日清食品有限公司
NISSIN FOODS COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
Stock Code: 1475

ANNUAL REPORT 2019

Amid the ever-changing global environment and market conditions, we, at Nissin Foods, continue to serve.

We take on the challenges like what our founder Mr. Momofuku Ando did 6 decades ago, when he invented instant noodles to tackle the problem of food shortage. From there onwards, we take pride in delighting and surprising our stakeholders and consumers with our food products and innovation. We humbly take it as part of our corporate social responsibility in ensuring the stable and reliable supply of quality food products, at all times.

In face of the multifold challenges, we will only work even harder. We work even harder to embrace the changes and seize the opportunities. We continue to explore and develop new flavours, new noodles, new packaging, new products and new businesses. The ability to keep serving and keep creating is testimony to the strength and resilience of the Group and our people in embracing the ever-changing environment.

At Nissin Foods, we keep serving you.

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Keep Delivering


Granola and Snacks
Frozen Foods

CHAIRMAN'S STATEMENT

"We continued to deliver an outstanding performance with improved profitability in 2019. This is testimony to the strength and resilience of the Group. Against the multitude of challenges ahead, we consider it our responsibility in ensuring the stable and reliable supply of quality food at all times. Thus, we will continue to invest in talents and businesses to further strengthen our overall competitiveness to attain sustainable growth."

DEAR SHAREHOLDERS,

On behalf of the board of directors ("the Board") of Nissin Foods Company Limited (the "Company"), I am delighted to present the Annual Report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

The Group achieved an outstanding performance in 2019. In particular, the revenue for PRC operation (recorded in RMB basis) achieved a double-digit growth for the second consecutive year while profit attributable to owners of the company increased by 22.2% over that of the last fiscal year. Although continuous social unrest in Hong Kong and trade friction between China and United States negatively impacted general business condition, consumption upgrade in the PRC remained unchanged thus benefiting the Group's sale. Against the backdrop favourable to the Group, we have delivered unique, innovative and diversified products, including Cup Noodles (合味道) and Demae Iccho (出前一丁) through expanded distribution channels and business territories so as to provide added values and delights to our stakeholders including customers and shareholders.

I anticipate the spread of novel coronavirus globally is likely to dampen the economic situation in 2020. However, the Group continues to invest in talents and businesses, promote localisation in business and management, strengthen the competitiveness, and aim for sustainable profit growth. The Group will endeavour to maintain and improve the confidence and trust of shareholders at the same time.

Lastly, with our top managements and employees, I share the beliefs of our founder, Mr. Momofuku Ando, which are also our management philosophies, being "Peace will come to the world when there's enough food (『食足世平』)", "Create foods to serve society (『食創為世』)", "Eat wisely for beauty and health (『美健賢食』)", and "Food related jobs are sacred profession (『食為聖職』)". Based on these beliefs, the Group is also fully committed to ensuring stable food supply to the society even under challenging situation.

HOW WE WANT TO CHANGE THE SOCIETY AND COMMUNITY?

We wish to further integrate Nissin brand instant noodles and other products into our customers' food habit and culture in Hong Kong and China.

To meet the growing expectation and needs of customers, we strive to keep up with the evolving market and the changing tastes and preference of consumers. Despite constant change in our economy, we will continue to work steadily with complete dedication to ensure excellent food safety and deliver high quality offering in order to give our customers peace of mind. At the same time, we will introduce new joyful delights and surprises to enrich our customers' lives. In delivering these core values through our product offerings, we are confident that our revenue and margin will continue to improve.

ACTION PLAN

In the core business, the Group will continue to evolve instant noodles products by developing new innovative products and enhancing the quality of instant noodles in order to convey new instant noodles offerings to customers. Also, we will continuously facilitate in-house production thereby further lower the cost of sales.

The non-instant noodle business, including granola products, Kagome brand products, potato chips and others, will contribute to business performance as the second pillar of the Group's business, sharing the Group's shared service platform and distribution network with core business. We will further reinforce sales in granola products, Kagome brand fruit and vegetable juices products and others.

株主の皆様へ

日清食品有限公司の董事会を代表して2019年度年次報告書を慶んでご報告申し上げます。

19年度の当社グループ事業は、ある一定の良い成果を上げました。特に中国では人民元ベースで2期連続の2桁売上成長を達成し、一方当社の株主に帰属する当期純利益は前年比22.2%の増加となりました。

香港の社会情勢不安や米中貿易摩擦により経済環境に様々な悪影響が生じています。しかし中国における購買力向上の傾向に変化はなく、当社の売上成長に寄与しました。

この様な状況の下、お客様や株主などのステークホルダーに新しい価値と新たな楽しみを提供すべく、卸店網や販売地域の拡大によってカップヌードルや出前一丁等多様な製品をお届けしました。

新型コロナウイルスの世界的な蔓延により20年度の経済環境が更に悪化することが予想されています。前年度と同様に、人と事業への投資を継続し、現地化を進め、競争力を強化し、持続的な利益成長を目指します。そして、株主の信頼の維持と向上に努めていきます。

最後に、私は日清食品グループの経営哲学であり、創業者安藤百福の創業精神である『食足世平』、『食創為世』、『美健賢食』、『食為聖職』を経営陣及び従業員一同と共有し、この厳しい社会情勢の下、社会的使命感を持って食品供給に責任をもって挑んで参ります。

実現したい社会

香港と中国の消費者の生活、習慣の中に当社の製品をもっと浸透させていきたいと願っています。

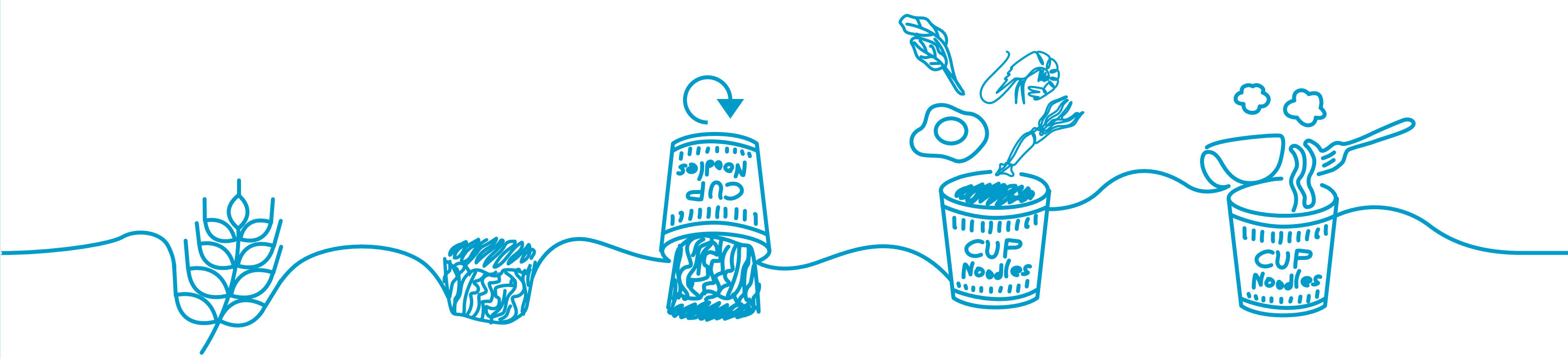
豊かさは時代によって変化します。
1つは安全性と安心を与えること。
1つは楽しさと驚きを与えること。
これらが実現できれば、消費者からの評価として売上と利益の成長を実現できると信じています。

具体的な方針

基幹事業である即席麺事業は、消費者の皆様に即席麺の魅力を伝えるため、品質の向上を持続し、革新的な新製品を開発し、即席麺を進化させていきます。更に内製化を進め、継続的なコスト削減を進めていきます。

非即席麺事業は、グループ共通のプラットフォームや卸店ネットワークを活用します。グラノーラやカゴメ野菜ジュースの販売を強化し、更に輸入製品の卸店ビジネスを進化させ、即席麺事業に次ぐ基幹事業にしていきます。

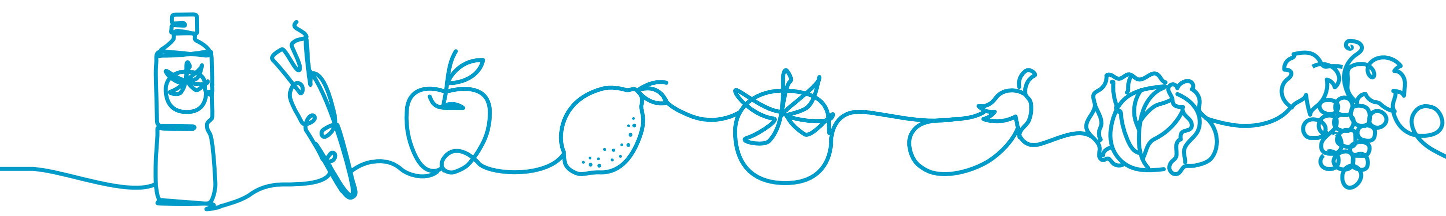
Kiyotaka Ando
Chairman



FINANCIAL HIGHLIGHTS

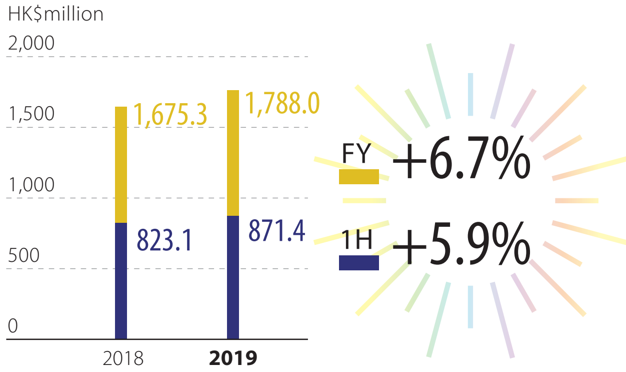
KEY HIGHLIGHTS

	FY2019 HK$ million	FY2018 HK$ million	+/-%
Revenue	**3,087.8**	2,998.8	3.0%
Gross Profit	**1,013.4**	933.4	8.6%
	32.8%	31.1%	
Profit attributable to owners of the Company	**251.0**	205.4	22.2%
	8.1%	6.9%	
Segment Results	**310.5**	261.3	18.9%
	10.1%	8.7%	
EBITDA	**455.4**	407.7	11.7%
	14.7%	13.6%	
Total Assets	**4,633.9**	4,444.4	4.3%
Net Assets attributable to owners of the Company	**3,589.6**	3,480.5	3.1%
Total Dividend per share (HK cents)	**11.7**	9.5	23.2%
Earnings per share (HK cents)	**23.36**	19.13	22.1%
Dividend Payout Ratio (%)	**50.1%**	49.7%	
Net Asset per share (HK$)	**3.34**	3.24	3.1%

