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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 2023

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 2023 together with the comparative figures for the previous year in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 HK\$'000	2022 HK\$'000 (restated)
Revenue	4	3,833,194	4,067,732
Cost of sales		<u>(2,530,133)</u>	<u>(2,764,937)</u>
Gross profit		1,303,061	1,302,795
Other income	6	46,754	62,428
Selling and distribution costs		(531,672)	(542,543)
Administrative expenses		(298,049)	(300,236)
Impairment losses recognised under expected credit loss model, net of reversal		(1,453)	(718)
Other expenses		(36,202)	(33,162)
Other gains and losses	7	(25,204)	(25,420)
Finance costs	8	<u>(270)</u>	<u>(259)</u>
Profit before taxation		456,965	462,885
Income tax expense	9	<u>(123,816)</u>	<u>(119,989)</u>
Profit for the year	10	<u><u>333,149</u></u>	<u><u>342,896</u></u>

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(25,340)</u>	<u>(220,590)</u>
Total comprehensive income for the year		<u>307,809</u>	<u>122,306</u>
Profit for the year attributable to:			
Owners of the Company		<u>330,169</u>	312,761
Non-controlling interests		<u>2,980</u>	30,135
		<u>333,149</u>	<u>342,896</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		<u>308,456</u>	103,915
Non-controlling interests		<u>(647)</u>	18,391
		<u>307,809</u>	<u>122,306</u>
Earnings per share	<i>12</i>		
Basic (HK cents)		<u>31.64</u>	<u>29.96</u>
Diluted (HK cents)		<u>31.63</u>	<u>29.96</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	<i>NOTES</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Non-current Assets			
Property, plant and equipment		1,679,372	1,616,034
Right-of-use assets		179,994	186,398
Goodwill		62,779	63,108
Intangible assets		26,444	31,454
Interest in an associate		116	116
Financial assets at fair value through profit or loss (“FVTPL”)		38,487	34,371
Deferred tax assets		69,684	57,041
Loan receivable		–	274
Prepayment for acquisition of property, plant and equipment		42,941	34,322
Time deposits with original maturity over one year		77,244	78,364
Rental deposits		2,516	1,789
		2,179,577	2,103,271
Current Assets			
Inventories		415,015	442,340
Trade receivables	<i>13</i>	372,854	430,898
Other receivables, prepayments and deposits		66,318	88,121
Loan receivable		274	547
Amount due from ultimate holding company		4,558	4,174
Amounts due from fellow subsidiaries		34,349	34,582
Tax recoverable		29,539	13,987
Financial assets at fair value through profit or loss		215,679	204,239
Time deposits with original maturity over one year		55,174	–
Time deposits with original maturity over three months but not exceeding one year		111,342	20,073
Cash and cash equivalents		1,199,054	1,257,573
		2,504,156	2,496,534
Current Liabilities			
Trade payables	<i>14</i>	150,320	185,144
Other payables and accruals		666,738	657,731
Amount due to ultimate holding company		29,693	33,808
Amounts due to fellow subsidiaries		4,332	3,623
Lease liabilities		8,559	6,249
Tax liabilities		33,165	37,588
Deferred income		3,378	2,826
		896,185	926,969
Net Current Assets		1,607,971	1,569,565
Total Assets less Current Liabilities		3,787,548	3,672,836

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Capital and Reserves			
Share capital	15	2,941,441	2,941,441
Reserves		690,000	614,312
		<hr/>	<hr/>
Equity attributable to owners of the Company		3,631,441	3,555,753
Non-controlling interests		43,262	43,909
		<hr/>	<hr/>
Total Equity		3,674,703	3,599,662
		<hr/>	<hr/>
Non-current Liabilities			
Deferred tax liabilities		93,117	53,655
Lease liabilities		1,113	2,126
Deferred income		18,615	17,393
		<hr/>	<hr/>
		112,845	73,174
		<hr/>	<hr/>
		3,787,548	3,672,836
		<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 other Asia 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 2023 and 2022 included in this preliminary announcement of annual results 2023 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 2023 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 directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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 HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 the 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 has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

3.2 Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF- LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

The application of the HKICPA guidance has had no material impact on the Group’s consolidated financial statements.

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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

Merger accounting for business combination involving entities under common control

Effective on 29 June 2023, the Company entered into a capital transfer agreement with Nissin Foods Asia Co., Ltd. (the “Vendor”), a company wholly-owned by Nissin Foods Holdings Co., Ltd., which is the ultimate controlling shareholder of both the Company and Nissin Foods Vietnam Co., Ltd., (the “Target Company”). The Target Company’s principal activities include manufacturing, importing, and exporting instant noodles. Prior to the transaction, the Target Company was a wholly owned subsidiary of the Vendor. Following the transaction, the Vendor became a non-controlling shareholder of the Target Company.

