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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 2022

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 2022 together with the comparative figures for the previous year in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	4	4,024,980	3,866,335
Cost of sales		<u>(2,730,373)</u>	<u>(2,639,016)</u>
Gross profit		1,294,607	1,227,319
Other income	6	63,266	33,711
Selling and distribution costs		(533,572)	(492,025)
Administrative expenses		(293,565)	(277,837)
Impairment losses recognised under expected credit loss model, net of reversal		(718)	261
Other expenses		(33,997)	(35,167)
Other gains and losses	7	(26,857)	(14,321)
Finance costs	8	<u>(259)</u>	<u>(365)</u>
Profit before taxation		468,905	441,576
Income tax expense	9	<u>(119,989)</u>	<u>(102,341)</u>
Profit for the year	10	<u><u>348,916</u></u>	<u><u>339,235</u></u>

	<i>NOTE</i>	2022 HK\$'000	2021 HK\$'000
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(221,001)</u>	<u>67,025</u>
Total comprehensive income for the year		<u>127,915</u>	<u>406,260</u>
Profit for the year attributable to:			
Owners of the Company		316,519	303,821
Non-controlling interests		<u>32,397</u>	<u>35,414</u>
		<u>348,916</u>	<u>339,235</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		107,673	366,944
Non-controlling interests		<u>20,242</u>	<u>39,316</u>
		<u>127,915</u>	<u>406,260</u>
Earnings per share			
Basic (HK cents)	<i>12</i>	<u>30.32</u>	<u>28.74</u>
Diluted (HK cents)		<u>30.32</u>	<u>28.74</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		1,580,304	1,625,369
Right-of-use assets		186,398	207,510
Goodwill		63,108	65,239
Intangible assets		31,454	42,170
Interest in an associate		116	116
Financial assets at fair value through profit or loss (“FVTPL”)		34,371	37,210
Deferred tax assets		57,041	62,511
Loan receivable		274	821
Deposits paid for acquisition of property, plant and equipment		34,322	22,057
Time deposits with maturity over one year		78,364	85,616
Rental deposits		1,789	2,051
		2,067,541	2,150,670
Current Assets			
Inventories		431,610	464,999
Trade receivables	<i>13</i>	426,835	475,382
Bond receivables		–	37,087
Other receivables, prepayments and deposits		85,661	87,288
Loan receivable		547	547
Amount due from ultimate holding company		4,174	3,511
Amounts due from fellow subsidiaries		34,582	32,504
Tax recoverable		12,698	–
Financial assets at fair value through profit or loss		204,239	198,985
Time deposits with maturity over three months but not exceeding one year		17,763	17,642
Cash and cash equivalents		1,249,460	1,790,954
		2,467,569	3,108,899
Current Liabilities			
Trade payables	<i>14</i>	179,942	270,227
Other payables and accruals		653,197	712,383
Amount due to ultimate holding company		33,808	35,144
Amounts due to fellow subsidiaries		3,623	7,199
Lease liabilities		6,249	5,576
Tax liabilities		37,588	29,482
Deferred income		2,826	423
		917,233	1,060,434
Net Current Assets		1,550,336	2,048,465
Total Assets less Current Liabilities		3,617,877	4,199,135

	<i>NOTE</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital and Reserves			
Share capital	<i>15</i>	2,941,441	2,941,441
Reserves		577,489	1,009,198
		<hr/>	<hr/>
Equity attributable to owners of the Company		3,518,930	3,950,639
Non-controlling interests		25,773	165,622
		<hr/>	<hr/>
Total Equity		3,544,703	4,116,261
		<hr/>	<hr/>
Non-current Liabilities			
Deferred tax liabilities		53,655	56,270
Lease liabilities		2,126	5,636
Deferred income		17,393	20,968
		<hr/>	<hr/>
		73,174	82,874
		<hr/>	<hr/>
		3,617,877	4,199,135
		<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 places of operation are located in Hong Kong and Mainland China, the People’s Republic of China (the “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 2022 and 2021 included in this preliminary announcement of annual results 2022 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 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements of the Group. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its 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 2022 for the preparation of the consolidated financial statements:

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

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.

3.1 Impacts on application of Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. 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 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 in the current year has had no impact on the Group’s consolidated financial statements.

3.2 Impacts on application of Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment 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*.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group’s financial positions and performance.

