<u>303,821</u>	301,912
Non-controlling interests		<u>35,414</u>	<u>30,652</u>
		<u><b>339,235</b></u>	<u>332,564</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<u>366,944</u>	431,720
Non-controlling interests		<u>39,316</u>	<u>38,516</u>
		<u><b>406,260</b></u>	<u>470,236</u>
Earnings per share			
Basic (HK cents)	<i>12</i>	<u>28.74</u>	<u>28.11</u>
Diluted (HK cents)		<u>28.74</u>	<u>28.10</u>

**TCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 31 DECEMBER 2021*

	<i>NOTES</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment		<b>1,625,369</b>	1,515,848
Right-of-use assets		<b>207,510</b>	165,265
Goodwill		<b>65,239</b>	64,520
Intangible assets		<b>42,170</b>	48,219
Interest in an associate		<b>116</b>	116
Financial assets at fair value through profit or loss (“FVTPL”)		<b>37,210</b>	32,828
Deferred tax assets		<b>62,511</b>	33,523
Loan receivable		<b>821</b>	1,368
Deposits paid for acquisition of property, plant and equipment		<b>22,057</b>	23,288
Rental deposits		<b>2,051</b>	2,307
Time deposits with maturity over one year		<b>85,616</b>	–
		<b>2,150,670</b>	1,887,282
<b>Current Assets</b>			
Inventories		<b>464,999</b>	363,144
Trade receivables	<i>13</i>	<b>475,382</b>	508,545
Bond receivables		<b>37,087</b>	–
Other receivables, prepayments and deposits		<b>87,288</b>	92,877
Loan receivable		<b>547</b>	547
Amount due from ultimate holding company		<b>3,511</b>	3,766
Amounts due from fellow subsidiaries		<b>32,504</b>	15,640
Financial assets at fair value through profit or loss		<b>198,985</b>	197,069
Time deposits with maturity over three months		<b>17,642</b>	507,758
Bank balances and cash		<b>1,790,954</b>	1,607,247
		<b>3,108,899</b>	3,296,593
<b>Current Liabilities</b>			
Trade payables	<i>14</i>	<b>270,227</b>	234,540
Other payables and accruals		<b>712,383</b>	742,962
Amount due to ultimate holding company		<b>35,144</b>	36,712
Amounts due to fellow subsidiaries		<b>7,199</b>	3,715
Lease liabilities		<b>5,576</b>	7,278
Tax liabilities		<b>29,482</b>	39,713
Deferred income		<b>423</b>	411
		<b>1,060,434</b>	1,065,331
<b>Net Current Assets</b>		<b>2,048,465</b>	2,231,262
<b>Total Assets less Current Liabilities</b>		<b>4,199,135</b>	4,118,544

	<i>NOTE</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Capital and Reserves</b>			
Share capital	<i>15</i>	<b>2,941,441</b>	2,941,441
Reserves		<b>1,009,198</b>	954,238
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>3,950,639</b>	3,895,679
Non-controlling interests		<b>165,622</b>	147,504
		<hr/>	<hr/>
<b>Total Equity</b>		<b>4,116,261</b>	4,043,183
		<hr/>	<hr/>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		<b>56,270</b>	46,311
Lease liabilities		<b>5,636</b>	9,396
Deferred income		<b>20,968</b>	19,654
		<hr/>	<hr/>
		<b>82,874</b>	75,361
		<hr/>	<hr/>
		<b>4,199,135</b>	4,118,544
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## 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 places of operation are located in Hong Kong and Mainland China, the People’s Republic of China (“PRC”).

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 2021 and 2020 included in this preliminary announcement of annual results 2021 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 2021 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 STANDARDS

#### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has 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 the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)**

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and promotion expenses. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

*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 <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

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.

**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.

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

## **Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)***

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 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

## **Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies***

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that are primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

## **Amendments to HKAS 8 *Definition of Accounting Estimates***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available and reliable information.