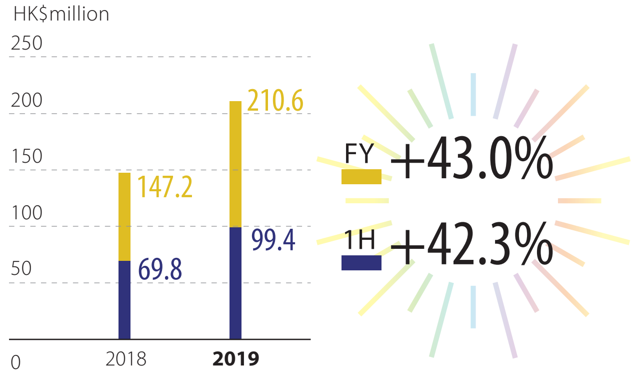


TRACK RECORD

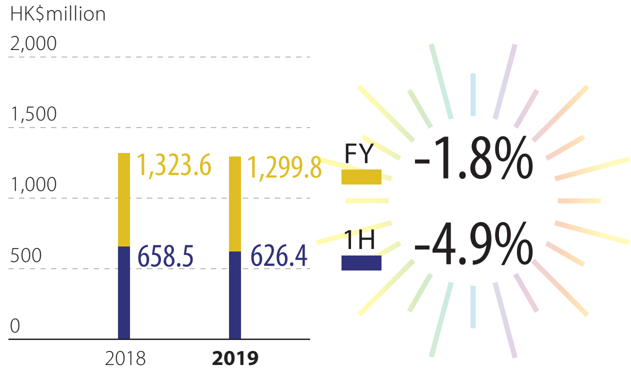
Revenue in China



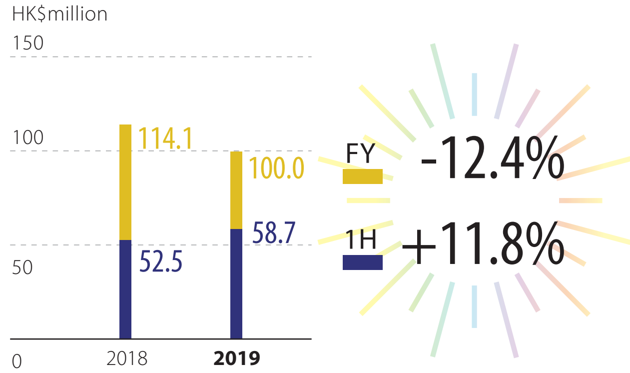
Segment Results in China



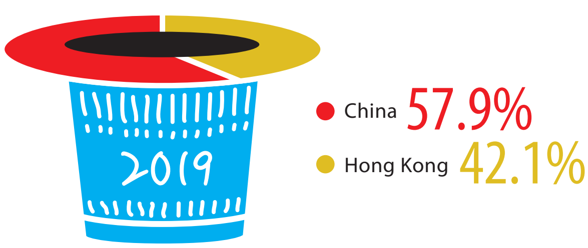
Revenue in Hong Kong



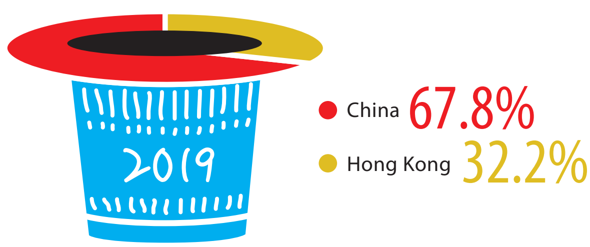
Segment Results in Hong Kong



Proportion of Revenue by Geographical Region



Proportion of Result by Geographical Region



Source: Segment Results

Keep Creating

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Nissin Foods Company Limited (the "Company") is pleased to announce the annual results for the year ended 31 December 2019.

KEEP SERVING THE ENCHANTING WORLD WITH PASSION AND ENTHUSIASM

Year 2019 was the worst of times! From the global perspective, geopolitical tensions were surrounding everywhere. Trade barriers were raised among different countries which ultimately led to a dampened global trade activities. Whilst in our operational market segments, the continual social unrest situation has created a rippling effect across various retail industries and the consumer sector. Thus, we witnessed a deterioration in the Hong Kong economy where the market officially went into recession in the latter part of the year, overturning the already slowing tide in the first half of 2019. In the PRC, the GDP growth was the lowest since 1990 and we also experienced a retail market sentiment where the purchasing power is polarised towards the two extreme ends.

However, year 2019 was also the best of times! The Company has made decent progress on its expansion in the PRC through broadening distribution channels and geographical landscape to bring our innovative and joyful products to a broader customer base. We are also glad to report that the Company has delivered a double-digit revenue growth (in local currency) for our PRC operations for two consecutive years, further reinforcing our commitment to and confidence in serving the PRC market. The profitability of our PRC operations also took off this year with an improved margin amid the sluggish economy, demonstrating our ability in strategic execution and goal accomplishment.

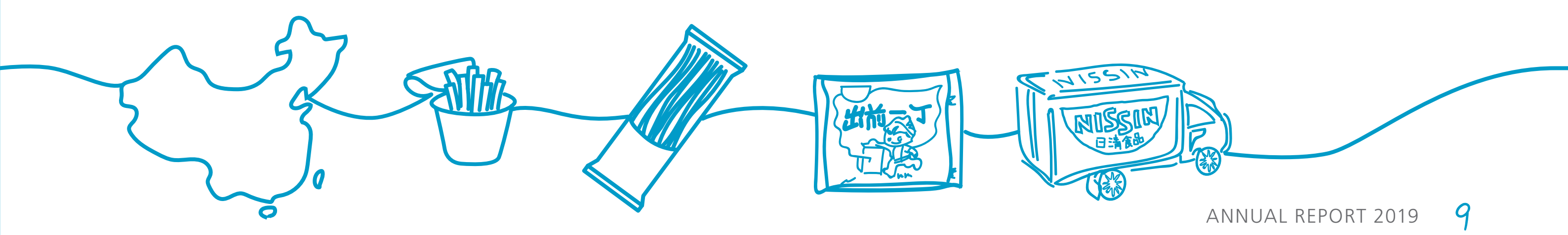
During the year, the Company has continued our investment journey to further enhance our production capability and expertise in order to prepare for the next stage of expansion. In addition to the investments being made in Granola and Bar Ramen production lines as announced in the first half year, as announced on 2 July 2019, the Company has made strategic equity investment in a company with a view of constructing new production facilities for manufacturing packaging materials in Zhuhai, the PRC, to complement our current packaging production in Dongguan, the PRC. In terms of localisation of business operation, further appointments have been made in Senior Management and management level with local talents who have better local knowledge in the competitive landscape for more efficient decision making.

As reported in the Interim Report 2019, on 14 May 2019, MSCI Inc. had added the Company to the ***MSCI Hong Kong Small Cap Index*** with effect from 28 May 2019 after the market close. The inclusion reflects investors unwavering trust in the Company and signifies the continuous efforts of the Group in enhancing shareholder value.

FINANCIALS

For the year under review, the Group has achieved an outstanding performance in its overall business with a stable result in Hong Kong and a promising accomplishment in the PRC amid the poor economic sentiment. Revenue increased by 3.0% to HK$3,087.8 million (2018: HK$2,998.8 million), primarily attributable to organic growth in sales volume of our premium instant noodles in the PRC throughout the year with expanded geographical coverage, partly offset by the negative impact of foreign exchange rate of Renminbi. Revenue contribution from Hong Kong operations, especially from the instant noodles business, has been prominent in the second half of the year under the turbulent environment, minimising the reduction in revenue in Hong Kong operations from the change in product portfolio in our MC Marketing & Sales (Hong Kong) Limited ("MCMS") distribution business as reported in the Interim Report 2019. Gross profit margin increased by 1.7 percentage point to 32.8% (2018: 31.1%), benefiting from better control in depreciation costs, raw material costs and operating fixed costs.

At Adjusted EBITDA level *(Note)*, the Group grew by 11.7% to HK$455.4 million (2018: HK$407.7 million), representing the Adjusted EBITDA margin of 14.7% for the year (2018: 13.6%). Profit attributable to owners of the Company increased by 22.2% to HK$251.0 million (2018: HK$205.4 million), representing the net profit margin of 8.1% for the year (2018: 6.9%). Profitability has been improved materially this year due to the improvement in operational efficiency in our production



as well as the result of localisation. During the year, the selling and distribution costs increased year-on-year as a result of our continual effort in recruiting the salesforce and enhancing our sales activities while the administrative expenses increased owing to the surge in professional related expenses. The Group's basic earnings per share increased to 23.36 HK cents for the year (2018: 19.13 HK cents).

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

As disclosed in the Annual Report 2018, the Group has adopted a dividend policy which aims to steadily increase or at least maintain the value of ordinary dividend per share annually in the future, dependent upon the financial performance and future funding needs of the Company. For the fiscal year of 2019, the Board has resolved to propose a final dividend of 11.7 HK cents per share (2018: 9.5 HK cents), representing a dividend payout ratio of 50.1% (2018: 49.7%) for the year.

BUSINESS REVIEW

Hong Kong Operations

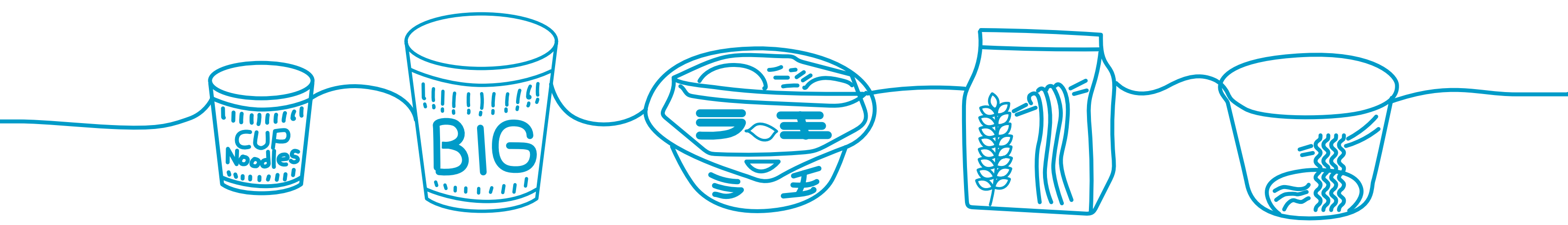
The retail sentiment in Hong Kong has been deteriorating since the second half of year 2018 and has shown no sign of recovery in anytime soon. As reported by the Census and Statistics Department of Hong Kong, retail sales value has been negative during the whole year of 2019 and dropped by 11.1% year-on-year. Most discretionary consumption spending, for instance, apparels, alcohols and jewelleries, have witnessed a double-digit decrease year-on-year while supermarket retail sales recorded a slightly positive of 0.7% growth for this year. Amid the likelihood for Hong Kong to slip officially into recession and the political tensions showing no sign of easing in Hong Kong since the second half of the year, the Company has anticipated a difficult environment for our Hong Kong operations for the full year under review.

Revenue from Hong Kong operations minimised the decrease to 1.8% at HK$1,299.8 million (2018: HK$1,323.6 million), as opposed to the 4.9% decrease reported in the first half of year 2019, mainly due to the reduction in revenue attributable to the change in product portfolio from the MCMS business, but offset by the positive growth in revenue from the core instant noodles business. In July 2019, the Company has adjusted its ex-factory price for the first time in the last decade for some of the container-type instant noodles in Hong Kong by a single-digit percentage point, in order to mitigate the mounting pressures from the rising cost of raw materials and other related operating expenses. Performance of the instant noodles business in Hong Kong has been promising subsequent to the price adjustment. Currently, revenue from the Hong Kong operations accounted for 42.1% (2018: 44.1%) of the Group's revenue.

As a result of the surge in administrative expenses, segment results for Hong Kong operations decreased by 12.4% to HK$100.0 million (2018: HK$114.1 million). Excluding the surge in professional fees in the administrative expenses this year, the segment results for ordinary business in Hong Kong operations would have exhibited positive growth.

This year, the Company has been focusing on upgrading product mix with the purpose to improve product offerings to customers who demand innovative and better quality products. We tried to broaden our product portfolio by speeding up the product roll-out in various categories with novel products so as to delight our customers.

In terms of instant noodles category, we have been passionate in enhancing and enriching our container type instant noodles offerings to various clientele. During the year, our product development team has been working vigorously in inventing original and authentic products to the market. Both our ***Cup Noodles*** and ***Cup Noodles BIG*** product lines have achieved satisfactory results with extended offerings to western flavours. In order to enhance customers' experience in enjoying restaurant-quality instant noodles at home, we have brought to you the famous, authentic and high-quality ***Nissin RAOH*** brand with four classic flavours of Black Garlic Oil Tonkotsu Flavour, Spicy Tonkotsu Flavour, Rick Chicken Soup Flavour and Dandan Mian Flavour in bowl type in Hong Kong.