3.3 Impacts on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a 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 (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

3.4 Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

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 in the current year has had no impact on the Group's consolidated financial statements.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback 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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or 1 January 2024

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

a) Disaggregation of revenue from contracts with customers

	31 December 2022			31 December 2021		
	Hong Kong (as defined in Note 5) HK\$'000	Mainland China (as defined in Note 5) HK\$'000	Total HK\$'000	Hong Kong (as defined in Note 5) HK\$'000	Mainland China (as defined in Note 5) HK\$'000	Total HK\$'000
Types of goods and services						
Sales of goods	1,571,682	2,447,107	4,018,789	1,462,614	2,396,525	3,859,139
Others	3,481	2,710	6,191	3,541	3,655	7,196
Total	<u>1,575,163</u>	<u>2,449,817</u>	<u>4,024,980</u>	<u>1,466,155</u>	<u>2,400,180</u>	<u>3,866,335</u>
Timing of revenue recognition						
A point in time	1,572,139	2,449,817	4,021,956	1,462,614	2,400,180	3,862,794
Over time	3,024	–	3,024	3,541	–	3,541
Total	<u>1,575,163</u>	<u>2,449,817</u>	<u>4,024,980</u>	<u>1,466,155</u>	<u>2,400,180</u>	<u>3,866,335</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, certain 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:

- Hong Kong: Manufacturing and sales of noodles, frozen foods and other products in Hong Kong and overseas, and provision of research and publicity services.
- Mainland China: Manufacturing and sales of noodles, frozen foods and other products in Mainland China, 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 2022

	Hong Kong	Mainland	Reportable		
	HK\$'000	China	Segments	Elimination	Total
	HK\$'000	HK\$'000	Total	HK\$'000	HK\$'000
Revenue					
Segment revenue from external customers	1,575,163	2,449,817	4,024,980	–	4,024,980
Inter-segment revenue	208,650	220,683	429,333	(429,333)	–
Segment revenue	<u>1,783,813</u>	<u>2,670,500</u>	<u>4,454,313</u>	<u>(429,333)</u>	<u>4,024,980</u>
Result					
Segment results	<u>119,998</u>	<u>313,475</u>	<u>433,473</u>	<u>–</u>	<u>433,473</u>
Unallocated income					43,935
Unallocated other gains and losses					(13,870)
Interest income					19,331
Fair value changes on financial assets at FVTPL					(2,839)
Impairment loss on property, plant and equipment					(7,027)
Impairment loss on intangible assets					(3,270)
Loss on disposal of property, plant and equipment					(569)
Finance costs					(259)
Consolidated profit before taxation					<u>468,905</u>

For the year ended 31 December 2021

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Reportable Segments Total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
Segment revenue from external customers	1,466,155	2,400,180	3,866,335	–	3,866,335
Inter-segment revenue	196,911	191,146	388,057	(388,057)	–
	<u>1,663,066</u>	<u>2,591,326</u>	<u>4,254,392</u>	<u>(388,057)</u>	<u>3,866,335</u>
Result					
Segment results	123,493	299,058	422,551	–	422,551
	<u>123,493</u>	<u>299,058</u>	<u>422,551</u>	<u>–</u>	<u>422,551</u>
Unallocated income					16,960
Unallocated other gains and losses					3,453
Interest income					16,751
Fair value changes on financial assets at FVTPL					(618)
Loss on disposal of property, plant and equipment					(17,156)
Finance costs					(365)
					<u>441,576</u>
Consolidated profit before taxation					<u>441,576</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, interest income, fair value changes on financial assets at FVTPL, impairment losses on property plant and equipment and intangible assets, loss on disposal of property, plant and equipment and finance costs. 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 2022

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of intangible assets	3,232	3,192	6,424
Depreciation of property, plant and equipment	17,231	10,780	28,011
Depreciation of right-of-use assets	6,003	9,719	15,722

For the year ended 31 December 2021

	Hong Kong <i>HK\$'000</i>	Mainland China <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	9,904	15,355

Geographical information

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
External revenue:		
Hong Kong	1,309,448	1,357,985
Mainland China	2,457,628	2,400,180
Others (Canada, Australia, the United States of America, Taiwan, Macau, etc.)	257,904	108,170
	<u>4,024,980</u>	<u>3,866,335</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>

Non-current assets (*Note*):

Hong Kong	740,377	654,100
Mainland China	1,155,325	1,308,361
	<u>1,895,702</u>	<u>1,962,461</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 2022 and 2021, individually contributing over 10% of the total revenue of the Group are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A ¹	821,380	817,406
Customer B ²	664,586	684,025
Customer C ²	490,650	435,991

¹ From Mainland China

² From both Hong Kong and Mainland China

6. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grant related to acquisition of assets	1,345	948
Government grant related to expenses recognised (<i>Note</i>)	29,383	9,175
Interest income from bond receivables	918	–
Interest income from bank deposits	15,723	14,835
Interest income from financial assets at FVTPL	2,690	1,916
Miscellaneous income	13,207	6,837
	<u>63,266</u>	<u>33,711</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 Mainland China government. During the year ended 31 December 2022, the Group recognised government grants of HK\$17,792,000 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\$11,591,000 represented other subsidies provided by the Mainland China government.

7. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Exchange (loss) gain, net	(13,152)	3,453
Fair value changes on financial assets at FVTPL	(2,839)	(618)
Loss on disposal of property, plant and equipment	(569)	(17,156)
Impairment loss on property, plant and equipment	(7,027)	–
Impairment loss on intangible assets	(3,270)	–
	<u>(26,857)</u>	<u>(14,321)</u>

8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	259	365

9. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	26,229	28,542
Mainland China Enterprise Income Tax	83,181	84,177
Mainland China Withholding tax	10,231	2,430
	<u>119,641</u>	<u>115,149</u>
(Over)underprovision in prior years:		
Hong Kong Profits Tax	385	(1,434)
Mainland China Enterprise Income Tax	(796)	5,661
	<u>(411)</u>	<u>4,227</u>
	<u>119,230</u>	<u>119,376</u>
Deferred tax	759	(17,035)
	<u>119,989</u>	<u>102,341</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation	<u>468,905</u>	<u>441,576</u>
Tax at the domestic income tax rate of 16.5%	77,369	72,860
Tax effect of expenses not deductible for tax purpose	3,146	3,761
Tax effect of income not taxable for tax purpose	(6,542)	(2,265)
Tax effect of tax losses not recognised	3,584	3,951
Utilisation of deductible temporary difference previously not recognised	–	(16,952)
Effect of different tax rates of subsidiaries operating in Mainland China	29,852	19,105
Underprovision in prior years	(411)	4,227
Withholding tax attributable to undistributed profits of Mainland China subsidiaries	11,612	16,146
Income tax at concessionary rate	(165)	(165)
Others	1,544	1,673
Income tax expense for the year	<u>119,989</u>	<u>102,341</u>

10. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Amortisation of intangible assets	6,424	6,775
Auditors' remuneration	4,824	4,519
Cost of inventories recognised as an expense	2,728,973	2,640,295
Depreciation of property, plant and equipment	152,241	160,093
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(124,230)</u>	<u>(131,650)</u>
	28,011	28,443
Depreciation of right-of-use assets	<u>15,722</u>	<u>15,355</u>
Total depreciation	43,733	43,798
Donation charged to profit or loss (<i>Note i</i>)	100	–
Expenses relating to short-terms lease	9,660	7,204
Research and development expenditure	33,997	35,167
Staff costs (<i>Note ii</i>)		
Directors' emoluments		
– fees	1,000	1,000
– other emoluments	19,428	17,499
– equity-settled share-based payment	<u>1,251</u>	<u>1,431</u>
	21,679	19,930
Other staff costs excluding directors' emoluments (<i>Note ii</i>)	<u>707,707</u>	<u>696,044</u>
Total staff costs	729,386	715,974
Less: Amount capitalised in inventories and included in cost of sales upon sales	(327,750)	(321,937)
Less: Amount included as research and development expenditure as shown in above	<u>(20,276)</u>	<u>(19,620)</u>
	381,360	374,417

Notes:

- i. Donation made to a charitable fund amounted to HK\$100,000 (2021: nil) during the year ended 31 December. 2022.
- ii. Contributions to retirement benefit scheme included in other staff costs for the year ended 31 December 2022 amounted to HK\$38,494,000 (2021: HK\$36,531,000).

11. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2021 Final – 14.56 HK cents, special – 2.91 HK cents (2021: 2020 Final dividend – 14.05 HK cents) per share	<u>182,333</u>	<u>150,142</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of 15.16 HK cents per ordinary share, in an aggregate amount of HK\$158,224,000, 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:

	2022	2021
<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>316,519</u>	<u>303,821</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,043,782,893	1,057,034,523
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>58,658</u>	<u>34,215</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,043,841,551</u>	<u>1,057,068,738</u>

13. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables – sales of goods	430,756	478,585
Less: allowance for credit losses	<u>(3,921)</u>	<u>(3,203)</u>
	<u>426,835</u>	<u>475,382</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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	332,636	314,566
31 to 90 days	80,321	143,369
91 to 180 days	<u>13,878</u>	<u>17,447</u>
	<u>426,835</u>	<u>475,382</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	131,836	194,557
31 to 90 days	34,410	58,261
91 to 180 days	13,680	11,707
Over 180 days	<u>16</u>	<u>5,702</u>
	<u>179,942</u>	<u>270,227</u>