Under the terms of the capital transfer agreement, the Vendor agreed to sell, and the Company agreed to purchase, the 66.01% of all contributed capital in the Target Company for a consideration of approximately US\$9,500,000 (equivalent to HK\$74,435,000) (the “Acquisition”), which was satisfied by the Company through cash payment. Additionally, upon completion of the Acquisition on 29 June 2023, the Company has agreed to contribute an additional US\$2,000,000 (equivalent to HK\$15,671,000) to the Target Company for a 0.99% additional interest. Following the capital contribution, the equity interest held by the Company and the Vendor will be adjusted to 67% and 33% respectively. The capital injection of US\$2,000,000 (equivalent to HK\$15,671,000) was settled on 29 August 2023.

4. REVENUE

a) Disaggregation of revenue from contracts with customers

	31 December 2023			31 December 2022		
	Hong Kong and other Asia (as defined in Note 5) HK\$'000	Mainland China (as defined in Note 5) HK\$'000	Total HK\$'000	Hong Kong and other Asia (as defined in Note 5) HK\$'000 (restated)	Mainland China (as defined in Note 5) HK\$'000 (restated)	Total HK\$'000 (restated)
Types of goods and services						
Sales of goods	1,510,016	2,316,550	3,826,566	1,614,434	2,447,107	4,061,541
Others (<i>Note</i>)	3,195	3,433	6,628	3,481	2,710	6,191
Total	<u>1,513,211</u>	<u>2,319,983</u>	<u>3,833,194</u>	<u>1,617,915</u>	<u>2,449,817</u>	<u>4,067,732</u>
Timing of revenue recognition						
A point in time	1,510,455	2,319,983	3,830,438	1,614,891	2,449,817	4,064,708
Over time	2,756	–	2,756	3,024	–	3,024
Total	<u>1,513,211</u>	<u>2,319,983</u>	<u>3,833,194</u>	<u>1,617,915</u>	<u>2,449,817</u>	<u>4,067,732</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 and other Asia: 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 2023

	Hong Kong and other Asia HK\$'000	Mainland China HK\$'000	Reportable Segments Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue					
Segment revenue from external customers	1,513,211	2,319,983	3,833,194	–	3,833,194
Inter-segment revenue	189,389	221,070	410,459	(410,459)	–
Segment revenue	<u>1,702,600</u>	<u>2,541,053</u>	<u>4,243,653</u>	<u>(410,459)</u>	<u>3,833,194</u>
Result					
Segment results	<u>85,085</u>	<u>350,602</u>	<u>435,687</u>	<u>–</u>	435,687
Unallocated income					18,858
Exchange loss, net					(17,572)
Interest income					27,896
Fair value changes on financial assets at FVTPL					4,116
Impairment loss on property, plant and equipment					(8,778)
Loss on disposal of property, plant and equipment					(2,970)
Finance costs					(270)
Consolidated profit before taxation					<u>456,965</u>

For the year ended 31 December 2022

	Hong Kong and other Asia <i>HK\$'000</i> (restated)	Mainland China <i>HK\$'000</i> (restated)	Reportable Segments Total <i>HK\$'000</i> (restated)	Elimination <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i> (restated)
Revenue					
Segment revenue from external customers	1,617,915	2,449,817	4,067,732	–	4,067,732
Inter-segment revenue	208,890	220,683	429,573	(429,573)	–
	<u>1,826,805</u>	<u>2,670,500</u>	<u>4,497,305</u>	<u>(429,573)</u>	<u>4,067,732</u>
Result					
Segment results	<u>112,661</u>	<u>313,475</u>	<u>426,136</u>	<u>–</u>	426,136
Unallocated income					43,065
Exchange loss, net					(11,665)
Interest income					19,363
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					(619)
Finance costs					<u>(259)</u>
Consolidated profit before taxation					<u>462,885</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, exchange loss, net, 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 2023

	Hong Kong and other Asia HK\$'000	Mainland China HK\$'000	Total HK\$'000
Amortisation of intangible assets	3,232	1,726	4,958
Depreciation of property, plant and equipment	17,389	11,550	28,939
Depreciation of right-of-use assets	7,012	6,718	13,730

For the year ended 31 December 2022

	Hong Kong and other Asia HK\$'000 (restated)	Mainland China HK\$'000 (restated)	Total HK\$'000 (restated)
Amortisation of intangible assets	3,232	3,192	6,424
Depreciation of property, plant and equipment	12,987	10,780	23,767
Depreciation of right-of-use assets	6,003	9,719	15,722

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.