In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

***Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$203,270,000 and HK\$11,212,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

***Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use***

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipments to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

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

***Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

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

## 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 2021			31 December 2020		
	HK Operations (as defined in Note 5) HK\$'000	PRC Operations (as defined in Note 5) HK\$'000	Total HK\$'000	HK Operations (as defined in Note 5) HK\$'000	PRC Operations (as defined in Note 5) HK\$'000	Total HK\$'000
<b>Types of goods and services</b>						
Sales of goods	1,462,614	2,396,525	3,859,139	1,415,665	2,096,207	3,511,872
Others	3,541	3,655	7,196	2,742	4,233	6,975
Total	<u>1,466,155</u>	<u>2,400,180</u>	<u>3,866,335</u>	<u>1,418,407</u>	<u>2,100,440</u>	<u>3,518,847</u>
<b>Timing of revenue recognition</b>						
A point in time	1,462,614	2,400,180	3,862,794	1,415,665	2,100,440	3,516,105
Over time	3,541	–	3,541	2,742	–	2,742
Total	<u>1,466,155</u>	<u>2,400,180</u>	<u>3,866,335</u>	<u>1,418,407</u>	<u>2,100,440</u>	<u>3,518,847</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 2021**

	<b>HK Operations</b>	<b>PRC Operations</b>	<b>Reportable Segments Total</b>	<b>Elimination</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>					
Segment revenue from external customers	<b>1,466,155</b>	<b>2,400,180</b>	<b>3,866,335</b>	–	<b>3,866,335</b>
Inter-segment revenue	<b>196,911</b>	<b>191,146</b>	<b>388,057</b>	<b>(388,057)</b>	–
Segment revenue	<b><u>1,663,066</u></b>	<b><u>2,591,326</u></b>	<b><u>4,254,392</u></b>	<b><u>(388,057)</u></b>	<b><u>3,866,335</u></b>
<b>Result</b>					
Segment results	<b><u>123,493</u></b>	<b><u>299,058</u></b>	<b><u>422,551</u></b>	–	<b>422,551</b>
Unallocated income					<b>16,595</b>
Unallocated other gains and losses					<b>3,453</b>
Interest income					<b>16,751</b>
Fair value changes on financial assets at FVTPL					<b>(618)</b>
Loss on disposal of property, plant and equipment					<b>(17,156)</b>
Consolidated profit before taxation					<b><u>441,576</u></b>

**For the year ended 31 December 2020**

	HK Operations <i>HK\$'000</i>	PRC Operations <i>HK\$'000</i>	Reportable Segments Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>					
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>
<b>Result</b>					
Segment results	<u>165,490</u>	<u>247,122</u>	<u>412,612</u>	<u>–</u>	412,612
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					(112)
Consolidated profit before taxation					<u>433,942</u>

Inter-segment revenue is charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies. 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 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 2021**

	HK Operations <i>HK\$'000</i>	PRC Operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of intangible assets	3,231	3,544	6,775
Depreciation of property, plant and equipment	14,886	13,557	28,443
Depreciation of right-of-use assets	5,451	9,445	14,896

**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

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
External revenue:		
Hong Kong	1,357,985	1,214,766
The PRC	2,400,180	2,100,440
Others (Canada, Australia, the United States of America, Taiwan, Macau, etc.)	108,170	203,641
	<u>3,866,335</u>	<u>3,518,847</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets ( <i>Note</i> ):		
Hong Kong	654,100	606,540
The PRC	1,308,361	1,210,716
	<u>1,962,461</u>	<u>1,817,256</u>

*Note:* Non-current assets excluded financial assets at FVTPL, deferred tax assets, loan receivable, time deposits with maturity over one year and rental deposits.

Information about major customers

Revenue from customers of the respective years ended 31 December 2021 and 2020, individually contributing over 10% of the total revenue of the Group are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A <sup>1</sup>	817,406	830,796
Customer B <sup>2</sup>	684,025	589,047
Customer C <sup>2</sup>	435,991	475,403

<sup>1</sup> From the PRC operations

<sup>2</sup> From both HK and the PRC operations

**6. OTHER INCOME**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grant related to acquisition of assets	948	954
Government grant related to expenses recognised ( <i>Note</i> )	9,175	47,804
Interest income from bank deposits	14,835	19,988
Interest income from financial assets at FVTPL	1,916	4,627
Miscellaneous income	3,182	3,352
Other scrap materials sales	3,655	1,863
	<u>33,711</u>	<u>78,588</u>

*Note:* During the year ended 31 December 2021, the Group recognised government grants of HK\$9,175,000 in relating to tax subsidies provided by the PRC government. During the year ended 31 December 2020, 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 represented other subsidies provided by the PRC government.