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

15. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares, issued and fully paid:		
At 1 January 2021	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	1,047,790,480	2,941,441
Share bought back and cancelled (<i>Note</i>)	<u>(4,099,000)</u>	<u>–</u>
At 31 December 2022	<u>1,043,691,480</u>	<u>2,941,441</u>

During the years ended 31 December 2021 and 2022, the Company bought back its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

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

Note: The Company was authorised at its annual general meetings to buy back its own ordinary shares not exceeding 10% of the total number of its issued shares as at the date of the resolutions being passed. During the year ended 31 December 2022, the Company bought back 4,099,000 (2021: 26,529,000) ordinary shares, and all were cancelled during the same year.

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

	Average purchase price HK\$	Number of shares held	Value of shares HK\$ '000
At 1 January 2021	4.4	42,110	187
Shares purchased from secondary market under share award scheme	5.8	255,030	1,474
Shares vested under share award scheme	5.8	(244,820)	(1,431)
At 31 December 2021	4.4	52,320	230
Shares purchased from secondary market under share award scheme	6.3	264,510	1,664
Shares vested under share award scheme	6.0	(301,310)	(1,801)
At 31 December 2022	6.0	<u>15,520</u>	<u>93</u>

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 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.

On 31 March 2022, 30 June 2022 and 10 October 2022, a total of 301,310 award shares (the “2022 Awarded Shares”) of the Company have been awarded and vested to certain selected employees (including but not limited to directors, executives, officers and other employees, whether full-time or part-time, of any members of the Group) at no consideration.

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 2022
			Balance as at 1 January 2022	Awarded during the year	Vested during the year	Cancelled during the year	
Employees	31 March 2022	31 March 2022	–	81,600	(81,600)	–	–
Employees	30 June 2022	30 June 2022	–	112,620	(112,620)	–	–
Employees	10 October 2022	10 October 2022	–	107,090	(107,090)	–	–
			–	301,310	(301,310)	–	–

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)	–	–

The estimated fair values of the 2021 Awarded Shares and 2022 Awarded Shares are HK\$5.85 and HK\$5.63 respectively per share based on the market trading price of the share at the grant date. The total fair value of the 2021 Awarded Shares and 2022 Awarded Shares are HK\$1,431,000 and HK\$1,697,000 respectively.

The Group recognised the total expense of HK\$1,697,000 for the year ended 31 December 2022 (2021: HK\$1,431,000) in relation to share award granted by the Company.

17. CAPITAL COMMITMENTS

	2022 <i>HK\$'000</i>	2021 <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>93,033</u>	<u>68,238</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 2022.

RETURNING TO NORMALCY

In 2022, the world has been returning to normalcy from the turmoil bred by the outbreak of Coronavirus Diseases 2019 (“COVID-19” or the “pandemic”). Global travelling has rebounded and World Health Organization updated its guidelines on mask wearing in community setting, COVID-19 treatments and clinical treatment in January 2023.

Since the beginning of December 2022, Mainland China has started to loosen its COVID-19 restrictions. The Chinese term for COVID-19 was renamed from “novel coronavirus pneumonia” to “novel coronavirus infection”, followed by re-classification of management of the infection as Class B infection. The adjustment in epidemic response policies, which took effect in early January 2023, was a significant step towards the relaxation of pandemic control.

Echoing the measures in Mainland China, the Hong Kong SAR government has lifted most of the COVID-19 related social distancing and preventive measures by stages since the end of 2022. The arrangement of issuing isolation orders to infected persons was also abandoned in late January 2023.

More importantly, since the long-awaited borders reopening between Mainland China and Hong Kong on 8 January 2023, normal travel has been resumed. Furthermore, the removal of mandatory mask wearing in both indoor and outdoor area that was effective on 1 March 2023, marked an official end of all COVID-19 restriction measures in Hong Kong. As such, a gradual rise in the number of visitors to Hong Kong is anticipated.

On the flip side, the turbulence and distortion to the business environment brought by this unprecedented pandemic remained throughout 2022. Disruption to the global supply chain system and distortion in the supply and demand dynamics of most of the raw materials continued. In addition, geopolitical uncertainties further deteriorated the balance of supply and demand of our key raw materials, namely, wheat flour and palm oil, triggering their prices to skyrocket during the first half of 2022. In spite of an easing in palm oil price in the second half of the year, the average full year prices of our key raw materials were notably higher year-on-year.