Continual effort has also been made to enhance package noodles' portfolio. During the year, the Company has already commenced the production of ***Bar Ramen*** and ***Bar Udon*** with our enhanced ramen production line as announced in March 2019, offering a total of 8 SKUs in 2019. With our excellence in product development and advancement, ***Nissin Frozen Ramen*** and ***Nissin Frozen Udon*** have been launched to cater to customers who prefer home-made quality products.

In terms of non-instant noodles category, the Company has made decent progress in offering healthier products to health-conscious customers. In January 2019, the Company has commenced the production and sale of made-in-Hong Kong granola products in Hong Kong. With closer proximity to the local market and an increasing customers' demand for healthy products, we recorded a revenue growth in the granola products this year.

Kagome brand has also contributed meaningfully in year 2019, thanks to the broader channel exposure in convenience stores and supermarkets, as well as selected channels in bakery shops and kiosks. The Company sees future potential of the ***Kagome*** fruit and vegetable juices products in the local market as customers begin to consider natural and healthy diet for regular consumption.

The PRC Operations

The retail consumption has been fragmented in the PRC for the year under review. While the retail sales continued to grow by 8.0% for the year 2019, as reported by the National Bureau of Statistics of the PRC, the instant noodles market demonstrated a diverse growth pattern during the year. Competition has been benign in the premium instant noodles market where market players continued to upgrade their brand and product quality whilst in the affordable noodles market, we observed a relatively fierce competition in the market.

For the year under review, the Company continued to maintain its double-digit revenue growth pace (in local currency basis) for two consecutive years. Revenue increased by 6.7% (in local currency: 10.9%) from HK$1,675.3 million to HK$1,788.0 million, thanks to the continual consumption upgrade into the premium instant noodles segment as customers began to grasp the added-value in the premium products. ***Cup Noodles*** has been particularly successful in the Eastern region while we achieved a bright exposure for our ***Cup Noodles BIG*** in the Southern China. During the year, the Company continued to focus on channel expansion in the Southern, Northern and Western regions of the PRC. The Company has witnessed organic growth for our signature brands with a broader reach in our key operating regions. In particular, in Eastern China, we have successfully expanded our business activities and territory to the broader market of Shanghai and further extension to nearby provinces such as Zhejiang and Jiangsu. Currently, revenue from the PRC operations accounted for 57.9% (2018: 55.9%) of the Group's revenue.

The profitability of our PRC operations maintained similar growth momentum compared to the first half of the year. Segment result increased by 43.0% to HK$210.6 million (2018: HK$147.2 million), representing a segment margin improvement by 3.0 percentage point from 8.8% to 11.8%. The improvement in segment results can be attributable to the efficiency enhancement in relation to the increment in sales volume, the stringent control in production costs as well as benefits associated with the governmental stimulus measures introduced in year 2019.

As announced in July 2019, the Company has entered into an equity transfer agreement with Grandview China Holdings Limited (the "Seller") and its ultimate controlling shareholders, pursuant to which, Nissin Foods (China) Holding Company Limited, a wholly owned subsidiary of the Company, agreed to conditionally acquire the entire equity interest in 珠海聯智科技有限公司 (UNI-INTEC (Zhuhai) Scientific Technology Co., Ltd.*) (the "Target Company") (the "Acquisition"). All conditions to closing for the Acquisition have been satisfied and the transaction was completed on 30 December 2019. The Group intends to invest approximately RMB180 million to construct a new production plant on the site for the purpose of manufacturing packaging materials, which targets to complete the construction by year 2021. We expect the new production plant would enable the Group to better mitigate production costs and generate synergies with the Group's existing production facilities, as well as to capture the possibilities to collaborate with and achieve synergy with our controlling shareholder, Nissin Foods Holdings Co., Ltd..

To further enrich the brand equity of and extend the product offerings of ***Cup Noodles*** brand, ***Cup Noodles*** has utilised the online platform with collaboration with Sword Art Online, a popular Japanese animation, during the year on a series of crossover products and online animations that target the youth market in the PRC. Viewers of the animations can experience the characteristics of ***Cup Noodles*** products, i.e., without time limitation and space boundaries, and an enjoyable delicacy that can be consumed in one hand. In the second half of the year, we have also made available the production of ***Bar Ramen*** under ***Demae Iccho*** brand in the PRC for health conscious customers.

In terms of non-instant noodles category, the Company has commenced the production and selling of made-in-Hong Kong granola products in the PRC in the second quarter of 2019. As well, ***Kagome*** vegetable and fruit juices were also introduced into some parts of the PRC since the start of the year with satisfactory results.

SUBSEQUENT EVENT AFTER THE PERIOD

As set out in our announcement dated 23 January 2020, the Company and Ms. Liu Feng have entered into a shareholders' and cooperation agreement pursuant to which the said parties will form a joint venture company (the "JV Company"), which in turn will establish a wholly foreign-owned enterprise in Shanghai, the PRC (the "PRC WFOE").

The Company commenced the operation of its distribution business in Hong Kong with the acquisition of 51% stake of the MCMS in March 2017. Since the acquisition, MCMS distribution business has been servicing us in different forefront, including the enhanced business scale with the distribution of a variety of products in Hong Kong, as well as a training platform for improving our overall distribution capacity.

The JV Company and the PRC WFOE represent expansion of our distribution reach into the PRC where the PRC WFOE will engage in import and sale of Japanese brand food and beverage products in the PRC to satisfy the increasing customers' demand for those products, and target to commence the business in Shanghai by the second quarter of 2020. The Board believes that the strategic cooperation will enable the Group to further strengthen its business foundations in Shanghai, which is beneficial to the further growth and business development of the Group.

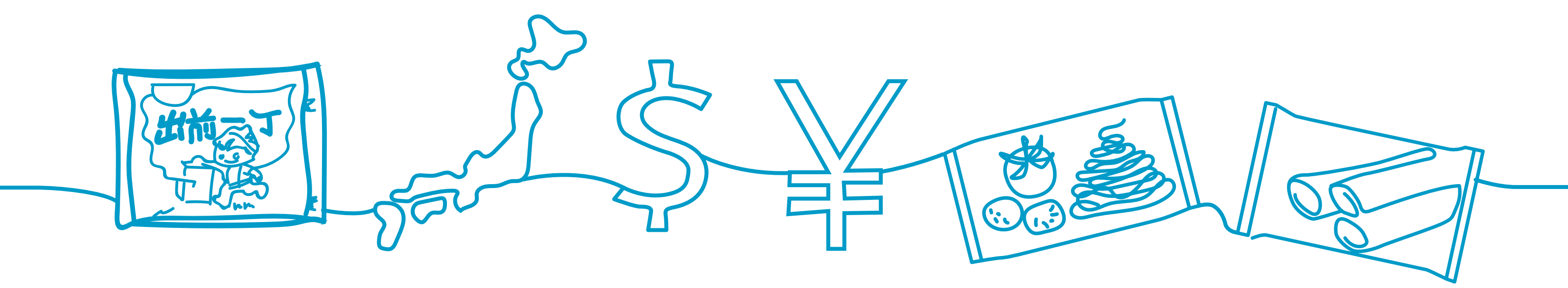
The Group is confident that the strategic partnership will offer a good opportunity to diversify its products and seek new revenue streams in the long run.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2019, total assets of the Group amounted to HK$4,633.9 million (31 December 2018: HK$4,444.4 million) and the total equity was HK$3,712.3 million (31 December 2018: HK$3,595.2 million). The Group's working capital was HK$2,136.0 million (31 December 2018: HK$2,126.7 million), represented by the difference between the total current assets of HK$2,995.2 million (31 December 2018: HK$2,922.7 million) and the total current liabilities of HK$859.2 million (31 December 2018: HK$796.1 million). The current ratio was 3.5 as at 31 December 2019 (31 December 2018: 3.7).

The financial position of the Group remained healthy with net cash of approximately HK$1,610.3 million (31 December 2018: HK$1,677.5 million) and HK$180.8 million (31 December 2018: HK$180.8 million) in available banking facilities as at 31 December 2019. The Group had no external borrowing and the gearing ratio was nil as at 31 December 2019 (31 December 2018: Nil).



Capital expenditure

The Group's capital expenditure was HK$283.6 million during the year under review (2018: HK$215.3 million), which was mainly due to the capital investments on the production plants in Hong Kong and the PRC and the net assets recognised of right-of-use assets in the acquisition of a subsidiary in the PRC.

Capital commitment

The Group had capital commitment in respect of acquisition of property, plant and equipment contracted for but not provided of HK$82.3 million as at 31 December 2019 (31 December 2018: HK$116.0 million).

Financial Risk Management

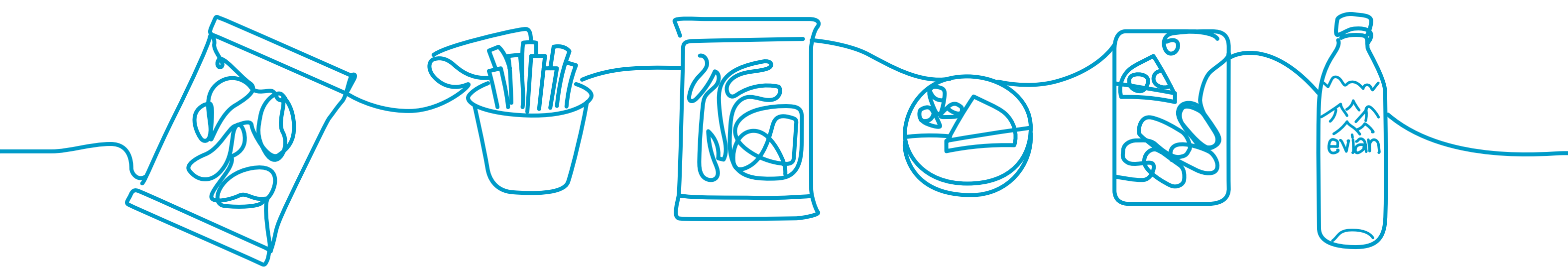
The Group had not entered into or trade in derivative financial instruments either for hedging or speculative purposes. The Company and its several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. As HK Dollar is currently pegged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

Contingent Liability

For the year under review, there has been no material development to the legal proceedings against the Company in respect of an alleged wrongful termination of distributorship of a former sub-distributor of our "Damae Iccho" instant noodles products (the "Proceedings") as disclosed in the prospectus of the Company issued on 29 November 2017 (the "Prospectus"). No provision for the claim in respect of the Proceedings was made by the Group and as at 31 December 2019, the Group had no material contingent liability (2018: Nil). For more details of the Proceedings, please refer to the section headed "Business – Legal proceedings and regulatory compliance – Particulars of claims against the Company as at the Latest Practicable Date" in the Prospectus.

Pledge of Assets

The Group did not have pledged assets as at 31 December 2019 (31 December 2018: Nil).