**7. OTHER GAINS AND LOSSES**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Exchange gain (loss), net	3,453	(15,801)
Fair value changes on financial assets at FVTPL	(618)	(411)
Loss on disposal of property, plant and equipment	(17,156)	(112)
	<u>(14,321)</u>	<u>(16,324)</u>

**8. FINANCE COSTS**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	365	116

## 9. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	28,542	24,986
PRC Enterprise Income Tax	84,177	79,869
PRC Withholding tax	2,430	2,110
	<u>115,149</u>	<u>106,965</u>
(Over)underprovision in prior years:		
Hong Kong Profits Tax	(1,334)	(278)
PRC Enterprise Income Tax	5,561	1,426
	<u>4,227</u>	<u>1,148</u>
Deferred tax	<u>119,376</u>	108,113
	<u>(17,035)</u>	<u>(6,735)</u>
	<u>102,341</u>	<u>101,378</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced 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\$2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2.0 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation	<u>441,576</u>	<u>433,942</u>
Tax at the domestic income tax rate of 16.5%	72,860	71,600
Tax effect of expenses not deductible for tax purpose	3,761	15,430
Tax effect of income not taxable for tax purpose	(2,265)	(13,870)
Utilisation of tax losses previously not recognised	–	(4,128)
Tax effect of tax losses not recognised	3,951	–
Utilisation of deductible temporary difference previously not recognised	(16,952)	–
Effect of different tax rates of subsidiaries operating in the PRC	19,105	27,654
Underprovision in prior years	4,227	1,148
Withholding tax attributable to undistributed profits of the PRC subsidiaries	16,147	2,767
Income tax at concessionary rate	(165)	(165)
Others	<u>1,672</u>	<u>942</u>
Income tax expense for the year	<u>102,341</u>	<u>101,378</u>

## 10. PROFIT FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Amortisation of intangible assets	6,775	5,714
Auditors' remuneration	4,519	5,921
Cost of inventories recognised as an expense	2,640,295	2,360,170
Depreciation of property, plant and equipment	160,093	144,447
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(131,650)</u>	<u>(121,798)</u>
Depreciation of right-of-use assets	<u>28,443</u>	<u>22,649</u>
	<u>15,355</u>	<u>8,200</u>
Total depreciation	43,798	30,849
Donation charged to profit or loss ( <i>Note i</i> )	–	40,000
Expenses relating to short-terms lease	7,204	2,239
Research and development expenditure	35,167	29,300
Staff costs ( <i>Note ii</i> )		
Directors' emoluments		
– fees	1,000	850
– other emoluments	17,499	16,154
– equity-settled share-based payment	<u>1,431</u>	<u>2,009</u>
	<u>19,930</u>	<u>19,013</u>
Other staff costs excluding directors' emoluments ( <i>Notes ii and iii</i> )	696,044	584,395
Equity-settled share-based payment	<u>–</u>	<u>745</u>
Total staff costs	715,974	604,153
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(321,937)</u>	<u>(282,059)</u>
Less: Amount included as research and development expenditure as shown in above	<u>(19,620)</u>	<u>(17,539)</u>
	<u>374,417</u>	<u>304,555</u>

Notes:

- i. Donation made to a charitable fund amounted to HK\$40,000,000 during the year ended 31 December 2020.
- ii. Contributions to retirement benefit scheme included in other staff costs for the year ended 31 December 2021 amounted to HK\$36,531,000 (2020: HK\$33,597,000).
- 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). During the year ended 31 December 2020, depreciation of right-of-use assets amounted to HK\$513,000 was related to these non-monetary benefits (2021: nil).

## 11. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2020 Final – 14.05 HK cents (2020: 2019 Final dividend – 11.7 HK cents) per share	<u>150,142</u>	<u>125,695</u>

Subsequent to the end of the reporting period, a final dividend and a special dividend in respect of the year ended 31 December 2021 of 14.56 HK cents and a special dividend of 2.91 HK cents per ordinary share, in an aggregate amount of HK\$182,333,000, have been proposed by the directors of the Company and both are 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:

	2021	2020
<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>303,821</u>	<u>301,912</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,057,034,523	1,074,085,719
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>34,215</u>	<u>210,031</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,057,068,738</u>	<u>1,074,295,750</u>

### 13. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables – sales of goods	478,585	512,009
Less: allowance for credit losses	<u>(3,203)</u>	<u>(3,464)</u>
	<u><b>475,382</b></u>	<u><b>508,545</b></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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	314,566	311,404
31 to 90 days	143,369	170,519
91 to 180 days	<u>17,447</u>	<u>26,622</u>
	<u><b>475,382</b></u>	<u><b>508,545</b></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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	194,557	159,010
31 to 90 days	58,261	69,783
91 to 180 days	11,707	3,737
Over 180 days	<u>5,702</u>	<u>2,010</u>
	<u><b>270,227</b></u>	<u><b>234,540</b></u>