Despite the challenging condition arising from increasing raw materials prices, the Group is committed to continuous product upgrades and cost optimisation. We are dedicated to pursuing a premiumisation strategy and providing good quality food to bring contentment and enjoyable experiences to our valuable consumers. Riding on our solid foundation and footholds in Hong Kong and Mainland China, as well as the rich and diversified product portfolio developed over time, we sail through good times and bad. The direction and strategy of the Group are proven with positive business results.

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

FINANCIALS

For the year under review, the Group achieved positive results in its overall business. The Hong Kong operations recorded a stable performance due to the implementation of price adjustments. Concurrently, the Mainland China operations saw a moderate expansion because of depreciation of the Renminbi against Hong Kong Dollars. Revenue increased by 4.1% to HK\$4,025.0 million (2021: HK\$3,866.3 million), primarily attributable to the organic growth in sales volume of our premium instant noodles throughout the year, partly offset by the negative impact of foreign exchange rate of Renminbi and intermittent lockdowns. Gross profit grew by a healthy 5.5% to HK\$1,294.6 million (2021: HK\$1,227.3 million), boosting gross profit margin by 0.5 percentage points to 32.2% in 2022 from 31.7% in 2021. The increase in gross profit margin was mainly attributable to the price adjustments implemented in both Hong Kong and Mainland China in 2022 to offset the surge in raw material costs.

Profit attributable to owners of the Company increased by 4.2% to HK\$316.5 million (2021: HK\$303.8 million), representing the net profit margin of 7.9% for the year (2021: 7.9%). Profitability maintained at the same level as that of last year mainly due to the implementation of price adjustments to offset the leap in raw material prices as well as logistics and storage costs.

The Group's basic earnings per share increased to 30.32 HK cents for the year (2021: 28.74 HK cents). For the fiscal year of 2022, the Board recommends the payment of a final dividend of 15.16 HK cents per share (2021: 14.56 HK cents), representing a dividend payout ratio of 50.0% (2021: 50.7%) for the year.

At the Adjusted EBITDA level ^(note), the Group rose slightly by 0.4% to HK\$606.9 million (2021: HK\$604.1 million), representing the Adjusted EBITDA margin of 15.1% for the year (2021: 15.6%).

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

BUSINESS REVIEW

Hong Kong Operations

In Hong Kong, real, gross domestic product ("GDP") shrank by 3.5% year-on-year in 2022 due to a plunge in export and slackened domestic demand. 2022 quarterly GDP growth rate contracted, standing at -3.9%, -1.2%, -4.6% and -4.2%, respectively. Nonetheless, improvement in private consumption has been seen since the second half year in tandem with the stabilised pandemic situation and the relaxation of social distancing measures. The total retail sales value declined by 0.9% year-on-year while supermarkets' retail sales headed on an opposite trend and increased by 1.3% in 2022, as reported by the Census and Statistics Department.

As the raw materials prices, including wheat flour and palm oil, soared during the first half year, the Company adjusted ex-factory product prices in two phases. The mid-to-high single-digit increase applied to the majority of our products had helped ease the rising pressures on the Group from climbing production costs and raw materials costs.

Revenue from Hong Kong operations increased by 7.4% to HK\$1,575.2 million (2021: HK\$1,466.2 million), mainly attributable to the implementation of price adjustments and increase in sales volume of premium bag-type instant noodles but was partially offset by the decline in distribution business. Currently, revenue from Hong Kong operations accounted for 39.1% (2021: 37.9%) of the Group's total revenue.

In terms of segment results, the Hong Kong operations slightly lowered by 2.8% to HK\$120.0 million (2021: HK\$123.5 million), owing to the continuous increase in logistics and storage costs throughout the year.

Instant Noodles Business

For the year under review, the performance of instant noodles business was satisfactory. Sales volume continued to register an organic growth albeit the price adjustments.

Our signature brands *Cup Noodles* and *Demae Iccho* attracted positive response from consumers after quality upgrade and sales volume of such products climbed. The Company added new flavours including *Nissin Cup Noodles Shrimp and Tomato Flavour Instant Noodle* and *Demae Iccho Hokkaido Wheat Flour Mala Pot Flavour Instant Noodles* during the year.

To further enrich our instant noodles portfolio, the Company launched different new flavours under the *Raoh*, *Nissin U.F.O*, *Fuku* and *Doll* brands, such as *Raoh Tonkotsu Flavour Instant Noodle (Non Fried)*, *Nissin U.F.O Stir Noodles Japanese Sauce Flavour Instant Noodle* and *Doll Ghost Spicy Thai Style Spicy Prawn Flavour Fried Noodle*. The Company also continued its collaboration with Irvins, a famous brand of salted egg fish skin from Singapore, to bring excitement and delightful experience to consumers, launching the *Nissin Irvins Salted Egg Flavour Stir Noodle* and *Nissin Irvins Hot Boom Salted Egg Flavour Stir Noodles*.