Use of Proceeds from Global Offering

The shares of the Company have been listed on the Main Board of the Stock Exchange since 11 December 2017 (the "Listing"). The total proceeds from the Global Offering involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK$950.8 million. As at 31 December 2019, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

According to the proposed applications of the proceeds set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the utilisation of the net proceeds from the Listing to 31 December 2019 was shown on the below table:

Usage disclosed in the Prospectus		Planned use of the net proceeds HK$ million	Utilised net proceeds up to 31 December 2019 HK$ million	Unutilised net proceeds up to 31 December 2019 HK$ million
Further expanding and upgrading production plants and facilities	45%	409.8	409.8	–
Further expanding sales and distribution network	10%	91.1	91.1	–
Enhancing research and development capabilities	5%	45.5	45.5	–
Partnerships and/or acquisitions	30%	273.2	69.7	203.6
Working capital	10%	91.1	66.0	25.1
Net Proceeds		**910.8**	**682.1**	**228.7**

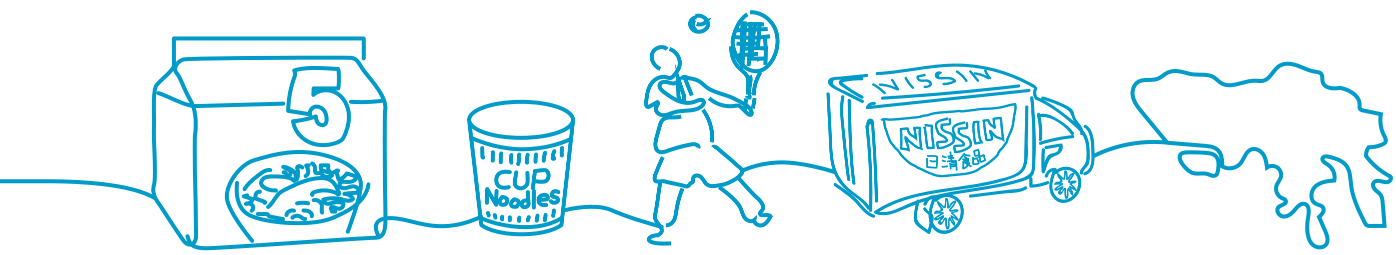
FUTURE PROSPECTS

We anticipate that the surge in unemployment rate due to shop closure, the decrease in number of tourists and the reduction in purchasing power attributable to the decrease in salary would continue to surround the community and pose increasing pressure for business operations for the Year of Rat in Hong Kong. In this challenging environment, the Company would always remember the spirit of our founder, Mr. Momofuku Ando, which says "Peace will come to the world when there is enough Food", to ensure stable food supply to the community.

For the PRC operations, the outbreak of the novel coronavirus covering substantially all provinces and municipalities since January 2020 exerts downward pressure towards most travel, entertainment and retail industries as a whole. Economic growth in the PRC might be dragged severely as a result of the suspension in industrial production and trade disputes disruption. Nonetheless, the Company expects a generally upward trend towards consumption upgrade into the premium instant noodles segment and the appealing of ***Nissin Brands***, and in particular ***Cup Noodles***, would enable us to expand further into different geographical coverage in the PRC. The Company would maintain our progressive approach towards expanding into the PRC, keeping a close eye on enhancing the brand equity and maintaining a premium pricing strategy. Additional efforts would be made to further localise our Company so as to become more responsive to the rapidly changing environment.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the total number of staff of the Group was approximately 3,450 (31 December 2018: 3,420) with staff costs (excluding directors' remuneration) amounting to HK$558.2 million for the year. Remuneration package is determined with reference to the individual performance, qualification and experience of employees concerned and prevailing industry practice. The Group provides mandatory provident fund entitlement to Hong Kong's employees.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kiyotaka Ando
Mr. Toshimichi Fujinawa
Mr. Shinji Tatsutani
Mr. Kazuo Kawasaka
Mr. Munehiko Ono

Non-executive Director

Mr. Tong Ching Hsi *(resigned on 1 September 2019)*

Independent Non-executive Directors

Dr. Sumio Matsumoto
Mr. Junichi Honda
Professor Lynne Yukie Nakano

AUDIT COMMITTEE

Mr. Junichi Honda *(Chairman)*
Dr. Sumio Matsumoto
Professor Lynne Yukie Nakano

REMUNERATION COMMITTEE

Mr. Junichi Honda *(Chairman)*
Mr. Kiyotaka Ando
Dr. Sumio Matsumoto

NOMINATION COMMITTEE

Mr. Kiyotaka Ando *(Chairman)*
Dr. Sumio Matsumoto
Mr. Junichi Honda

COMPANY SECRETARY

Mr. Lo Tai On

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

CFN Lawyers in association with Broad & Bright
Broad & Bright Law Firm

SENIOR MANAGEMENT

Mr. Hijiri Fukuoka *(resigned on 1 September 2019)*
Mr. Taiji Matsumura *(resigned on 11 March 2020)*
Mr. Satoshi Niibe *(resigned on 1 September 2019)*
Mr. Xi Xiaotong *(resigned on 11 March 2020)*
Mr. Takeshi Shigemi
Mr. Gen Matsunobu
Mr. Akifumi Aiba
Mr. Yutaka Komori *(appointed on 11 March 2020)*
Mr. Ying Li Feng
Mr. Katsunori Hiroi *(appointed on 1 September 2019)*
Mr. Takeshi Kikunaga
Mr. Tse Chi Ping Roy
Mr. Zhao Xiongda
Ms. Tang Yuen Man Amy *(appointed on 1 September 2019)*
Ms. Wong Wai Fong Blanche *(appointed on 1 September 2019)*

REGISTERED OFFICE

21–23 Dai Shing Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

11–13 Dai Shun Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong

PRINCIPAL BANKERS

Mizuho Bank, Ltd.
MUFG Bank, Ltd.

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CONTACT INFORMATION

Website: www.nissingroup.com.hk
Investor Relations Email: ir@nissinfoods.com.hk
Media Relations Email: pr@nissinfoods.com.hk

STOCK CODE

1475

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

From left to right:
Mr. Kiyotaka Ando, Mr. Toshimichi Fujinawa, Mr. Shinji Tatsutani, Mr. Kazuo Kawasaka, Mr. Munehiko Ono, Dr. Sumio Matsumoto, Mr. Junichi Honda, Professor Lynne Yukie Nakano

Mr. Kiyotaka Ando, aged 40, is Executive Director, Chairman of the Board and Chief Executive Officer. He is responsible for strategic planning and managing the overall business and operations of the Group. Mr. Ando joined the Group in March 2009 and has been a director of a number of subsidiaries of the Company. Mr. Ando obtained a Bachelor of Arts degree in Economics from Keio University in Japan in March 2004. Prior to joining the Group, Mr. Ando worked in Mitsubishi Corporation from April 2004 to December 2007. In January 2008, Mr. Ando joined Nissin Foods Holdings Co., Ltd. ("Nissin Japan") and its subsidiaries ("Nissin Japan Group") as the deputy general manager of marketing division and is currently a managing officer and chief representative, East Asia of Nissin Japan, and a director of two subsidiaries of Nissin Japan (both are non-executive in nature). Mr. Ando is the grandson of Mr. Momofuku Ando, who was the founder of Nissin Japan, the controlling shareholder of the Company as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Mr. Toshimichi Fujinawa, aged 60, is Executive Director. He is a director of Nissin Foods (H.K.) Management Company Limited, Winner Food Products Limited, Kagome Nissin Foods (H.K.) Co., Limited, Zhuhai Nissin Packaging Company Limited and Zhuhai Golden Coast Winner Food Products Limited ("Zhuhai Winner"), all of which are subsidiaries of the Company, and is responsible for overseeing and managing overall research and development functions of the Group. Before joining the Group, Mr. Fujinawa joined Nissin Japan in 1982 with his last position being the executive officer and deputy head of NISSIN Global Innovation Center of Nissin Japan. Between April 2008 and March 2014, Mr. Fujinawa served as deputy managing director of research and development division of the Company. Mr. Fujinawa has extensive experience in the fields of research and development related to food products. He obtained a Bachelor of Agriculture degree from Obihiro University of Agriculture and Veterinary Medicine in Japan in March 1982.

Mr. Shinji Tatsutani, aged 55, is Executive Director, and Chief Financial Officer of the Group. He is responsible for overseeing and managing overall finance functions of the Group. Mr. Tatsutani obtained a Bachelor of Economics degree from Osaka Prefecture University in Japan in March 1987. Mr. Tatsutani has over 28 years of experience in finance and accounting. Mr. Tatsutani joined Nissin Japan in April 1987 and worked in accounting division until November 1996. From November 1996 to March 2002, Mr. Tatsutani was assigned to Guangdong Shunde Nissin Food Co., Ltd. From March 2002 to March 2008, Mr. Tatsutani was re-assigned to Nissin Japan with his last position being manager in finance division. In March 2008, after re-joining the Group, Mr. Tatsutani has been a director of certain subsidiaries of the Company and is also a director of Nissin Shanghai Food Safety Institute.

Mr. Kazuo Kawasaka, aged 55, is Executive Director. He is a director of Nissin Foods (China) Holding Co., Ltd. ("Nissin China") and Zhejiang Nissin Foods Company Limited, both being subsidiaries of the Company, and is responsible for overseeing and managing operations of sales of "NISSIN (日清)" brand products in the PRC. Before joining the Group, Mr. Kawasaka joined Nissin Japan in 1988 with his last position being the assistant general manager in the marketing department of Nissin Japan. Between 2007 and 2015, Mr. Kawasaka has been a director of certain subsidiaries of the Group for overseeing the sales and marketing functions in the PRC. Mr. Kawasaka has extensive experience in the fields of sales, marketing and management. He obtained a Bachelor of Business Administration degree from Ritsumeikan University in Japan in March 1988.

Mr. Munehiko Ono, aged 52, is Executive Director, and Chief Production Officer of the Group. He is responsible for overseeing and managing overall production functions of the Group. Mr. Ono obtained a Bachelor of Agriculture degree from Tokyo University of Agriculture in Japan in March 1991. Before joining the Group, Mr. Ono joined Nissin Japan in April 1991 with his last position being deputy general manager. Between March 2007 and July 2011, Mr. Ono was assigned as the Company's director and plant manager. Mr. Ono re-joined the Group since January 2014 and has been a director of certain subsidiaries of the Company.

Dr. Sumio Matsumoto, aged 72, is Independent Non-executive Director appointed by the Company on 21 November 2017. Dr. Matsumoto obtained a Bachelor degree of Medicine from the School of Medicine of Keio University in Japan in March 1973 and further obtained a Doctor of Medicine degree from the same University in October 1981. From 1973 to 1984, Dr. Matsumoto worked in Keio University with his last position being teaching assistant of the School of Medicine. From 1980 to 1982, Dr. Matsumoto was employed by National Hospital Organization Kanagawa Hospital as surgeon. From 1982 to 2005, Dr. Matsumoto worked in Fujita Health University with his last position being the President of the Banbuntane Hotokukai Hospital of Fujita Health University. After his departure from Fujita Health University, Dr. Matsumoto worked in Tokyo Medical Center of the National Hospital Organization between 2005 and 2014, with his last position being the President.

Dr. Matsumoto is currently a member of the Promotion of New Strategy Expert Committee, an expert member of the Japanese Government Procurement Review Board, a member of the Next-generation Information and Communication Technology Council and an advisor of Ministry of Health, Labor and Welfare.

Mr. Junichi Honda, aged 73, is Independent Non-executive Director appointed by the Company on 21 November 2017. Mr. Honda obtained a Bachelor of Commerce degree from the Faculty of Business and Commerce of Keio University in Japan in March 1970 and obtained a Master degree majoring in management and accountancy from the Graduate School of Business and Commerce of the same University in March 1974. Mr. Honda was qualified as a Certified Public Accountant in Japan in 1980. He has over 37 years of experience in finance and accounting. In July 1974, Mr. Honda joined Chuo Kaikei Jimusho Audit Firm as an accountant. From October 1983 to March 1987, Mr. Honda worked as an accountant in Deutsche Treuhand Gesellschaft Audit Firm. From April 1987 to December 2011, Mr. Honda worked in Deloitte Touche Tohmatsu with his last position being a partner.

Mr. Honda served as guest professor of the Graduate School of International Accounting of Chuo University, teaching international accounting course from April 2002 to March 2007. From April 2010 to March 2012, Mr. Honda served as a part time instructor of the Graduate School of Management of Tamagawa University. From August 2015 to July 2016, Mr. Honda served as an examiner of the disciplinary board of the Japanese Institute of Certified Public Accountants. He is currently a director of Hattori Gakuen, Incorporated School Institute.