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

## 15. SHARE CAPITAL

	Number of shares	Share capital HK\$ '000
Ordinary shares, issued and fully paid:		
At 1 January 2020 and 31 December 2020	1,074,319,480	2,941,441
Shares bought back and cancelled ( <i>Note</i> )	<u>(26,529,000)</u>	<u>–</u>
At 31 December 2021	<b><u>1,047,790,480</u></b>	<b><u>2,941,441</u></b>

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

Month of buy-back	Number of ordinary shares bought back ( <i>Note</i> )	Consideration per share		Aggregate consideration paid HK\$ '000
		Highest HK\$	Lowest HK\$	
April	833,000	6.11	5.87	5,001
May	9,795,000	6.40	5.83	60,210
August	172,000	5.42	5.32	925
September	4,975,000	6.04	5.40	28,741
October	800,000	6.10	5.94	4,810
November	6,754,000	5.90	5.48	38,445
December	<u>3,200,000</u>	<u>5.86</u>	<u>5.54</u>	<u>18,248</u>
	<b><u>26,529,000</u></b>			<b><u>156,380</u></b>

*Note:* The Company was authorised at its annual general meetings to buy back its own ordinary shares not exceeding 10% of the total number of its issued shares as at the date of the resolutions being passed. During the year ended 31 December 2021, the Company bought back 26,529,000 ordinary shares, and all were cancelled during the same period.

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

	Average purchase price HK\$	Number of shares held	Value of shares HK\$ '000
At 1 January 2020	4	175,110	678
Shares purchased from secondary market under share award scheme	6.8	392,000	2,665
Shares vested under share award scheme	<u>6.0</u>	<u>(525,000)</u>	<u>(3,156)</u>
At 31 December 2020	4.4	42,110	187
Shares purchased from secondary market under share award scheme	5.8	255,030	1,474
Shares vested under share award scheme	<u>5.8</u>	<u>(244,820)</u>	<u>(1,431)</u>
At 31 December 2021	<b><u>4.4</u></b>	<b><u>52,320</u></b>	<b><u>230</u></b>

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

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

On 12 May 2021 and 23 December 2021, a total of 244,820 award shares (the “2021 Awarded Shares”) of the Company have been awarded and vested to certain selected employees (including but not limited to directors, executives, officers and other employees, whether full-time or part-time, of any members of the Group) at no consideration.

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

Category of grantees	Date of grant	Vesting period	Number of shares awarded				Balance as at 31 December 2021
			Balance as at 1 January 2021	Awarded during the year	Vested during the year	Cancelled during the year	
Employees	12 May 2021	17 May 2021	–	137,200	(137,200)	–	–
Employees	23 December 2021	23 December 2021	–	107,620	(107,620)	–	–
			–	244,820	(244,820)	–	–

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)	–	–
			<u>151,380</u>	<u>384,030</u>	<u>(524,970)</u>	<u>(10,440)</u>	<u>–</u>

The estimated fair values of the 2018 Awarded Shares, 2020 Awarded Shares and 2021 Awarded Shares are HK\$4.58, HK\$6.61 and HK\$5.85 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, 2020 Awarded Shares and 2021 Awarded Shares are HK\$1,282,000, HK\$2,538,000 and HK\$1,431,000 respectively.

The Group recognised the total expense of HK\$1,431,000 for the year ended 31 December 2021 (2020: HK\$2,754,000) in relation to share award granted by the Company.

## 17. CAPITAL COMMITMENTS

	2021 <i>HK\$'000</i>	2020 <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>68,238</u>	<u>20,651</u>

## 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 annual results for the year ended 31 December 2021.

### Analysis of Macro and Business Conditions in 2021 and early 2022

The challenges brought about by Coronavirus Disease 2019 (“COVID-19” or the “pandemic”) have affected not only our lives, but also our economy and society. Since the beginning of 2021, many have adopted work from home practice, minimised social activities and changed their shopping behaviour in response to COVID-19. The long-awaited vaccination program was launched in Hong Kong in February 2021 as a tool to protect its residents from severe illness and death arising from COVID-19. As the vaccination rate climbs steadily over time, we witnessed a more stable pandemic situation and an increasing vaccination rate in mid-2021, the government relaxed certain social distancing restrictions and introduced the “vaccine bubble”. People returned to the offices, and the economy gradually recovered with consumption returned. However, as border closures and travel restrictions continue, the local economy, tourism and certain retail and catering businesses continue to be negatively impacted. The overall consumption level has not yet recovered to the pre-COVID-19 level.