Along with our tenets of innovation and creativity, during the year, a new W-tab design for regular type of *Cup Noodles* was launched, allowing better cup lid connection with container and greater eating convenience to consumers. Moreover, a new membership programme was launched in Hong Kong in July 2022. The “Nissin Foodium” in the Wechat Mini Program offers members a series of exclusive benefits, exciting rewards and interactive games. To enjoy more benefits and surprises, consumers are encouraged to scan the unique QR code on the products using the mini program and complete various tasks to earn points. Such membership programme aims to retain existing customers, boost product sales and allow us to better understand our consumers’ preferences.

Non-Noodles Business

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

Frozen foods product

During the year under review, frozen foods products demonstrated a strong demand because of the resurgence of the fifth wave of the pandemic, as well as business expansion to a more premium food product market in Hong Kong. As such, various new products under the *NISSIN* brand were rolled out, for instance, *Nissin Premium Pasta Fettuccine in Beef Flavour Red Wine Sauce*, *Nissin Pasta Spaghetti with Chicken in Creamy Lemon Sauce* and *Nissin Mini Glutinous Rice Dumpling in Abalone Sauce*, to please the palates of consumers with discerning taste. The frozen foods business achieved a decent growth notwithstanding the fierce competition.

Distribution business

MC Marketing & Sales (Hong Kong) Limited (“MCMS”) is engaged in the distribution of beverages, confectionery, snacks, Japanese brand seasoning sauce and chilled products in Hong Kong. In the first half of 2022, its business was undesirably impacted by the fifth wave of the pandemic as some of our customers such as luxurious hotels and fine-dining restaurants were seriously hit by the dine-in restrictions and a lack of inbound tourists. However, since the third quarter, with quarantine requirements on visitors lifted, economic activities gradually resumed and the business witnessed a rebound in sales volume. On top of continuing to explore and bring in new brands from instant coffee and worcestershire sauce to enrich our product portfolio, the Company also expanded distribution channels to grasp new opportunities.

On 6 January 2022, the Company completed the acquisition of an additional 30% shareholding in MCMS from Mitsubishi Corporation. As at 31 December 2022, MCMS was owned as to 81% by the Company.

KAGOME, Nissin Granola and Fresh-cut vegetable

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

For **KAGOME** business, it rebounded and grew as the Hong Kong SAR government has relaxed social distancing measures after the easing of the fifth wave of the pandemic. Plant-based soy and oats milks as well as organic juices were launched to avail nutritious and healthy choices to health-conscious consumers. We received remarkable response from the expansion to new markets in Southeast Asia including Singapore and Thailand and **KAGOME** products can now be enjoyed in airline lounge in Singapore.

We replicated the success of **Nissin Granola** in Hong Kong and Mainland China to the new markets in Southeast Asia with sales volume growing considerably in Taiwan and Singapore during the year.

The **fresh-cut vegetable** business developed in December 2020 has shown a substantial rise in demand in 2022. The distribution channels have been further expanded from supermarkets to various restaurants, cafeteria and coffee shop.

Mainland China Operations

In 2022, the Mainland China’s economy grew at 3%, the second slowest growth since 1976, due to a slump in exports as the global economy slowed and the supply disruption brought by pandemic controls. The National Bureau of Statistics of China also reported that the total retail sales of consumer goods dropped by 0.2% year-on-year.

Looking at the competitive landscape for the instant noodles industry, competition and price adjustments among the big players have intensified to secure the market shares. The Company adhered to its premiumisation strategy and thus had been operating against this turbulent business environment in Mainland China during the year.

Same as the situation in Hong Kong, the spike in raw materials prices added operating burden for manufacturers, leading to escalating pressure over its production costs during the first half of the year. On 1 March 2022, the Company implemented a mid-single digit price adjustment for the noodles category in Mainland China to alleviate part of the rising cost pressures.

For the year under review, the Mainland China business delivered a mild revenue growth mainly because of the weak foreign exchange rate. Revenue increased by 2.1% (in local currency: 6.2%) to HK\$2,449.8 million (2021: HK\$2,400.2 million), thanks to our geographical expansion and growth in sales volume of cup-type instant noodles, but is partially offset by a decline in distribution business. Currently, revenue from the Mainland China operations accounted for 60.9% (2021: 62.1%) of the Group's total revenue.