Professor Lynne Yukie Nakano, aged 55, is Independent Non-executive Director appointed by the Company on 21 November 2017. Professor Nakano obtained a Bachelor of Arts degree from Carleton College in 1987, a Master of Philosophy degree from Yale University in the United States in 1990 and a Doctor of Philosophy degree in 1998 from the same University. Since August 1995, Professor Nakano has been working in The Chinese University of Hong Kong and is currently a professor at the department of Japanese studies.

SENIOR MANAGEMENT

Mr. Takeshi Shigemi, aged 57, joined the Group in March 2014 and is currently director in Nissin Foods (H.K.) Management Co., Ltd, in charge of administration, public relations and business planning functions. In March 2014 he was first appointed as senior executive officer for sales in southern China of the Group, responsible for overseeing and managing overall sales in southern China of the Group. From April 2017 to March 2018, Mr. Shigemi was responsible for overseeing and managing overall sales in eastern China of the Group and his title was changed to senior executive officer for sales in eastern China. He graduated from the Chinese language curriculum of Kyoto Sangyo University in Japan in March 1985. He has nearly 26 years of experience in sales and marketing. From April 1985 to August 2013, Mr. Shigemi worked in Panasonic Corporation (previously known as Matsushita Electric Industrial Co., Ltd), with his last position being head of the marketing division. From August 2013 to March 2014, Mr. Shigemi was the manager of the marketing division of Nissin Japan.

Mr. Gen Matsunobu, aged 49, joined the Group in March 2010 and is currently general manager of marketing for mainland China, responsible for overseeing and managing product planning and marketing of the Group. Mr. Matsunobu graduated from the Department of Biochemical Science and Technology, Faculty of Agriculture, Kagoshima University in Japan in March 1994 and further obtained a Master of Agriculture degree from the same University in March 1996. From April 1996 to March 2010, Mr. Matsunobu worked in Nissin Japan, with his last position being a supervisor in the marketing division.

Mr. Akifumi Aiba, aged 44, joined the Group in March 2012, was appointed as a director of Nissin Foods (China) Holding Co., Limited in September 2019, responsible for overseeing and managing all functions in southern China of the Group. Mr. Aiba is also a director of a number of the subsidiaries of the Company. Mr. Aiba obtained a Bachelor of Business Administration degree from Kyoto Sangyo University in Japan in March 1999. From April 1999 to March 2012, Mr. Aiba worked in Nissin Japan and performed various roles in the marketing and sales functions. From March 2012 to September 2019, he worked in the Group, with his last position being managing director of Zhuhai Winner.

Mr. Yutaka Komori, aged 56, joined the Group in October 2019 and was appointed as senior executive officer for sales in northern China of the Group in March 2020, responsible for overseeing and managing overall sales in northern China region. Mr. Komori was the deputy head of northern China Business from October 2019 to March 2020. Mr. Komori obtained a Bachelor of Law degree from Waseda University in Japan in March 1986. Prior to joining the Group, Mr. Komori worked in Mitsubishi Corporation from April 1986 to September 2019, with his last position being the general manager of overseas marketing group of Mitsubishi Shokuhin, a subsidiary of Mitsubishi Corporation.

Mr. Ying Li Feng, aged 60, joined the Group in April 2012 and was appointed as the assistant director of Nissin China, responsible for overseeing and managing Food Distribution Business of the Group. Mr. Ying obtained a diploma in Chinese (Secretarial Studies) from the Qingdao Technical College (previously known as Qingdao Technical Part-Time College) in the PRC in July 1990. Before joining the Group, Mr. Ying worked in Shanghai Liang Ling Logistics Co. Ltd. from April 2003 to March 2012 with his last position being general manager assistant and sales department general manager. Mr. Ying joined the Group in April 2012 and had subsequently performed various roles, including assistant director and/or sales planning manager and/or project manager of Nissin China Holding, sales manager in northern China and/or director and/or sales manager of Shanghai Nissin and the director, assistant manager and senior executive officer of the sales and management department of Zhuhai Winner.

Mr. Katsunori Hiroi, aged 46, is the chairman and managing director of Zhuhai Golden Coast Winner Food Products Limited and a director of Winner Food Products Limited, responsible for overseeing and managing overall business and operational matters. Mr. Hiroi obtained a Bachelor of Arts in International Relations from Ritsumeikan University in Japan in March 1996. Mr. Hiroi joined Nissin Japan in April 1996 and worked in various roles in marketing and sales function until March 2013. He joined the Group in March 2013 and was assigned as a director of the Company until May 2015. From May 2015 to September 2019, he was the deputy managing director of Nissin Foods (Thailand) Co., Ltd.. He rejoined the Group in September 2019.

Mr. Takeshi Kikunaga, age 47, joined the Group in March 2014 and is currently deputy managing director in Nissin Foods (H.K.) Company Limited, responsible for overseeing the sales functions in Hong Kong. He joined Nissin Japan in April 1997 and performed various sales and marketing positions in Nissin Japan until March 2014. Mr. Kikunaga obtained a Bachelor of Engineering degree from Aoyama Gakuin University in Japan in March 1997.

Mr. Tse Chi Ping Roy, aged 59, joined the Group in January 2008 and is currently a senior executive officer for sales in Nissin Foods HK, responsible for overseeing and managing the sales functions of Nissin Foods HK. Mr. Tse obtained an Honours Diploma in Business Management from the Hong Kong Baptist University (previously known as Hong Kong Baptist College) in November 1985 and obtained a Master of Business Administration degree from the Open University of Hong Kong in June 2002. Before joining the Group, Mr. Tse worked as the key account manager in sales department in A.S. Watson & Company Limited. He has accumulated 33 years of experience in sales and marketing having previously worked under sales department in various paper companies and trading companies.

Mr. Zhao Xiongda, aged 50, joined the Group in February 2001. He is currently the general manager for sales in western China of the Group, responsible for overseeing and managing overall sales. Mr. Zhao obtained a Bachelor of Engineering degree in enterprise management from Shanghai University of Engineering Science in July 1991. Before joining the Group, Mr. Zhao worked for Pepsi Cola, US Campbell's and other food manufacturing companies. He has extensive experience in food sales and marketing.

Ms. Tang Yuen Man Amy, aged 54, joined the Group since September 2003. She is currently the general manager of quality management department, responsible for overseeing and managing overall quality management matters of the Group. Ms. Tang obtained Bachelor of Science degree and Master of Quality Management degree from Hong Kong Polytechnic University in 1992 and 1998 respectively. Ms. Tang was responsible for lab testing and quality management work of edible oil factory and refinery under Hop Hing Group during 1988-2003 before she joined the Group.

Ms. Wong Wai Fong Blanche, aged 48, joined the Group in May 2018. She is currently the general manager of public relations department, responsible for overseeing corporate affairs, media relations, customer care centre, community relations, and internal communication of the Group. Ms. Wong obtained a Bachelor of Social Sciences in Communication (Journalism) degree from the Hong Kong Baptist University in 1994 and a Master of International and Public Affairs degree from the University of Hong Kong in 2005. She started her career as a court reporter and then spent five years in the marketing of U.S. produce in the PRC and Hong Kong. She began serving as an in-house public relations professional since 2004. Prior to joining the Group, she was the vice president, Group Strategic Marketing and Communications of DBS Bank (Hong Kong) Limited from June 2010 to February 2017, and served as the secretary-general of Social Enterprise Summit from February 2017 to May 2018.

CORPORATE GOVERNANCE REPORT

The Company is committed to the maintenance of good corporate governance practices, with reference to the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules on the Stock Exchange. The Board is of the opinion that during the year, the Company had complied with the code provisions as set out in the CG Code except for the following deviation:

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

In order to maintain good corporate governance, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

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 as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company that they have complied with the required standard set out in the Model Code during the year. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code, each Director is required to notify the Chairman of the Board in writing and obtain a written acknowledgement from the Chairman or designated director prior to any dealings in the Securities. Relevant employees of the Company are also bound by the Model Code, which prohibits them to deal in the Securities at any time when they possess inside information.

THE BOARD

Board Composition

During the year and up to the date of this annual report, the Board comprises the following Directors:

Executive Directors

Mr. Kiyotaka Ando *(Chairman and Chief Executive Officer)*
Mr. Toshimichi Fujinawa
Mr. Shinji Tatsutani
Mr. Kazuo Kawasaka
Mr. Munehiko Ono

Non-executive Director

Mr. Tong Ching Hsi *(resigned on 1 September 2019)*

Independent Non-executive Directors

Dr. Sumio Matsumoto
Mr. Junichi Honda
Professor Lynne Yukie Nakano

The biographies of all Directors are set out in the section headed "Board of Directors and Senior Management" of this annual report. The Company publishes and maintains on its website and on the Stock Exchange's website an updated list of the Directors identifying their roles and functions. The Chairman is responsible for formulating business strategies and providing leadership to the Board, ensuring effective running of the Board, including that all appropriate issues are discussed by the Board in a timely manner. The Chairman ensures that all Directors are properly briefed on issues arising at the Board Meetings and receive adequate, complete and reliable information. The Chairman also encourages each of the Directors to participate actively in and to make a full contribution to the Board's affairs so that the Board acts in the best interest of the Company.

During the year, the Board at all times has met the requirement of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors. The Nomination Committee has assessed their independence based on the guidelines in accordance with Rule 3.13 of the Listing Rules, and the Company considered them to be independent.

The Independent Non-executive Directors come from diverse business, varied background and experience. Through the participation in the Board Meetings and various Committee Meetings, the Independent Non-executive Directors bring in independent judgment, extensive experience and valuable contribution to the Board. The Board believes that the composition of Executive Directors and Independent Non-executive Directors is reasonable and adequate to provide sufficient balances that protect the interests of the shareholders and the Group as a whole.

THE BOARD AND MANAGEMENT

The Board is responsible for the overall management of the Group. It oversees the Group's businesses, strategic decisions, internal control, risk management and performances. The management team is delegated with the authority and responsibility by the Board for the daily management of the Group. The delegated functions and work tasks are periodically reviewed. Major corporate matters that are specifically delegated by the Board to the management including: (1) the preparation of interim and annual reports and announcements for the Board's approval before publishing; (2) implementation of adequate risk management and internal control systems; and (3) compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives. There is a procedure agreed by the Board to ensure the Directors, upon reasonable request, to seek the independent professional advice in appropriate circumstance, at the Company's expenses.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. The Directors with various professional qualifications, experience and related financial management expertise have contributed to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders. Hence, the Board believes that the current Board composition satisfies with the corporate governance requirements with regard to the balance of expertise, skills and experience as well as the ongoing development and management of its business activities.

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. The Directors may participate either in person or through electronic means of communications. The Directors are given an opportunity to include matters for discussion in the agenda. At least 14 days' notice prior to the date of regular Board Meeting is given to the Directors and the agenda together with Board papers are normally sent to them at least three days before the intended date of a Board Meeting. Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the next Board Meeting for approval. All minutes are kept by the Company Secretary and are open for inspection by any Director.

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be held as least four times a year. The Board convened six meetings during the year.

Save for the family relationships disclosed in the Board of Directors and Senior Management of this annual report, the Directors do not have any material financial, business or other relationships among members of the Board. Should a Director has a potential conflict of interest in a matter being considered at the Board Meeting, he or she will abstain from voting and the Independent Non-executive Directors will be present on dealing with such conflict of interest issues.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy of the Company (the "Board Diversity Policy") which specifies the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy provides that the Company should endeavour to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and will disclose in the corporate governance report about the implementation of the Board Diversity Policy on annual basis.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the members of the directors and senior management by band for the year ended 31 December 2019 is set out below:

Emoluments	Number of Personnel
Nil to HK$1,500,000	16
HK$1,500,001 to HK$2,500,000	5
HK$2,500,001 to HK$3,500,000	1
HK$4,500,001 to HK$5,500,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 12 and 13 to the consolidated financial statements of this annual report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Executive Directors has entered into a term of three years of service contract with the Company. Either party has the right to terminate the respective service contract with not less than three months' written notice. Each of the Independent Non-executive Directors has entered into an appointment letter with the Company for a term of three years. Pursuant to the articles of association of the Company (the "Articles of Association"), all directors are required to retire from office by rotation at annual general meeting.