In late November 2021, a worrying situation developed regarding COVID-19. A more contagious, but less virulent, Omicron COVID-19 variant has emerged and has started to spread worldwide. In Hong Kong, as well as the PRC, we saw an increased number of infections with mutated variants. As Hong Kong was hit by the fifth wave in January 2022, the government re-introduced a series of stringent anti-epidemic measures, including flight suspension, compulsory quarantine, a ban on dine-in services at restaurants after 6 pm and stringent social distancing measures to curb further outbreak, with the aim of “dynamic zero”. This undoubtedly creates a source of uncertainties to gauge economic recovery in the future.

The unprecedented pandemic has negatively impacted the supply chains of raw materials and natural resources. In the instant noodles industry, procurement and logistics costs of a wide range of items such as palm oil, wheat flour and crude oil, were adversely affected. In particular, palm oil prices soared to a historic high, mainly due to labour shortages and supply shortages in palm oil-producing countries. Furthermore, speculative money had entered not only into the financial markets, but also into the commodity markets; and the market prices of various commodities increased sharply, which in turn affected various retail prices worldwide. Governments in some developed countries adopted fiscal policy to stimulate their pandemic-hit economies, while at the same time dealing with rising prices. Their central banks implemented easing monetary policy to stimulate the economies and maintain the financial markets, while steep inflation needs to be tackled urgently in parallel.

In spite of this challenging environment, in 2021, the Company enhanced the signature product, *Cup Noodles* in our product range in line with reinforcement of brand investment. In addition, we have focused on expanding our sales geographical territories in the PRC in order to reach new consumers. In line with the Company’s strategic direction, we continue to improve the quality of our products to make them more enjoyable to our consumers. We believe that by regularly enhancing the consumer experience, we can attract new consumers and enhance brand loyalty among existing consumers. Furthermore, we believe that improving the quality of our products will help us, as a socially responsible corporation, to safeguard the wellbeing of our consumers and help the Company progress in the right direction.

## FINANCIALS

For the year under review, the PRC operations continuously performed very well under the strategic direction of geographical sales expansion. The sales volume for our signature products achieved a highly positive growth year-on-year and there were uninterrupted brand investments. On the other hand, the Hong Kong operations not only focused on the instant noodles business but also diversified its product portfolio into the non-noodles category. Consolidated revenue increased by 9.9% to HK\$3,866.3 million (2021: HK\$3,518.8 million), primarily attributable to continuous revenue growth from an increase in sale volume of cup-type instant noodles in the PRC operations and an increase in revenue from the diversified portfolio in the Hong Kong operations. Gross profit increased by 5.9% to HK\$1,227.3 million (2020: HK\$1,158.7 million), representing a gross profit margin of 31.7% for the year 2021 (2020: 32.9%). The decrease in gross profit margin was mainly attributable to the substantial price spike of key raw materials year-on-year.

At Adjusted EBITDA level <sup>(Note)</sup>, the Group increased by 6.0% to HK\$604.1 million (2020: HK\$570.0 million), representing the Adjusted EBITDA margin of 15.6% for the year (2020: 16.2%). Profit attributable to owners of the Company increased by 0.6% to HK\$303.8 million (2020: HK\$301.9 million), representing the net profit margin of 7.9% for the year (2020: 8.6%). Profitability declined during the year as a result of the surge in raw material costs, although the Company continued to invest in our brands. The Group's basic earnings per share increased to 28.74 HK cents for the year (2020: 28.11 HK cents) due to a decrease in the weighted average number of shares outstanding attributable to the shares buyback during the year.

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

### Final Dividend and Special Dividend

Thanks to the continuous support of our shareholders, we are celebrating the 5th anniversary of the Company's listing in Hong Kong since our initial public offering in December 2017 and the 50th anniversary of the birth of *Cup Noodles*. Taking into account that the Company has maintained relatively good operating momentum in recent years and solid balance sheet, in order to share the joy of both anniversaries with our shareholders, the Board recommends the payment of a final dividend of 14.56 HK cents per share and a special dividend of 2.91 HK cents per share, totalling 17.47 HK cents per share to shareholders whose names appear on the register of members of the Company as at 20 June 2022, representing an increase of 3.42 HK cents per share over last year's dividend (2020: final dividend per share of 14.05 HK cents and no special dividend). The total dividend is expected to amount to approximately HK\$182.3 million. The payout ratio will be 60.8% for the year (2020: 50.0%).