In terms of segment results, the Mainland China operations edged up by 4.8% to HK\$313.5 million (2021: HK\$299.1 million), mainly attributable to the solid performance of instant noodles business, partly offset by the negative impact of the foreign exchange rate of Renminbi.

Instant Noodles Business

During the year, the Company continued its geographical business expansion strategy in Mainland China and explored certain new markets in the Western and Northern regions of China. The instant noodles business maintained a sales volume growth amid complicated business environment.

The Company once again collaborated with a Japanese anime named "Regarding Reincarnated to Slime" to launch limited-edition crossover packaging for *Cup Noodles*. New SKUs from made-in-Hong Kong *Demae Ichho* brand such as *Hokkaido Wheat Flour Sesame Oil Flavour Instant Noodles* have been made available in Mainland China to offer consumers more premium choices.

Same as in Hong Kong, *Cup Noodles* upgraded with a new W-tab design was introduced in Mainland China featuring tighter cup lid connection and greater eating convenience. A new membership programme was also launched in August 2022. The "Nissin Foodium" in the Wechat Mini Program not only offers members a series of exciting rewards and interactive games, but also serves as an e-commerce platform for consumers to purchase our products directly.

As the consumption upgrade trend remains in progress in Mainland China, there will be ample opportunities for expansion in the premium instant noodles market. Against this backdrop, the Company acquired the remaining 29.55% equity interest in Zhuhai Golden Coast Winner Food Products ("Zhuhai Winner") in November 2022, allowing it to consolidate control over Zhuhai Winner, which is an integral part of the Group's operation in Mainland China. The acquisition has given the Group greater flexibility to deploy production capabilities in Mainland China for responding to market demand and the changing business environment, and will in turn increase the overall income and profitability of the Group.

Distribution Business

Shanghai's joint venture distribution business commenced operation in April 2020 and is engaged in the distribution of confectionery and beverages of the Company's own brands such as *Nissin Cisco Crisp Choco*, *Nissin Granola* and *KAGOME*, as well as certain famous third-party Japanese brands with growth potential. Although the business has broadened geographical coverage from Eastern region to Southern region in Mainland China, its performance was affected during the year by lockdowns forcing temporary closure of retail stores and dwindling number of consumers as COVID-19 infections surged quickly near the end of the year.

The Company seized the opportunity from pandemic rampant to expand product categories, covering frozen and chilled food such as frozen pasta and ramen during the lockdown in Shanghai via the distribution network of its Shanghai joint venture company and the regional sales channels, resulting in a considerable growth in the sales volume of frozen foods. In addition, the commercial packaging of frozen ramen was introduced to attract more businesses from commercial customers such as restaurants.

Furthermore, having experienced the pandemic, consumers in Mainland China were motivated to purchase healthy and nutritious foods due to the rising awareness of health consciousness. The sales of **KAGOME** vegetable and fruit juice and **Nissin Granola** products gathered stronger growth momentum.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2022, the total assets of the Group amounted to HK\$4,535.1 million (31 December 2021: HK\$5,259.6 million), and the total equity was HK\$3,544.7 million (31 December 2021: HK\$4,116.3 million). The Group's working capital was HK\$1,550.3 million (31 December 2021: HK\$2,048.5 million), represented by the difference between the total current assets of HK\$2,467.6 million (31 December 2021: HK\$3,108.9 million) and the total current liabilities of HK\$917.2 million (31 December 2021: HK\$1,060.4 million). The current ratio was 2.7 as at 31 December 2022 (31 December 2021: 2.9).

The financial position of the Group remained healthy, with net cash of approximately HK\$1,267.2 million (31 December 2021: HK\$1,808.6 million) and HK\$820.0 million (31 December 2021: HK\$180.8 million) in available banking facilities as at 31 December 2022. The Group had no external borrowing, and the gearing ratio was nil as at 31 December 2022 (31 December 2021: Nil).

Capital Expenditure

The Group's capital expenditure was approximately HK\$632.6 million during the year under review (2021: HK\$315.9 million). The substantial increase in capital expenditure was mainly due to the acquisitions of non-controlling equity interests of Zhuhai Winner and MCMS in Mainland China and Hong Kong respectively.

Capital Commitment

The Group had a capital commitment for the acquisition of property, plant and equipment contracted for but not provided HK\$93.0 million as at 31 December 2022 (31 December 2021: HK\$68.2 million).