In compliance with Code Provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by the shareholders at the first general meeting after their appointment. By virtue of Article 112 of the Articles of Association, the directors may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed as the maximum number of directors. A director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at the meeting. All directors are subject to retirement by rotation at least once every three years.

Pursuant to Article 107 of the Articles of Association, at each annual general meeting, one-third of the directors (including the managing director) or, if their number is not three or a multiple of three, the number which is nearest to and is at least one-third, shall retire from office by rotation. A retiring director shall be eligible for re-election. Accordingly, Mr. Kiyotaka Ando, Mr. Munehiko Ono and Professor Lynne Yukie Nakano will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to Article 112 of the Articles of Association, Mr. Toshiaki Sakai, being new Director appointed on 1 April 2020, shall hold office until the forthcoming annual general meeting and being eligible, shall offer himself for re-election.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment of director(s), each new director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. The Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. Pursuant to Code Provision A.6.5 of the CG Code, during the year, the Company has organized a seminar conducted by qualified professionals and has provided updates on the Group's business, operations, and financial information, as well as other information and briefings from time to time to all Directors.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. Such insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

1. develop and review the Company's policies and practices on corporate governance and make recommendations;

2. review and monitor the training and continuous professional development of directors and senior management;

3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

BOARD COMMITTEES

The Board has established three committees (the "Board Committees") and has delegated various responsibilities to the committees including the Audit Committee, Remuneration Committee and Nomination Committee. The Board Committees perform their distinct roles in accordance with their respective terms of reference which are available to shareholders on the websites of the Company and the Stock Exchange respectively. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek the independent professional advice in appropriate circumstances, at the Company's expense.

NOMINATION COMMITTEE

A Nomination Committee has been established by the Board on 21 November 2017 with specific terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to review the Board composition size and structure, making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors; and assessing the independence of independent non-executive directors. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange respectively.

The Nomination Committee comprises one Executive Director and two Independent Non-executive Directors, namely Mr. Kiyotaka Ando, Dr. Sumio Matsumoto and Mr. Junichi Honda. Mr. Kiyotaka Ando is the chairman of the Nomination Committee.

During the year, one Nomination Committee meeting was held to review the structure, size and composition of the Board and have concluded that members of the Board have possessed the expertise and independence to carry out the Board's functions and responsibilities and assess the independence of Independent Non-executive Directors.

The Board has adopted a nomination policy with effect from 1 January 2019. The nomination of candidate(s) is made in accordance with certain selection criteria: (a) reputation for integrity; (b) accomplishment and experience; (c) commitment in respect of available time and relevant interest; and (d) diversity in all aspects including but not limited to professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service, in assessing and selecting proposed candidates for directorship. The relevant procedures are set out in nomination policy for the Nomination Committee to follow subject to provisions in the Articles of Association and applicable Listing Rules. The Board recognizes the need for appointment or re-election of directors, the following nomination procedures should be followed:

(a) The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

(b) The Nomination Committee shall identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

(c) The Nomination Committee shall assess the independence of independent non-executive directors.

(d) The Nomination Committee shall make recommendations to the Board on the appointment or re-election of directors and succession planning for directors.

(e) Where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, the Nomination Committee should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting.

(f) The Board shall have the final decision on all matters in respect of the recommendation of candidates to stand for election or re-election at any general meeting.

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Board on 21 November 2017 with specific terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code and the majority of the members of the Remuneration Committee are Independent Non-executive Directors. The primary duties of the Remuneration Committee include making recommendations to the Board on the policy and structure for all Directors' remuneration, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange respectively.

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the Remuneration Committee and be determined at the discretion of the Board.

The Remuneration Committee comprises one Executive Director and two Independent Non-executive Directors, namely Mr. Kiyotaka Ando, Dr. Sumio Matsumoto and Mr. Junichi Honda. Mr. Junichi Honda is the chairman of the Remuneration Committee.

During the year, two Remuneration Committee meetings were held to review and make recommendations to the Board on the policy and structure for directors' and senior management's remuneration.

AUDIT COMMITTEE

An Audit Committee has been established by the Board on 21 November 2017 with specific terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee include the review and supervision of the Group's financial reporting system, risk management and internal control systems, review of the Group's financial information, overseeing the relationship with external auditor of the Company (including but not limited to making recommendation to the Board on appointment and/or removal of external auditor, approving the remuneration and terms of engagement of that external auditor, reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards), and overseeing the corporate governance and compliance matters. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange respectively.

The Audit Committee comprises three Independent Non-executive Directors, namely Dr. Sumio Matsumoto, Mr. Junichi Honda and Professor Lynne Yukie Nakano. Mr. Junichi Honda is the chairman of the Audit Committee.

During the year, five Audit Committee meetings were held to review the Group's financial results including the annual results for the year ended 31 December 2018 and the interim results for the six months ended 30 June 2019 before their submission to the Board and monitored the integrity of such financial statements.

BOARD AND COMMITTEE MEETINGS

The attendance records of each Director at the Board meetings, committee meetings and annual general meeting during the year are set out below:

	Meetings attended/held				
Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors					
Mr. Kiyotaka Ando	6/6	–	2/2	1/1	1/1
Mr. Toshimichi Fujinawa	6/6	–	–	–	1/1
Mr. Shinji Tatsutani	6/6	–	–	–	1/1
Mr. Kazuo Kawasaka	6/6	–	–	–	1/1
Mr. Munehiko Ono	6/6	–	–	–	1/1
Non-executive Director					
Mr. Tong Ching Hsi [Note]	3/4	–	–	–	1/1
Independent Non-executive Directors					
Dr. Sumio Matsumoto	6/6	5/5	2/2	1/1	1/1
Mr. Junichi Honda	6/6	5/5	2/2	1/1	1/1
Professor Lynne Yukie Nakano	6/6	5/5	–	–	1/1

Note: With effect from 1 Setpember 2019, Mr. Tong Ching Hsi has resigned as Non-executive Director.

ACCOUNTABILITY AND AUDIT

The Board has entire responsibility to ensure the integrity of the Group's accounting, financial reporting and the effective systems of risk management and internal control are in place.

Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of the Group's position and prospects in annual report, interim report, inside information and other disclosures required under the Listing Rules and other regulatory requirements. In addition, the Board, supporting by the finance functions of the Group, is responsible for overseeing the preparation of the consolidated financial statements for the year ended 31 December 2019 which shall give a true and fair view of the Group's financial position, financial performance and cash flows.

The Directors ensure that all applicable accounting standards have been followed to prepare the financial statements with appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and ensure the financial statements in compliance with the requirements of the Companies Ordinance and the Listing Rules.

The management has provided sufficient explanation and information of the Group's financial, operational performance as well as business development and also with management accounts and monthly updates to the Board to enable the Board to make an informed assessment of the Group's performance, financial position and Group's prospects to enable the Board and each Director to discharge their duties. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The Group recognises that the independence of an external auditor is a fundamental governance principle. External auditor provides the Board and shareholders an objective assurance on whether the financial statements fairly represent the financial position and performance of the Group in all material aspects.

The working scope and reporting responsibilities of the external auditor, Deloitte Touche Tohmatsu, are set out on pages 47 to 50 in the Independent Auditor's Report.

Risk Management and Internal Control

The Group has formulated and adopted the risk management policy in providing direction in identifying, evaluating and managing significant risks. The main features of the risk management processes comprise 5 core stages: (a) risk identification, (b) risk assessment and prioritisation, (c) risk response, (d) risk monitoring and (e) risk reporting.

The appropriate risk mitigation plans are determined based on the following risk responses:

– Acceptance: Risks are considered immaterial and acceptable based on Group's risk appetite and therefore no action is considered necessary.

– Reduction: Risks cannot be considered immaterial, actions such as controls have to be taken to reduce the impact and vulnerability to an acceptable level.

– Sharing: Risks cannot be considered immaterial and the Group itself cannot effectively reduce the risks to an acceptably low level, therefore a portion of the risks has to be transferred to or shared with other parties by insurance, outsourcing, etc.

– Avoidance: Risks are so significant that there is no measure both internally and externally to reduce the risk to an acceptable level, or involving unreasonably high cost to reduce the risk to an acceptable level. Therefore, activities giving rise to the risks should be avoided.

The Group has adopted the COSO ERM Framework, the "Top-Down" approach, in establishing its risk management framework, which consists of the Board, the Audit Committee, the Risk Management Taskforce and various departments within the Group.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The Board determines the nature and extent of risks that shall be taken in achieving the Group's business objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The role of Audit Committee is to assist the Board to oversee financial reporting, risk management and internal control systems of the Group and conduct independent annual review on the adequacy and effectiveness of the risk management and internal control systems.

The Risk Management Taskforce, which consists of key management staff, is to assist the Board and the Audit Committee in overseeing the risk management and internal control systems and ensures that sufficient resources are allocated to maintain the adequacy and effectiveness of such systems within the Group in order to reduce the risks or potential risks to acceptable levels when achieving the Group's objectives.

Each department is responsible for identifying, assessing and managing risks within its operation, ensuring that appropriate internal controls for effective risk management are implemented and any significant internal control deficiency is reported to the Risk Management Taskforce timely for a prompt mitigation action.

At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant. A risk management and internal control report is submitted to the Audit Committee and the Board at least once a year.

In addition, the Group has established the internal audit department to assist the Board and the Audit Committee to evaluate the Group's risk management processes and internal controls through internal audits. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed to the management for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken. Besides, the internal audit department submits a yearly report to the Audit Committee and the Board that summaries the findings and recommendations made during the year.

During the year, the Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, as required by Code Provision C.2 of the CG Code, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work and consideration of major investigation findings on risk management and internal control audit and management's responses to those findings; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considered the risk management and internal control systems of the Group to be effective and adequate in all material respects.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. External independent professional consultants will be engaged if the Board considers appropriate.

AUDITOR'S REMUNERATION

The Company has in place a formal policy on engaging non-audit services from its independent auditor to ensure that the independence and objectivity of the external auditor would not be impaired by its provision of any non-audit services to the Group.

During the year under review, the remuneration paid/payable to Deloitte Touche Tohmatsu is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit Services	5,676
Non-audit services	543
Total	6,219

DISSEMINATION OF INSIDE INFORMATION

The Board has implemented procedures and internal control for handling and dissemination of inside information. The Company has in place the inside information policy which sets down guidelines and procedures for directors and certain employees who, because of their office or position in the Company may from time to time encounter inside information (as defined in the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")), to ensure that they understand the principles underlying the obligations in order to comply with the disclosure requirements so that inside information is handled with prudence and disseminated to the public in equal and timely manner. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. The Group ensures the information is kept strictly confidential before the information is disclosed to the public, if the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group will immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading, or false or misleading through omission of a material fact with a view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

The Company's secretarial functions are outsourced to external services provider. Mr. Lo Tai On ("Mr. Lo") was appointed as the Company Secretary in March 2016. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants, with over 27 years of experience in the field of company secretarial services. According to Rule 3.29 of the Listing Rules, Mr. Lo has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2019.

Mr. Takeshi Shigemi, director of Nissin Foods (H.K.) Management Company Limited, who is responsible for overseeing and managing overall business planning, public relations and administration and compliance matters of the Company, is the primary contact person of the Company with Mr. Lo.