	2023 HK\$'000	2022 HK\$'000 (restated)
External revenue:		
Hong Kong	1,229,961	1,309,448
Mainland China	2,325,737	2,457,628
Others (Vietnam, Canada, Australia, the United States of America, Taiwan, Macau, etc.)	277,496	300,656
	3,833,194	4,067,732

	2023 HK\$'000	2022 HK\$'000 (restated)
Non-current assets (Note):		
Hong Kong and other Asia	925,682	776,107
Mainland China	1,065,964	1,155,325
	1,991,646	1,931,432

Non-current assets (Note):

Hong Kong and other Asia	925,682	776,107
Mainland China	1,065,964	1,155,325
	1,991,646	1,931,432

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

Information about major customers

Revenue from customers of the respective years ended 31 December 2023 and 2022, individually contributing over 10% of the total revenue of the Group are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ¹	705,301	821,380
Customer B ²	695,571	664,586
Customer C ²	N/A ³	490,650

¹ From Mainland China

² From both Hong Kong and Mainland China

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Government grant related to acquisition of assets	1,381	1,345
Government grant related to expenses recognised (<i>Note</i>)	11,372	29,383
Interest income from bond receivables	–	918
Interest income from bank deposits	16,521	15,755
Interest income from financial assets at FVTPL	11,375	2,690
Miscellaneous income	6,105	12,337
	<u>46,754</u>	<u>62,428</u>

Note: During the year, the Group recognised government grants of HK\$11,305,000 (2022: HK\$11,591,000), represents subsidies provided by the government of Mainland China. Additionally, for 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.

7. OTHER GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Exchange loss, net	(17,572)	(11,665)
Fair value changes on financial assets at FVTPL	4,116	(2,839)
Loss on disposal of property, plant and equipment	(2,970)	(619)
Impairment loss on property, plant and equipment	(8,778)	(7,027)
Impairment loss on intangible assets	–	(3,270)
	<u>(25,204)</u>	<u>(25,420)</u>

8. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Interest on lease liabilities	270	259

9. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	12,750	26,229
Mainland China Enterprise Income Tax	89,538	83,181
Mainland China Withholding tax	857	10,231
	<u>103,145</u>	<u>119,641</u>
(Over)underprovision in prior years:		
Hong Kong Profits Tax	(1,133)	385
Mainland China Enterprise Income Tax	(843)	(796)
	<u>(1,976)</u>	<u>(411)</u>
	101,169	119,230
Deferred tax	<u>22,647</u>	<u>759</u>
	<u><u>123,816</u></u>	<u><u>119,989</u></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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Profit before taxation	<u>456,965</u>	<u>462,885</u>
Tax at the domestic income tax rate of 16.5%	75,399	76,376
Tax effect of expenses not deductible for tax purpose	6,115	3,146
Tax effect of income not taxable for tax purpose	(4,987)	(6,542)
Tax effect of tax losses not recognised	83	4,577
Effect of different tax rates of subsidiaries operating in Mainland China	30,879	29,852
Underprovision in prior years	(1,976)	(411)
Withholding tax attributable to undistributed profits of Mainland China subsidiaries	17,416	11,612
Income tax at concessionary rate	(165)	(165)
Others	<u>1,052</u>	<u>1,544</u>
Income tax expense for the year	<u><u>123,816</u></u>	<u><u>119,989</u></u>

10. PROFIT FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Profit for the year has been arrived at after charging:		
Amortisation of intangible assets	4,958	6,424
Auditors' remuneration	4,427	4,824
Cost of inventories recognised as an expense	2,530,133	2,764,937
Depreciation of property, plant and equipment	152,308	155,417
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(123,369)</u>	<u>(131,650)</u>
	28,939	23,767
Depreciation of right-of-use assets	<u>13,730</u>	<u>15,722</u>
Total depreciation	42,669	39,489
Donation charged to profit or loss (<i>Note i</i>)	–	100
Expenses relating to short-terms lease	7,724	9,660
Research and development expenditure	36,202	33,162
Staff costs (<i>Note ii</i>)		
Directors' emoluments		
– fees	1,000	1,000
– other emoluments	19,175	19,428
– equity-settled share-based payment	<u>1,684</u>	<u>1,251</u>
	21,859	21,679
Other staff costs excluding directors' emoluments (<i>Note ii</i>)	<u>705,501</u>	<u>707,705</u>
Total staff costs	727,360	729,384
Less: Amount capitalised in inventories and included in cost of sales upon sales	<u>(330,011)</u>	<u>(354,140)</u>
Less: Amount included as research and development expenditure as shown in above	<u>(19,264)</u>	<u>(20,276)</u>
	<u><u>378,085</u></u>	<u><u>354,968</u></u>

Notes:

- i. Donation made to a charitable fund amounted to HK\$100,000 (2023: 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 2023 amounted to HK\$38,596,000 (2022: HK\$38,494,000).

11. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2022 Final – 15.16 HK cents, (2022: 2021 Final – 14.56 HK cents and Special – 2.91 HK cents) per share	<u>158,224</u>	<u>182,333</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of 15.82 HK cents per ordinary share, in an aggregate amount of HK\$165,112,000, 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:

	2023	2022 (restated)
<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>330,169</u>	<u>312,761</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,043,655,222	1,043,782,893
Effect of dilutive potential ordinary shares in respect of outstanding share awards	<u>36,328</u>	<u>58,658</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,043,691,550</u>	<u>1,043,841,551</u>

13. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Trade receivables – sales of goods	378,228	434,819
Less: allowance for credit losses	<u>(5,374)</u>	<u>(3,921)</u>
	<u>372,854</u>	<u>430,898</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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
0 to 30 days	268,154	335,137
31 to 90 days	92,198	81,089
91 to 180 days	<u>12,502</u>	<u>14,672</u>
	<u>372,854</u>	<u>430,898</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
0 to 30 days	110,643	137,038
31 to 90 days	38,534	34,410
91 to 180 days	922	13,680
Over 180 days	<u>221</u>	<u>16</u>
	<u>150,320</u>	<u>185,144</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 2022	1,047,790,480	2,941,441
Shares bought back and cancelled (<i>Note</i>)	<u>(4,099,000)</u>	<u>–</u>
At 31 December 2022 and 2023	<u>1,043,691,480</u>	<u>2,941,441</u>

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

Month of buy-back	Number of ordinary shares bought back (Note)	Consideration per share		Aggregate consideration paid
		Highest HK\$	Lowest HK\$	HK\$ '000
January 2022	<u>4,099,000</u>	6.50	6.17	<u>25,988</u>

Note: The Company was authorised at its annual general meetings to buy back its own ordinary shares not exceeding 10% of the total number of its issued shares as at the date of the resolutions being passed. During the year ended 31 December 2022, the Company bought back 4,099,000 ordinary shares, and all were cancelled during the same period. No ordinary share was bought back for cancellation during the year ended 31 December 2023.

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

	Average purchase price HK\$	Number of shares held	Value of shares HK\$ '000
At 1 January 2022	4.4	52,320	230
Shares purchased from secondary market under share award scheme	6.3	264,510	1,664
Shares vested under share award scheme	6.0	<u>(301,310)</u>	<u>(1,801)</u>
At 31 December 2022	6.0	15,520	93
Shares purchased from secondary market under share award scheme	6.2	287,000	1,793
Shares vested under share award scheme	6.3	<u>(266,420)</u>	<u>(1,684)</u>
At 31 December 2023	5.6	<u>36,100</u>	<u>202</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 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.

On 6 April 2023 and 29 September 2023, a total of 266,420 award shares (the “2023 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 2023
			Balance as at 1 January 2023	Awarded during the year	Vested during the year	Cancelled during the year	
Directors	6 April 2023	6 April 2023	–	99,880	(99,880)	–	–
Directors	29 September 2023	29 September 2023	–	166,540	(166,540)	–	–
			<u>–</u>	<u>266,420</u>	<u>(266,420)</u>	<u>–</u>	<u>–</u>

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)	–	–
Directors	30 June 2022	30 June 2022	–	112,620	(112,620)	–	–
Directors	10 October 2022	10 October 2022	–	107,090	(107,090)	–	–
			<u>–</u>	<u>301,310</u>	<u>(301,310)</u>	<u>–</u>	<u>–</u>

The estimated fair values of the 2022 Awarded Shares and 2023 Awarded Shares are HK\$5.63 and HK\$5.94 respectively per share based on the market trading price of the share at the grant date. The total fair value of the 2022 Awarded Shares and 2023 Awarded Shares are HK\$1,697,000 and HK\$1,684,000 respectively.

The Group recognised the total expense of HK\$1,684,000 for the year ended 31 December 2023 (2022: HK\$1,697,000) in relation to share award granted by the Company.

17. CAPITAL COMMITMENTS

	2023 <i>HK\$'000</i>	2022 <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>49,983</u>	<u>93,033</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 2023.

Macro-economy Saw Steady Recovery; Opportunities and Challenges Coexist

In 2023, the global economy saw a resilient and better-than-expected recovery, though it grew patchily and unevenly. Still, the impact of weaker international trade has become increasingly apparent, leading to a downturn of business and erosion in consumer confidence among the after-effects.

In Mainland China, the rebound of consumer spending early in the year arising from the lifting of the COVID-19 related restrictions has faded. Despite the implementation of various stimulus measures by the government authorities to stimulate and sustain economic growth, including the expansion of government debt issuance to support public spending, consumer confidence still remained weak.