Financial Risk Management

The Group had not entered into nor traded derivative financial instruments for hedging or speculative purposes. The Company and several subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk. As HK Dollar is currently pegged to US Dollar, the Company considered that the Group's exposure to fluctuation in HK Dollar against US Dollar is limited. The currencies giving rise to this risk are primarily the Japanese Yen and Renminbi against HK Dollar. The Company continues to manage and monitor these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Contingent Liability

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

Pledge of Assets

The Group did not have pledged assets as at 31 December 2022 (2021: Nil).

Use of Proceeds from Global Offering

The shares of the Company (the “Shares”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11 December 2017 (the “Listing”). The total proceeds from the Global Offering involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK\$950.8 million. As at 31 December 2022, the Group had fully utilised the proceeds according to the proposed applications of the proceeds set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 29 November 2017 (the “Prospectus”). The utilisation of the net proceeds from the Listing up to 31 December 2022 was shown in the below table:

Usage disclosed in the Prospectus		Planned use of the net proceeds <i>HK\$ million</i>	Unutilised proceeds as at 1 January 2022 <i>HK\$ million</i>	Proceeds utilised during the year under review <i>HK\$ million</i>	Unutilised net proceeds up to 31 December 2022 <i>HK\$ million</i>
Further expanding and upgrading production plants and facilities	45%	409.8	0.0	0.0	0.0
Further expanding sales and distribution network	10%	91.1	0.0	0.0	0.0
Enhancing research and development capabilities	5%	45.5	0.0	0.0	0.0
Partnerships and/or acquisitions	30%	273.2	125.3	125.3	0.0
Working capital	10%	91.1	0.0	0.0	0.0
Net Proceeds		910.8	125.3	125.3	0.0

FUTURE PROSPECTS

The Company is cautiously optimistic about the long-term business development in the regions and continues to look into ways to alleviate the cost pressure under this competitive landscape. Following the Mainland China’s reopening to the world, the economy in the Greater China is set to rebound in 2023, but largely hinges on consumer behaviours.

In Hong Kong, inbound tourism is expected to recover as normal travel between Hong Kong and Mainland China resumes. In addition, the Hong Kong SAR government-led “Hello Hong Kong” tourism campaign which offers 500,000 free air tickets, cash vouchers and other incentives to global visitors will further revive the local economy, helping invigorate higher purchasing power and consumption sentiment.

In Mainland China, consumer consumption continues to improve as per capita spending rises and the per capita income gap between urban and rural residents is narrowed. The Company also plans to strengthen the connection with consumers at locations with heavy people flow such as retail outlets and transportation hubs, after the recovery of consumers’ mobility from pandemic. Moreover, the Company continues to expand its business territory and penetrate into other areas alongside the development of additional sales channels.

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

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 10 November 2022, Nissin Foods (China) Holding Co., Ltd., the wholly-owned subsidiary of the Company and Zhuhai Western Development Co entered into the equity transfer agreement, in relation to the acquisition of 29.55% equity interest in Zhuhai Winner through the public sale on Guangdong United Asset and Equity Exchange at a cash consideration of RMB352.4 million. Zhuhai Winner became an indirect wholly-owned subsidiary of the Company upon the completion of the Acquisition on 28 November 2022. Please refer to the announcement of the Company dated 10 November 2022 for details.

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 2022, the total number of staff of the Group was 3,511 (31 December 2021: 3,590), with staff costs (excluding directors' remuneration) amounting to approximately HK\$707.7 million for the year. The remuneration package is determined concerning the individual performance, qualification and experience of employees concerned and prevailing industry practices. The Group also provides medical benefits, internal and external training and discretionary bonuses based on individual performance. The share award scheme is in place to provide long-term incentives to the selected key staff of the Group.

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 Listing Rules. The Company has complied with code provisions as set out in the CG Code for the year ended 31 December 2022 except the following:

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee 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 2022, 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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company bought back a total of 4,099,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$26.0 million for the year ended 31 December 2022 (2021: HK\$156.4 million) at price ranging from HK\$6.17 to HK\$6.50 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 2022.

FINAL DIVIDEND

The Board recommends payment of a final dividend of 15.16 HK cents per share in respect of the year ended 31 December 2022 to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 20 June 2023. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 9 June 2023 (the "AGM"), the proposed final dividend will be paid to the Company's shareholders on 30 June 2023.

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 2023 to 9 June 2023 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 5 June 2023.

For the purpose of determination of entitlements to final dividend, the register of members of the Company will be closed from 16 June 2023 to 20 June 2023 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 15 June 2023.

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 2022 Annual Report of the Company will be available on the above websites and be despatched to shareholders of the Company in April 2023.

By order of the Board

Kiyotaka Ando

Chief Executive Officer and Executive Director

Hong Kong, 27 March 2023

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