COMMUNICATION WITH SHAREHOLDERS

The Company has established shareholders' communication policy to ensure shareholders and the investment community to have equal and timely access to balanced and understandable information and allow shareholders to exercise their rights in an informed manner.

Information will be communicated to shareholders mainly through the Company's financial reports, annual general meeting and other general meetings as well as the published disclosures submitted to the Stock Exchange's and the Company's official websites.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by shareholders

Pursuant to Article 55 of the Articles of Association, the Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or in default, may be convened by such requisitionists, as provided by the Companies Ordinance. If at any time there are not within Hong Kong sufficient Directors capable of acting to form a quorum, any Director or any two or more members of the Company representing at least 10% of the total voting rights of all members having a right to vote at general meetings, may convene an extraordinary general meeting in the same manner as nearly as possible, as that in which meetings may be convened by the Directors.

Pursuant to Section 567 of the Companies Ordinance, the directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the Companies Ordinance and such meeting must be held on a date not more than 28 days after the date of the notice convening the general meeting.

Putting forward proposals at a general meeting

Pursuant to the Companies Ordinance, shareholders representing not less than one-fortieth of the total voting rights of all shareholders; or not less than 50 shareholders holding shares in the Company may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for putting forward a proposal at a general meeting.

Voting by poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

Sending enquiries to the Board by shareholders

Shareholders are welcome to send their enquiries and concern to the Board at the Company's headquarters at 11–13 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.

INVESTOR RELATIONS AND CORPORATE COMMUNICATION

The management of the Company is committed to meet with shareholders, institutional investors, research analysts and financial media regularly and make timely update on the financial and business performance and recent development of the Company. Investors are welcome to direct their enquiries to the Company's Investor Relations Department at ir@nissinfoods.com.hk. A dedicated Investor Relations section is also available on the Company's website (www.nissingroup.com.hk.) Information on the website is updated on a regular basis.

Investors and analysts briefings and one-on-one meetings, telephone conferences, roadshows, media interviews, marketing activities for investors and specialist industry forums will be conducted from time to time in order to facilitate communication between the Company, shareholders and the investment community. In 2019, the Company has conducted more than 320 meetings (2018: 220 meetings) with over 550 institutional investors (2018: 370 institutional investors) and research analysts in Hong Kong and elsewhere. During the year, the Company was covered by 13 investment banks (2018: 7 investment banks) and security firms to encourage mutual communication to the investment community.

Major Investor Relations Events in Financial Year 2019

2019	Event	Organiser	Location
Q1	DBS Pulse of Asia Conference	DBS	Singapore
	Non-Deal Roadshows	DBS	Singapore/Malaysia
	Post-result Roadshows	Daiwa	Hong Kong
	Post-result Roadshows	DBS	Hong Kong
	Post-result Roadshows	Nomura	Hong Kong
	Post-result Roadshows	CIMB	Hong Kong
	Post-result Roadshows	First Shanghai	Hong Kong
Q2	Daiwa Consumer & Gaming Conference 2019	Daiwa	Hong Kong
	Non-Deal Roadshows	China Securities International	Hong Kong
	Nomura Investment Forum Asia 2019	Nomura	Singapore
	Non-Deal Roadshows	CIMB	Malaysia
Q3	Non-Deal Roadshows	KGI	Taiwan
	Post-result Roadshows	DBS	Hong Kong
	Post-result Roadshows	Daiwa	Hong Kong
	Post-result Roadshows	Nomura	Hong Kong
	Post-result Roadshows	Mizuho	Hong Kong
	Non-Deal Roadshows	First Shanghai	China
Q4	Non-Deal Roadshows	Daiwa	London/Brussels/Paris
	Daiwa Investment Conference Hong Kong	Daiwa	Hong Kong
	Non-Deal Roadshows	Guoyuan	China
	Non-Deal Roadshows	Mizuho	New York/Chicago/San Francisco

Shareholders are also encouraged to access the corporate communication posted on the Company's website for better understanding of the Company.

CONSTITUTIONAL DOCUMENT

The Company has published the Articles of Association on the respective websites of the Stock Exchange and the Company. During the year, there was no change in the Company's constitutional document.

The Directors present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacture and sales of instant noodles and is the vehicle holding interest of its subsidiaries, whereas the Group is engaged in manufacturing and sales of noodles, retort foods, frozen foods, beverage products and snacks in Hong Kong and China. Analysis of the principal activities of the subsidiaries of the Company during the year ended 31 December 2019 is set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

DIVIDEND

The Company considers stable and sustainable returns to the shareholders to be its goal and endeavours to maintain a dividend policy to achieve such goal.

The Board has adopted a dividend policy with effect from 1 January 2019, which provides the guiding principles and procedures for making decisions on dividend payment. In deciding whether to propose dividends, and in determining the dividend amount, the Board shall take into account, inter alia: (i) the Group's unappropriated profits/earnings and the impact on the Group's long-term earning capacity; (ii) the Group's results of operations, earnings performance, cashflows, financial condition, future prospects, statutory and regulatory restrictions on the payment of dividends; and (iii) any other factors that the Board considers relevant.

The payment of dividend by the Company is also subject to any restrictions under the Articles of Association. The dividend policy will be reviewed periodically and when necessary in light of changes in circumstances and regulatory requirements. There is no assurance that a dividend will be proposed or declared in any specific periods.

The Board recommends the payment of a final dividend of 11.7 HK cents per share for the year ended 31 December 2019, which will not be subject to any withholding tax in Hong Kong. The final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 5 June 2020 and the final dividend will be distributed on 29 June 2020 to the shareholders whose names appear on the register of members of the Company on 17 June 2020.

BUSINESS REVIEW

Detailed business review of the Group during the year as required by Schedule 5 to the Companies Ordinance, including indication of likely future developments in the Group's business and analysis of the Group's performance using financial key performance indicators are set out in the sections headed Chairman's Statement, Management Discussion and Analysis and Five-year Financial Summary of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of risks and uncertainties facing by the Group may affect its performance, business operations or future prospects. Some of which are inherent to the specific circumstances of the Group and some are from the external threats or challenges. Major risks are summarised below.

Food Safety Risk

The Group's success depends on its branding and reputation, and consumers' recognition and their trust in its products. Food safety is the Group's lifeblood. Food safety incident may result in a serious damage to its reputation and loss of consumers' trust in its products. The profitability of the Group may be impacted as a result.

As a manufacturer of products intended for human consumption, the Group places high emphasis on food safety and quality management to ensure health and safety of its customers. All of the food production plants of the Group have acquired the ISO22000 Food Safety Management System accreditation and are also guided by the Internal Management Manual. Furthermore, the food safety management system of the production plant for frozen food products in Hong Kong has been upgraded and accredited with FSSC 22000 in early March 2019. Across different stages in its production process, the Group has put in place quality control procedures for raw materials and finished goods which are monitored by the food safety teams of the Group. In the event that quality issues arose after sales of products, the Group runs the tracking system to address such issues and would follow its product recall control procedures, if necessary.

The Group also conducts on-site inspections which cover manufacturing processes and hygiene management of raw material suppliers and contract manufacturers, confirming the procurement criteria and providing guidance to the suppliers and contract manufacturers for improvement.

In addition to maintain quality control at the production plants, Food Safety Evaluation & Research Institute Co., Ltd. located in Shanghai, the PRC, which the Group owns 5% stake and is accredited by the PRC National Accreditation Service for Conformity Assessment with ISO/IEC 17025, is supporting the Group to prevent food contamination and ensure quality and safety of raw materials and finished goods through the provision of food safety tests on its products and production facilities.

Moreover, the Group pays close attention to various food safety incidents of other food producers so as to establish a preventive measure, if necessary.

Labour Supply Risk

Due to keen competition in the labour markets in Hong Kong and the PRC, the ability to retain experienced and competent production workers is one of the key success factors for the Group. Ample control over turnover rate will not only minimise training and recruitment costs, but also reduce the impact on business expansion plans.

Employees are the most valuable assets of the Group. As part of the measures to mitigate the labour supply risk, the Group will continue to enhance production automation in order to improve efficiencies and reduce reliance on manual labour. The Group will also continue putting efforts to improve the working conditions of production sites and to launch engagement programs so as to increase employees' loyalty.

Business Competition Risk

There is an increasing number of competitors and products, both local and foreign brands, targeting different customer segments. The Company may face challenges in the market, which in turn, may impact on its profitability and return on investment.

The Group's success partly depends on its ability to anticipate, identify and react to changes in consumers' tastes, preferences, perceptions, income, lifestyle and health awareness and to offer, on a timely manner, new products that appeal to the customers. Its ability to continue to distinguish its products from its competitors is also one of the keys to success.

To suit different customers' preferences, the Group has been developing a collection of non-fried instant noodle products which offer a low fat and calorie option to the public. It has also started to produce granola products which are popular among the customers. In addition, it has also diversified into the distribution of Japanese-made vegetable and fruit beverage products in both Hong Kong and the PRC.

The Group continues to enhance its brand recognition and awareness among young generation through multi-faceted marketing strategies targeting younger generations and collaborates with renowned food shops to develop new flavored products with stylish designs.

RELATIONSHIPS WITH KEY STAKEHOLDERS

(i) Relationship with Customers

The Group places strong emphasis on establishing and maintaining strong and stable business relationships with its customers through its commitment to offer safe, tasty, differentiated and trendy products. It also stays connected with customers through channels like the Company's homepage, promotions, marketing materials and incentives, and social media to keep abreast of the changing consumer preferences.

(ii) Relationship with Distributors

The Group has developed a strong distribution network which in turn enables it to maintain a leading position in the market. In order to maintain a long term and stable business relationship with its distributors, the Group enters into distribution agreements with its major distributors under which the distributors place purchase order from time to time that typically set out the types, prices and quantities of products to be purchased.

(iii) Relationship with Suppliers

The Group procures a majority of raw materials from independent third-party domestic and overseas suppliers. It has different suppliers for each type of raw materials for both Hong Kong and the PRC operation to avoid over reliance on any single supplier.

Meanwhile, the Group procures a portion of raw materials such as soup base, seasoning and condiments from Nissin Japan with the belief that it has better quality control and some of the raw materials are unique.

The Group also carefully selects its suppliers by evaluating their overall track record, financial strengths, reliability, competitiveness, stability of supply, quality control measures, pricing as well as logistics arrangements. It also closely communicates with and monitors its suppliers and requires them to provide food safety certificates for their supply of raw materials.

(iv) Relationship with Employees

Employees are one of the greatest assets of the Group. As at 31 December 2019, the Group has a total of 3,450 employees in Hong Kong and the PRC. For the purpose of sustainable business development, the Group spares no efforts in recruiting talented professionals. It also provides continuing education and training programmes to employees so as to improve their skills and develop their potentials. The Group believes that the working environment and the supports and benefits provided to the employees have contributed to maintaining good working relationships.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company (the "Shares") were listed on the Main Board of the Stock Exchange on 11 December 2017 (the "Listing Date"). The total proceeds from the Listing involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK$950.8 million. During the year, the Group has applied the net proceeds according to the plans disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. We have been and will continue exploring strategic partnerships and/or acquisitions targets as part of our business development in Hong Kong and the PRC. Details of the use of proceeds are set out in the section headed "Management Discussion and Analysis" of this annual report.

SIGNIFICANT TREASURY INVESTMENTS

As at 31 December 2019, the Group held unlisted structured notes in an aggregate fair value of US$51.1 million (equivalent to approximately HK$397.8 million) ("Structured Notes") issued by a financial institution in Hong Kong. The Structured Notes are interest-rate linked instrument with enhanced interest rates which accrues interest based on accrual interest rate, and can be extended and rolled over on a monthly basis unless the Group exercises the right to redeem the Structured Notes on maturity date. The Structured Notes carried interest ranging from 2.3% to 3.6% per annum during the year (2018: 3.6%), and represented approximately 9.04% of the total assets of the Group as at 31 December 2019. The purchases of the Structured Notes were funded by internal resources of the Group as a cash management tool in order to utilise surplus fund to generate income and were conducted in accordance with the Company's established treasury policy to enhance returns for its shareholders.