In Hong Kong, consumer spending was encouraged by the government through the launching of Consumption Voucher Scheme to a certain extent. Nonetheless, the soar of international and cross-border outbound travel since the reopening of borders unfavourably impacted certain local businesses, including retail and food and beverage industries.

The Group has remained committed to continuous product upgrades and cost optimisation against this backdrop. We are dedicated to pursuing a premiumisation strategy and providing good quality food that bring contentment and enjoyment to our valued 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 the years, we sail through good times and bad.

As a responsible corporate citizen, we are committed to protecting consumers’ well-being by providing a stable food supply. We also attach tremendous importance to food safety by conducting regular product testings and pursuing relevant research and development. Moreover, the Company adopts a wide range of measures and policies to reduce environmental impact in this new era of global boiling, such as the installation of solar panels in various production plants.

FINANCIALS

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

For the year under review, the Group's overall business was dampened because of the weakened consumption sentiment for instant noodles, the absence of a sudden surge in demand driven by the pandemic in 2022 and the negative effects of foreign currency translation for Hong Kong Dollars against Renminbi. Revenue decreased by 5.8% to HK\$3,833.2 million (2022 restated: HK\$4,067.7 million), primarily attributable to the decrease in consumption and the negative effects of foreign exchange rate. Gross profit remained flat at HK\$1,303.1 million (2022 restated: HK\$1,302.8 million), while gross profit margin was boosted by 2.0 percentage points to 34.0% in 2023 from 32.0% (restated) in 2022. The increase in gross profit margin was mainly attributable to the price adjustments implemented in both Hong Kong and Mainland China in 2022 to offset the surge in manufacturing costs, as well as the easing of the key raw material costs.

Profit attributable to owners of the Company increased by 5.6% to HK\$330.2 million (2022 restated: HK\$312.8 million), representing the net profit margin of 8.6% for the year (2022 restated: 7.7%). Profit and profitability improved over the last year mainly due to the profit contribution from the acquisition of minority interests in Zhuhai Golden Coast Winner Food Products Limited and the consolidation of Nissin Vietnam.

The Group's basic earnings per share increased to 31.64 HK cents for the year (2022 restated: 29.96 HK cents). For the fiscal year of 2023, the Board recommends the payment of a final dividend of 15.82 HK cents per share (2022: 15.16 HK cents), representing a dividend payout ratio of 50.0% (2022 restated: 50.6%) for the year.

At the Adjusted EBITDA level ^(Note), the Group slightly increased by 0.4% to HK\$607.8 million (2022 restated: HK\$605.4 million), representing the Adjusted EBITDA margin of 15.9% for the year (2022 restated: 14.9%).

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

BUSINESS REVIEW

Hong Kong and Other Asia Operations

The Hong Kong economy continued to recover during 2023 as the real gross domestic product ("GDP") recorded a year-on-year growth of 3.2%. Led by the recovery of inbound tourism and private consumption, there were significant year-on-year increases in visitor arrivals and total retail sales. According to the Hong Kong Tourism Board and the Census and Statistics Department, the number of visitor arrivals reached 34.0 million and the value of total retail sales jumped by 16.2% year-on-year in 2023.

However, the retail sales value of supermarkets and supermarket sections of department stores presented an opposite landscape, recording a twelve-month-consecutive decline of 7.1% compared to that of the previous year, as it was negatively impacted by the public's preference to eat out, and deteriorated by the outbound international and cross-border travel after ease of the pandemic. The monthly outbound cross-border passenger traffic of Hong Kong residents to Shenzhen climbed from 4.5 million in July to 6.0 million in December in the second half of the year, based on the Statistics on Passenger Traffic from the Immigration Department.

Furthermore, despite the number of visitor arrivals exceeding the initial target, the number of inbound travellers still lagged behind the pre-pandemic level, accounting for around 60% of visitor arrivals in 2019. As a market leader in instant noodles and frozen food products in Hong Kong, the Company has suffered from the disappointing consumption sentiment on daily necessities.

Revenue from Hong Kong and other Asia operations decreased by 6.5% to HK\$1,513.2 million (2022 restated: HK\$1,617.9 million), owing to the absence of a sudden surge in demand in Hong Kong, especially for bag-type instant noodles and frozen foods, which was evident during the pandemic last year. Currently, revenue from Hong Kong and other Asia operations accounted for 39.5% (2022 restated: 39.8%) of the Group's total revenue.

In terms of segment results, the Hong Kong and other Asia operations decreased by 24.5% to HK\$85.1 million (2022 restated: HK\$112.7 million) as reduced sales volume diminished the optimisation of certain fixed costs and expenses.