## BUSINESS REVIEW

### Hong Kong Operations

In Hong Kong, in the second half of 2021, we saw a series of weeks with no local COVID-19 cases from October to mid-December, and a rising vaccination rates. As a result, our lifestyles had briefly resumed to normal with the easing of certain social distancing measures. Also, panic buying frenzy and hoarding of basic necessities subsided during the year. However, with travel restrictions and Hong Kong's borders to the PRC and overseas not being completely open, overall consumption levels had yet to return to the pre-COVID-19 levels.

Under the pandemic, we also observed consumers having a heightened attention to health, which was one of reasons that consumers in Hong Kong sought higher quality food items from trustworthy brands. In the circumstances, the Company has been able to expand the non-instant noodles category businesses.



Revenue from the Hong Kong operations increased by 3.4% to HK\$1,466.2 million (2020: HK\$1,418.4 million) thanks to an increase in revenue in the non-instant noodle business from frozen food, vegetable and fruit juices, fresh-cut vegetables, confectionery and distribution business in the absence of the sudden surge in demand especially in the bag-type instant noodles under the pandemic in early 2020. Currently, revenue from the Hong Kong operations accounted for 37.9% (2020: 40.3%) of the Group's revenue.

In terms of segment results, the Hong Kong operations substantially decreased by 25.4% to HK\$123.5 million (2020: HK\$165.5 million), mainly attributable to the surge in raw materials prices and the expenses related to our brand investments.

### **Instant Noodles Business**

For the year under review, as the lifestyles in Hong Kong had returned to normal for a certain period of time, the performance for the cup-type instant noodles almost returned to the level of year 2020 with solid growth in its sales volume towards the end of 2021.

Celebrating the 50th anniversary of Cup Noodles in 2021, the Company introduced a revamp to the **Cup Noodles** brand with smoother noodles and improved soup quality, bringing excellent dining experiences for our beloved customers. Following the launch of the famous Hokkaido shrimp ramen with the "Fresh Shrimp Salt Flavour", the Company added a new dimension to the **Cup Noodles** brand by combining the popular pork bone soup flavour with the popular shrimp ramen soup base to create a new "Fresh Shrimp Pork Bone Soup Flavour". Also, the Company kept up efforts to offer high-quality noodles under the **Demae Iccho** brand with Hokkaido's wheat flour renowned for its fine texture and fresh wheat flavour, which was highly praised by consumers. Also, to further complement the instant noodles portfolio, the Company launched additional offerings under the **Doll** brand to allow our consumers to enjoy a series of novel and innovative products. For instance, we launched the Sichuan Style Spicy Chicken Flavour Soup Noodle under the **Doll** brand in November 2021.

### **Non Noodles business**

There was a steady increase in the sales volume of packed fresh-cut vegetables as the number of supermarkets selling them was increasing and they were becoming more popular among health-conscious consumers who favour fresh vegetables. Also, the sales in granola were also increasing, not only in Hong Kong and mainland China, but also in Singapore and Thailand. Kagome's vegetable juice business was steadily expanding with increasing sales volume. For the distribution business of MC Marketing & Sales (Hong Kong) Limited ("MCMS"), the decline in sales to airport, hotels and catering businesses due to the impact of COVID-19 was largely offset by the increase in sales of seasonings and other products to retailers.

### **The PRC Operations**

The PRC's economy posted robust growth in 2021, boosted by the entrenched recovery after the containment of COVID-19 as domestic demand continued to gain traction. Real consumption growth gradually improved to the pre-COVID-19 level with enhanced consumer confidence. As reported by the National Bureau of Statistics of the PRC, the retail sales delivered 12.5% growth year-on-year, demonstrating a solid recovery from the pandemic.

For the year under review, the Company repeatedly recorded a positive revenue growth year-on-year, beating a higher comparable base in 2020, running a proven business model, and demonstrating our commitment to the PRC operations. Revenue increased by 14.3% (in local currency: 6.6%) to HK\$2,400.2 million (2020: HK\$2,100.4 million), thanks to the growth in the sales volume from the cup-type instant noodles as customers continuously preferred new tastes and better quality products. The joint venture distribution business also inorganically contributed to the revenue on a full-year basis. Currently, revenue from the PRC operations accounted for 62.1% (2020: 59.7%) of the Group's revenue.

Segment results in the PRC operations significantly increased by 21.0% to HK\$299.1 million (2020: HK\$247.1 million), mainly attributable to the increase in the sales volume of cup-type instant noodles, but offset by the surge in raw material costs.

Sales volumes of the PRC's flagship *Cup Noodles* brand grew at a double-digit growth rate. Same as in the Hong Kong operations, the product revamp has also been rolled out in the PRC since May 2021 to celebrate the 50th anniversary of *Cup Noodles*, to upgrade the quality of noodles and soup. In relation to the *Cup Noodles* Big brand, as the spicy pork bone (tonkotsu) soup flavour launched in 2020 was well-received, we launched a spicy shrimp soup flavour in the PRC in September 2021. The Company continuously executed brand investment in its unique instant noodles in the PRC so as to enhance the brand loyalty. Along this direction, the bowl-type Nissin *U.F.O.* Stir Noodles was redesigned with an improved lid for draining hot water for convenience and safety while its sauce was reinvented with a richer taste, which not only delivers a more satisfying consumption experience but also makes an even more value-added product.

In the PRC, sales promotions included a crossover with a famous Japanese animation. The Company introduced new packaged products featuring its animation characters. The Company also launched different crossover promotional campaigns with the same characters. To promote and increase the sales of the renewed products, the Company advertised renewed *Cup Noodles* on high-speed trains, taking over the walls and doors of the luggage cabinets with *Cup Noodles* and animation characters.

The distribution business in Shanghai launched in April 2020 engaging in the distribution of Japanese third parties brand confectionery and beverages strived to expand sales volume of *Kagome* vegetable and fruit juice and our brand of granola through its sales network. The results were in line with the Company's expectations.

#### **Zhuhai Nissin Packaging Company Limited**

Regarding the new packaging materials manufacturing plant located in Zhuhai as announced in July 2019, the plant construction was completed in September 2021 and full-scale production commenced in December 2021 after the trial operation. It primarily produces soft packaging materials, including packaging films for bag-type instant noodles, cup-type instant noodles, liquids, and powders.

#### **SUBSEQUENT EVENT AFTER THE REPORTING PERIOD**

As announced on 23 December 2021, the Company and Mitsubishi Corporation ("Mitsubishi") entered into a share sales and purchase agreement, pursuant to which the Company agreed to purchase, and Mitsubishi agreed to sell, 300 ordinary shares of MCMS, representing 30% of the total issued shares of MCMS for the consideration of approximately HK\$13.7 million (the "Acquisition"). The completion of the Acquisition took place on 5 January 2022.

With effective from the completion date, the Company holds 81% interest in MCMS and MCMS remains as a non-wholly own subsidiary of the Company.

During the period from 6 January to 20 January 2022, the Company bought back a total of 4,099,000 shares of the Company at price ranging from HK\$6.17 to HK\$6.50 per share, with an approximate aggregated consideration of HK\$25.99 million on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All shares were cancelled on 23 February 2022. As at the date of this announcement, the total number of issued shares is 1,043,691,480 shares.

## **FINANCIAL REVIEW**

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

As at 31 December 2021, total assets of the Group amounted to HK\$5,259.6 million (31 December 2020: HK\$5,183.9 million) and the total equity was HK\$4,116.3 million (31 December 2020: HK\$4,043.1 million). The Group's working capital was HK\$2,048.5 million (31 December 2020: HK\$2,231.3 million), represented by the difference between the total current assets of HK\$3,108.9 million (31 December 2020: HK\$3,296.6 million) and the total current liabilities of HK\$1,060.4 million (31 December 2020: HK\$1,065.3 million). The current ratio was 2.9 as at 31 December 2021 (31 December 2020: 3.1).

The financial position of the Group remained healthy with net cash of approximately HK\$1,894.2 million (31 December 2020: HK\$2,115.0 million) and HK\$180.8 million (31 December 2020: HK\$180.8 million) in available banking facilities as at 31 December 2021. The Group had no external borrowing and the gearing ratio was nil as at 31 December 2021 (31 December 2020: Nil).

### **Capital Expenditure**

The Group's capital expenditure was HK\$315.9 million during the year under review (2020: HK\$259.7 million), which was mainly due to the investments on the production plants, machinery and equipment 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\$66.6 million as at 31 December 2021 (31 December 2020: HK\$20.7 million).

### **Financial Risk Management**

The Group had not entered into nor traded 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**

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

### **Pledge of Assets**

The Group did not have pledged assets as at 31 December 2021 (31 December 2020: 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 2021, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

According to the proposed applications of the proceeds set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the utilisation of the net proceeds from the Listing to 31 December 2021 was shown on the below table:

<b>Usage disclosed in the Prospectus</b>		<b>Planned use of the net proceeds</b>	<b>Utilised net proceeds up to 31 December 2021</b>	<b>Unutilised net proceeds up to 31 December 2021</b>
	%	<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	148.0	125.3
Working capital	10%	91.1	91.1	0.0
<b>Net Proceeds</b>		<b>910.8</b>	<b>785.5</b>	<b>125.3</b>

## **FUTURE PROSPECTS**

Looking forward, unless and until the pandemic is contained and daily life resumes normal, the raw material price fluctuation will continue to impact the manufacturing businesses for the time being.