Instant Noodles Business

For the year under review, the performance of instant noodles was mediocre as consumers moved away from the work-from-home and stay-at-home lifestyles, which were the norms during the pandemic, and favoured eating out as well as travelling. To encourage and stimulate more consumer spending, the Company continued to add new flavours to its signature brands **Cup Noodles** and **Demae Iccho** during the year, including three flavours (seafood, prawn and curry) under the *Cup Noodles Japan Formula Style Series*, *Demae Iccho Hokkaido Wheat Flour Tori Paitan Flavour* and *Demae Iccho Hokkaido Wheat Flour Korean Shin Flavour*.

To further enrich our instant noodles portfolio, the Company launched different new flavours under the **Nissin Raoh**, **Nissin U.F.O**, **Fuku** and **Doll** brands, such as *Nissin Chicken Ramen Instant Noodles* and *Doll Fried Noodle Hong Kong Style Satay Beef Flavour Instant Noodle*. In response to the public's health awareness and to cater for the growing consumer demand for healthy products, the Company introduced rice noodles and plant-meat products comprising non-allergic and non-meat ingredients during the year. It launched the *Nissin Viet Signature Series*, bringing the No-Cook Vietnamese pho rice noodles for consumers to enjoy in three-minute time. It also collaborated with an apparel company to launch the *Demae Iccho Bowl Tonkotsu Flavour Instant Noodle (Bowl Noodle)(Non meat)* and *Demae Iccho Bowl Spicy Tonkotsu Flavour Instant Noodle (Bowl Noodle)(Non meat)*.

Non-Noodles Business

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

Frozen food products

As the competitive landscape of the industry has further intensified, the Company extended its focus on the premium frozen food products. While offering a wider product range with premium products under the **NISSIN** brand, the Company further expanded its exposure in various sales channels, including the catering industry and overseas exports, to increase its sales volume. During the year, the Company continued to launch new products including *Nissin Frozen Tempura Udon*, *Nissin Black Pepper Flavour Fried Dumpling* and *Nissin Linguine in Korean-style Three Cheese Sauce*.

Distribution business

MC Marketing & Sales (Hong Kong) Limited is engaged in the distribution of beverages, confectionery, snacks, Japanese brand seasoning sauce and chilled products in Hong Kong. Its business recorded a rebound during the year as a result of the subsidence of the pandemic and the revival of economic activities. A gradual increase in the number of tourist arrivals also contributed to the growth in sales.

KAGOME, Nissin Granola, Fresh-cut vegetable and Nissin Yogurt

The Company continued to expand the sales channels of **KAGOME** business in different regions, including convenience stores, business offices, fine-dining restaurants and airline lounge and thus positive response from consumers has been received.

The Company replicated the success of *Nissin Granola* in Hong Kong and Mainland China to the new markets in Southeast Asia, and both sales value and volume grew in Singapore, where it is able to secure a leading market position. A new *Granola Royal Milk Tea Flavour* was added during the year to further enhance our product collection.

The *fresh-cut vegetable* business developed in December 2020 has shown an increasing demand. The distribution channels have been expanded with both sales value and volume recording growth in 2023.

In order to capture the opportunities arising from the healthy living lifestyle of consumers, the Company enriched its product line with the launching of the low-fat *Nissin Yogurt Series* during the year. Plain and strawberry flavours were introduced, serving in the form of both yoghurt cup and yoghurt drink.

Nissin Vietnam

On 29 June 2023, the Company and Nissin Asia entered into the Capital Transfer Agreement in relation to the Acquisition and the Capital Contribution in Nissin Vietnam. The total consideration for the Acquisition and the Capital Contribution was approximately USD11.5 million. Upon the completion of the Acquisition and the Capital Contribution on 10 July 2023 and 4 August 2023 respectively, Nissin Vietnam is held as to 67% by the Company and becomes a non-wholly-owned subsidiary of the Company, and its financial results have been consolidated into that of the Company according to the relevant accounting policy (AG 5).

The Acquisition allowed the Company to gain control over Nissin Vietnam, thereby expanding the geographic portfolio of the Group's businesses. In addition, the Company can leverage the human resources, expertise and experiences from the Hong Kong and Mainland China operations to accelerate Nissin Vietnam's business growth and capitalise on the long-term growth trends in the Vietnamese instant noodles market, which will in turn increase the overall income and profitability of the Company.

The Vietnam's economy growth had been accelerating throughout 2023, with quarterly GDP growth rates ranging from 3.41% to 6.72%, resulting in full year GDP growth of 5.05% year-on-year, as reported by General Statistics Office of Vietnam. In addition, the total retail sales of consumer goods and services grew by 9.6% while the food and food stuffs category increased by 11.7%. The overall socio-economic situation in Vietnam was on a good track.

Nissin Vietnam primarily engages in the production and sale of bag-type instant noodles, with brands including *Mi Cay Nissin*, *365 Non-fried Noodles* and *Nissin Raoh*. During the year under review, its performance improved and the overall outlook was positive.

Mainland China Operations

The Mainland China's economy grew 5.2% year-on-year in 2023 as reported by the National Bureau of Statistics of China, slightly above the official target. The GDP in the fourth quarter increased by 5.2% from the previous year, quickening from 4.9% in the third quarter. However, GDP grew 1.0% on a quarter-by-quarter basis, slowing from a 1.5% gain in the previous quarter. On the other hand, the total retail sales of consumer goods climbed 7.2% year-on-year but supermarket retail sales fell 0.4% year-on-year. The China economy faced a patchy economic recovery in 2023.

At the beginning of the year, the Mainland China's economy enjoyed a post-pandemic rebound. Nevertheless, its economic recovery showed a sign of losing further momentum as a lack of confidence among households and businesses battered consumer spending. Furthermore, the contracted manufacturing activities and the complicated employment prospects eroded consumer sentiment.

For the year under review, revenue declined by 5.3% (in local currency: -1.1%) to HK\$2,320.0 million (2022 restated: HK\$2,449.8 million), owing to the slower consumption growth momentum in Mainland China and the negative effects of foreign currency translation. Currently, revenue from the Mainland China operations accounted for 60.5% (2022 restated: 60.2%) of the Group's total revenue.

In terms of segment results, the Mainland China operations increased by 11.8% (in local currency: +16.8%) to HK\$350.6 million (2022 restated: HK\$313.5 million), mainly attributable to the implementation of price adjustment in 2022 and the easing of raw material costs during the year.

Instant Noodles Business

During the year, the overall performance of the instant noodles business slightly retreated due to the weak consumption sentiment caused by heightened economic uncertainty. Nonetheless, the Company continued to implement its geographical business expansion strategy in Mainland China and explored certain new markets in the western and northern regions of China. Amid stiff industry competition, the Company adhered to its premiumisation strategy, and same as in Hong Kong, it offered consumers three Japanese flavours of **Cup Noodles**. The *Japan Formula Style Series* was introduced to provide authentic Japanese taste, and these products further strengthen our position in pursuing the premiumisation strategy. Moreover, the Company continued to develop various brands of its premium bag-type instant noodles including **Demae-Iccho**, **Nissin Raoh** and **Nissin Chicken Ramen** in Mainland China. In addition to offering new flavours, the Company collaborated with different parties to bring fun and joy to our consumers. These included a collaboration with a membership warehouse club in Shenzhen for the “Cup Noodles Bucket” and **Cup Noodles** crossovers with Japanese anime “BLEACH” (死神) and “Onmyoji” (陰陽師).

Non-Noodles Business

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

Distribution Business

The Company's distribution business through Shanghai Eastpeak Trading Limited (“Shanghai Eastpeak”) is engaged in the distribution of confectionery and beverages of the Company's own brands as well as numerous well-known third-party Japanese brands with growth potential. Its sales network comprises large domestic chain stores, high-end supermarkets, convenience stores and major online platforms in Mainland China. The Company acquired the remaining 19% shareholding interest in Hong Kong Eastpeak Limited (“Hong Kong Eastpeak”), which wholly-owns Shanghai Eastpeak, via the exercise of call option and the two companies became wholly-owned subsidiaries of the Company on 3 July 2023.

Other Products

Nissin Crisp Choco, our baked corn flakes chocolate snack, has received a massive positive response as there are a few alternatives in the market. The exclusive strawberry and white chocolate flavours have been introduced alongside the original cacao flavour to enrich the product collection.

After the pandemic, consumers in Mainland China were motivated to purchase healthy and nutritious food due to their growing health consciousness. As a result, the Japanese kale vegetable drink “Aojiru” or literally “green juices” branded as *Demae Iccho Yingyou Aojiru Vegetable and Fruit Mixed Juice (Apple Flavour and White Peach Flavour)*, was strategically added to our portfolio.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2023, the total assets of the Group amounted to HK\$4,683.7 million (31 December 2022 restated: HK\$4,599.8 million), and the total equity was HK\$3,674.7 million (31 December 2022 restated: HK\$3,599.7 million). The Group's working capital was HK\$1,608.0 million (31 December 2022 restated: HK\$1,569.6 million), represented by the difference between the total current assets of HK\$2,504.2 million (31 December 2022 restated: HK\$2,496.5 million) and the total current liabilities of HK\$896.2 million (31 December 2022 restated: HK\$927.0 million). The current ratio was 2.8 as at 31 December 2023 (31 December 2022 restated: 2.7).