In the PRC, the Company has taken various measures to improve production efficiency and reduce a wide range of costs in order to alleviate these price pressures. However, these measures are insufficient to absorb the constantly rising cost of raw materials. In this challenging economic environment, the PRC operations implemented a mid-single-digit percentage increase on average for the ex-factory prices of cup-type and bag-type instant noodles in the PRC, with effective from 1 March 2022. This is the first price adjustment in the PRC over the past 11 years. The Company will continue to focus on expanding our sales geographical territories and investing in our brands. Consumption is expected to continue to grow in China, with per capita spending increasing. We are confident in our track record of growing sales of value-added products and will continue to expand our business area, particularly in Northern China and Western China, where we will be able to increase our in-store sales. In December 2021, we started production in our packaging materials factory in Zhuhai. As its production for soft packaging material has been ramping up in line with its original plan, we foresee a positive impact on our packaging material cost from in-house procurement from the beginning of the first operating year, offsetting depreciation cost from the new plant and equipment.

In Hong Kong, market prices for palm oil and wheat flour have substantially soared, leading to a huge increase in procurement costs. The Company also have implemented a number of cost-saving measures. However, they cannot completely offset the higher raw material costs. Therefore, effective from 1 April 2022, the Hong Kong operations will also increase the ex-factory prices of certain bag-type and container-type instant noodles by a mid-to-high-single-digit percentage. The Company would also strive to enhance product quality alongside the price adjustment. The launch of new round of Consumption Voucher Scheme starting from April 2022 is expected to help stimulate local consumption in the near-term, especially on small-value items such as groceries. In addition, to ensure sustainable growth, the Hong Kong operations will focus on increasing sales from our non-instant noodle business. In particular, it will further strengthen the frozen food, distribution business, confectionery business, vegetable business and beverage business to enhance the synergy with the non-instant noodle business in the PRC and also to increase the profit margin. Furthermore, we were awarded a maximum funding support of HK\$15 million from the Re-Industrialisation Funding Scheme launched by the Innovation and Technology Commission of the Hong Kong government in November 2021, to be used for the installation of a new smart production line in Hong Kong. The Company will implement factory digital transformation, including employing robotics, sensors and smart systems for the production of instant noodle products, enabling real-time monitoring of the production process and

re-strengthening our cost competitiveness. Scheduled for completion by July 2023, the new line will improve production and space efficiency, as well as production flexibility, which is in line with Nissin Foods' business development strategy.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

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

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

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 December 2021, the total number of staff of the Group was approximately 3,590 (31 December 2020: 3,500) with staff costs (excluding directors' remuneration) amounting to HK\$696.0 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 (version up to 31 December 2021) (the "CG Code") contained in Appendix 14 to the Listing Rules. The Company has complied with code provisions as set out in the CG Code for the year ended 31 December 2021 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 2021, 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 2021 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 2021.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company bought back a total of 26,529,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$156.38 million for the year ended 31 December 2021 (2020: Nil) at price ranging from HK\$5.32 to HK\$6.40 per share. The particulars of the buyback are set out in Note 15 to the consolidated financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

## **DIVIDENDS**

The Board recommends payment of a final dividend of 14.56 HK cents per share and a special dividend of 2.91 HK cents per share in respect of the year ended 31 December 2021 to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 20 June 2022. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 9 June 2022 (the "AGM"), the proposed final dividend and special dividend will be paid to the Company's shareholders on 29 June 2022.



## **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 6 June 2022 to 9 June 2022 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 2 June 2022.

For the purpose of determination of entitlements to final dividend and special dividend, the register of members of the Company will be closed from 16 June 2022 to 20 June 2022 both days inclusive during which no transfer of shares will be registered. In order to qualify for final dividend and special 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 15 June 2022.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.nissingroup.com.hk](http://www.nissingroup.com.hk). The 2021 Annual Report of the Company will be available on the above websites and be despatched to shareholders of the Company in April 2022.

By order of the Board

**Kiyotaka Ando**

*Chief Executive Officer and Executive Director*

Hong Kong, 22 March 2022

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