The financial position of the Group remained healthy, with net cash of approximately HK\$1,310.4 million (31 December 2022 restated: HK\$1,277.6 million) and HK\$820.0 million (31 December 2022: HK\$820.0 million) in available banking facilities as at 31 December 2023. The Group had no external borrowing, and the gearing ratio was nil as at 31 December 2023 (31 December 2022: Nil).

Capital Expenditure

The Group's capital expenditure was approximately HK\$329.6 million during the year under review (2022 restated: HK\$634.0 million), which was mainly due to the acquisition of Nissin Vietnam and the capital investments in the production plants in Hong Kong and Mainland China.

Capital Commitments

The Group had a capital commitment for the acquisition of property, plant and equipment contracted for but not provided HK\$50.0 million as at 31 December 2023 (31 December 2022: HK\$93.0 million).

Financial Risk Management

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

Contingent Liability

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

Pledge of Assets

The Group did not have pledged assets as at 31 December 2023 (2022: Nil).

FUTURE PROSPECTS

The Company is cautiously optimistic about the long-term business development in the regions and continues to control costs and improve operational efficiency. Premiumisation and diversification strategies are the keys to achieving growth amid market turbulence and volatility.

In Hong Kong, economic activities have revived and inbound tourism has been recovering gradually. The expansion of Individual Visit Scheme for Mainland travellers to Hong Kong further helps boosting tourist spending. The Company continues to roll out more premium products to delight consumers, offering them great taste and superior ingredients. Moreover, in view of rising health awareness among consumers, the Company will pursue further diversification of the business portfolio to non-noodles business, enriching the product lines to broaden the income base.

In Mainland China, overall consumer consumption continues to grow. The per capita spending continues to rise and the per capita income gap between urban and rural residents is narrowing. Expanding effective domestic consumption continues to be a key mission of the Chinese government in 2024. The Company increased its promotional activities at locations with huge human traffic flow, such as retail outlets and transportation hubs, bringing the irresistible taste of our **Cup Noodles**, as well as our premium bag-type instant noodles including **Demae Iccho**, **Nissin Raoh** and **Nissin Chicken Ramen** to consumers. Moreover, the Company continues to expand its business territory and penetrate into other areas alongside the development of additional sales channels.

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

In addition, the Company established a subsidiary and developed a sales office in Taiwan, in order to penetrate into other regions and further expand its sales channels. Riding on our solid foundation and strong footholds in Hong Kong and Mainland China, it will broaden the income base and generate additional sales.

To echo the belief of our founder Mr. Momofuku Ando that “Eating and sports are the two axles of health”, the Company has been actively promoting healthy lifestyles. In addition to offering consumers healthy food product choices to meet the post-pandemic lifestyles, it has been a veteran supporter of sports development. Nissin Foods has been an Official Food Partner of the Football’s Hong Kong, China Representative Team (HKRT), supporting its campaign at the AFC Asian Cup Qatar 2023™ and the FIFA World Cup 2026 and AFC Asian Cup Saudi Arabia 2027™ Preliminary Joint Qualification Round 2. Themed **Cup Noodles** and **Nissin Koikeya** Potato Chips featuring the head coach and several key football players have been launched for consumers to enjoy while watching the Asian Cup and the World Cup.

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 29 June 2023, the Company and Nissin Asia entered into the Capital Transfer Agreement in relation to the Acquisition and Capital Contribution in Nissin Vietnam at a total consideration of approximately USD11.5 million. Upon completion of Acquisition and Capital Contribution which took place on 10 July 2023 and 4 August 2023 respectively, Nissin Vietnam became a non-wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 29 June 2023 for details.

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

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

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2023, the total number of employees of the Group was 3,409 (31 December 2022: 3,274), with staff costs (excluding directors' remuneration) amounting to approximately HK\$705.5 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 C1 to the Listing Rules. The Company has complied with code provisions as set out in the CG Code for the year ended 31 December 2023 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 D2 to the Listing Rules. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023, 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 2023 as set out in the preliminary announcement 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 26 March 2024. 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 C3 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

FINAL DIVIDEND

The Board recommends payment of a final dividend of 15.82 HK cents per share in respect of the year ended 31 December 2023 to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 17 June 2024. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 5 June 2024 (the "AGM"), the proposed final dividend will be paid to the Company's shareholders on 27 June 2024.

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 31 May 2024 to 5 June 2024 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 30 May 2024.

For the purpose of determination of entitlements to final dividend, the register of members of the Company will be closed from 13 June 2024 to 17 June 2024 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 12 June 2024.

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 2023 Annual Report of the Company will be available on the above websites and be despatched to shareholders of the Company in April 2024.

By order of the Board

Kiyotaka Ando

Chief Executive Officer and Executive Director

Hong Kong, 26 March 2024

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