Save as disclosed above, the Group had no significant investments of individual fair value of 5% or above of the Group's total assets during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's sales to its five largest customers accounted for 69.8% (2018: 69.7%) of the Group's total revenue and the largest customer accounted for 25.5% (2018: 26.7%) of the Group's total revenue. The Group's five largest suppliers accounted for 20.8% (2018: 20.9%) of the Group's total purchases and the largest supplier accounted for 7.2% (2018: 6.7%) of the Group's total purchases.

None of the Directors, their respective associates, or any of the existing shareholders who, to the best knowledge of the Directors owned 5.0% or more of the issued share capital of the Company, has a beneficial interest in any of the five largest suppliers or customers of the Group.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of HK$223.6 million, and property, plant and equipment with carrying values of HK$5.6 million were disposed.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit schemes are set out in note 37 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserve at 31 December 2019 amounted to approximately HK$546.2 million (2018: HK$508.6 million) which represented retained profits of the Company as at that date.

DIRECTORS

The Directors who held office during the year and up to the date of this annual report are:

Executive Directors

Mr. Kiyotaka Ando
Mr. Toshimichi Fujinawa
Mr. Shinji Tatsutani
Mr. Kazuo Kawasaka
Mr. Munehiko Ono

Non-executive Director

Mr. Tong Ching Hsi *(resigned on 1 September 2019)*

Independent Non-executive Directors

Dr. Sumio Matsumoto
Mr. Junichi Honda
Professor Lynne Yukie Nakano

Pursuant to Article 107 of the Articles of Association, at each annual general meeting, one-third of the directors (including the managing director) or, if their number is not three or a multiple of three, the number which is nearest to and is at least one-third, shall retire from office by rotation at the annual general meeting. A retiring director shall be eligible for re-election. Accordingly, Mr. Kiyotaka Ando, Mr. Munehiko Ono and Professor Lynne Yukie Nakano will retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Toshiaki Sakai, being new Director appointed on 1 April 2020, shall hold office until the forthcoming annual general meeting and being eligible, shall offer himself for re-election.

For the year ended 31 December 2019, Independent Non-executive Directors were appointed for specific term. All Directors are also subject to the retirement by rotation in accordance with the Articles of Association. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code, were as follows:

Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Kiyotaka Ando	Beneficial Owner	18,109,480[1]	1.69%
		164,160[2]	0.01%
Shinji Tatsutani	Beneficial Owner	21,920[2]	0.00%
Munehiko Ono	Beneficial Owner	16,400[2]	0.00%

Long position in the Shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Kiyotaka Ando	Nissin Japan	Beneficial owner	10,029[3]	0.01%
Toshimichi Fujinawa	Nissin Japan	Beneficial owner	1,262[4]	0.00%
Shinji Tatsutani	Nissin Japan	Beneficial owner	1,733[4]	0.00%
Kazuo Kawasaka	Nissin Japan	Beneficial owner	4,214[5]	0.00%
Munehiko Ono	Nissin Japan	Beneficial owner	3,511[4]	0.00%

Notes:

1. These Shares are held by Mr. Kiyotaka Ando directly in his personal name.

2. These Shares are the Shares granted by the Company pursuant to the Share Award Scheme as set out in note 34 to the consolidated financial statements.

3. Among 10,029 shares of Nissin Japan held by Mr. Kiyotaka Ando, 10,000 shares were held directly by him and 29 shares were held by a director share ownership association, namely 日清食品役員持株會, as a nominee of Mr. Kiyotaka Ando.

4. These Shares were held by an employee share ownership association, namely 日清食品従業員持株會, as a nominee of the respective Director.

5. Among 4,214 shares of Nissin Japan held by Mr. Kazuo Kawasaka, 1,900 shares were held directly by him and 2,314 shares were held by an employee share ownership association, namely 日清食品従業員持株會, as a nominee of Mr. Kazuo Kawasaka.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Listing Rules) has any competing interests directly or indirectly with the business of the Group which require to be disclosed as defined in the Listing Rules during the year.

SUBSTANTIAL AND OTHERS SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2019, so far as known to the Directors, the following person (not being a Director or chief executive of the Company) had interest or short position in the Shares or underlying shares which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the Shares

Name of Shareholder	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Nissin Japan	Beneficial owner	752,024,000	70.00%

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are carried out by the Company's subsidiaries in Hong Kong and the PRC while the Shares itself are listed on the Stock Exchange. The Group's operations are regulated by Hong Kong and the PRC laws. During the year ended 31 December 2019 and up to the date of this annual report, the Company has complied with the relevant laws and regulations that have significant impact in Hong Kong and the PRC. In particular, as a food and beverage manufacturer, the Group's operations are regulated by the food safety and environmental protection laws and regulations in Hong Kong and the PRC. During the year under review, the Group did not have any material non-compliance with such laws and regulations.

EQUITY-LINKED AGREEMENT

Save for the share award scheme disclosed in note 34 to the consolidated financial statements, no equity-linked agreement (as defined in section 6 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was entered into during the year or subsisted at the end of the year.

NON-COMPETITION CONFIRMATION

Nissin Japan (the controlling shareholder of the Company) has entered into a deed of non-competition in favour of the Company dated 21 November 2017 (the "Deed of Non-Competition") pursuant to Nissin Japan irrevocably undertaken, among other matters, not to, directly or indirectly sell any of its instant noodles, frozen foods, snack and confectionery products to Hong Kong, the PRC, Macau and Taiwan (i.e. the HK Group Territory) which would or may compete with the business of the Group. Details of the Deed of Non-Competition have been set out in the section headed "Relationship with our Controlling Shareholder" in the Prospectus of the Company dated 29 November 2017. The Company has received the confirmation from Nissin Japan in respect of their compliance with the terms of the Deed of Non-Competition.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed Continuing Connected Transactions of this annual report, (i) no contract of significance was entered into by, and/or subsisted between the Company or any of its subsidiaries with the controlling shareholder or any of its subsidiaries during the year; and (ii) there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS OF SUBSIDIARIES

The following Directors have served on the Board of subsidiaries of the Company as at 31 December 2019:

Name of the Subsidiaries	Place/Country of Incorporation and Operation	Name of Directors
Nissin Foods (H.K.) Company Limited	Hong Kong	Kiyotaka Ando Takeshi Kikunaga Keiji Iwakiri
Nissin Foods (H.K.) Management Company Limited	Hong Kong	Kiyotaka Ando Toshimichi Fujinawa Shinji Tatsutani Munehiko Ono Taiji Matsumura Takeshi Shigemi Motoyoshi Tachibana Yosuke Tsuchiya Hiromichi Kimura

Name of the Subsidiaries	Place/Country of Incorporation and Operation	Name of Directors
Nissin Koikeya Foods (China & HK) Co., Limited ("Nissin Koikeya Foods")	Hong Kong	Kiyotaka Ando Takashi Koike Kazunori Takemura Keiji Iwakiri Takeshi Kikunaga Hiromichi Kimura
Winner Food Products Limited	Hong Kong	Lau Wing Leung Max Kiyotaka Ando Shinji Tatsutani Munehiko Ono Katsunori Hiroi Toshimichi Fujinawa Yosuke Tsuchiya
MC Marketing & Sales (Hong Kong) Limited	Hong Kong	Kiyotaka Ando Kazuhito Baba Masamune Komori Shinji Tatsutani Tetsuya Murata
Kagome Nissin Foods (H.K.) Co., Limited	Hong Kong	Kiyotaka Ando Takeshi Kikunaga Toshimichi Fujinawa Keiji Iwakiri Hiromichi Kimura Kazunari Yamamoto Norio Izutsu Norito Ebata
Nissin Foods (China) Holding Co., Limited	PRC	Kiyotaka Ando Kazuo Kawasaka Shinji Tatsutani Xi Xiaotong Gen Matsunobu Akifumi Aiba Ying Li Feng Katsunori Hiroi
Zhejiang Nissin Foods Company Limited	PRC	Kiyotaka Ando Masashi Imazu Munehiko Ono Shinji Tatsutani Kazuo Kawasaka

Name of the Subsidiaries	Place/Country of Incorporation and Operation	Name of Directors
Guangdong Shunde Nissin Foods Co. Ltd.	PRC	Kiyotaka Ando Munehiko Ono Akifumi Aiba Takayuki Yagi Hirofumi Inoue
Zhuhai Golden Coast Winner Food Products Limited	PRC	Katsunori Hiroi Ho Ming Dong Kiyotaka Ando Shinji Tatsutani Yosuke Tsuchiya Shunsuke Teranishi Munehiko Ono Toshimichi Fujinawa Liang Jin Ting Quan Shi Bin
Gangyongnan Food Products (Shenzhen) Co. Ltd.	PRC	Lam Chi Hang Yuichiro Mikami Shinji Tatsutani Yosuke Tsuchiya Hirokazu Nakao
Dongguan Nissin Packaging Co. Ltd.	PRC	Toshimichi Fujinawa Susumu Hayashi Kiyotaka Ando Munehiko Ono Taiji Matsumura
Fujian Nissin Foods Co. Ltd.	PRC	Kiyotaka Ando Gao Chongguo Munehiko Ono Shinji Tatsutani Akifumi Aiba
Zhuhai Nissin Packaging Company Limited	PRC	Toshimichi Fujinawa Kiyotaka Ando Munehiko Ono Taiji Matsumura Atsushi Matsuura

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every directors shall be entitled to the indemnity out of the assets of the Company against any liability incurred by him/her in relation to the Company in defending any proceedings, whether civil or criminal, to the extent permitted by the Companies Ordinance. Such permitted indemnity provision was in force during the year ended 31 December 2019 and remains in force at the date of this annual report.

EMOLUMENT POLICY

The emolument policy of the Directors of the Company is decided by the Remuneration Committee, having regard to the Company's performance, operating results and comparable market statistics.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Board confirms that during the year and up to the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$100,000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has put in place policy to promote environmental protection. In order to reduce environmental impacts at every stage of its business activities, the Group adopts a wide range of policies to control pollutant emissions, to encourage recycling of office supplies, to use water-saving facilities, and to ensure compliance with environmental laws and regulations both in Hong Kong and the PRC.

Environment, social and governance report will be published to the websites of the Company and the Stock Exchange respectively in July 2020 in the manner as required by Appendix 27 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company has entered into the following continuing connected transactions which are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules during the year ended 31 December 2019. At the Listing, the Company had applied for and the Stock Exchange had granted a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirements under the Listing Rules for certain continuing connected transactions. Details of these connected transactions and the waiver are set out in the section headed "Connected Transactions – Continuing connected transactions exempt from independent shareholders' approval requirement" of the Prospectus.

Transaction Agreement	Connected parties involved	Nature of Relationship	Annual caps HK$million	Transaction amount in 2019 HK$million
Technology and Trademark Licencing Agreement (Note 1)	Nissin Japan	Controlling Shareholder	39.8	15.6
Snacks Outsourcing Agreement (Note 2)	Taiwan Koikeya Company Limited	Associate of Controlling Shareholder	10.5	–

Transaction Agreement	Connected parties involved	Nature of Relationship	Annual caps HK$million	Transaction amount in 2019 HK$million
Snacks Supply Agreement (Note 3)	Nissin Koikeya Foods	Non-wholly owned subsidiary owned as to 34.0% by Koike-Ya, Inc. which is in turn owned as to approximately 34.53% by Controlling Shareholder	20.0	7.5
Snacks and Confectionery Purchase Agreement (Note 4)	Nissin Koikeya Foods	Non-wholly owned subsidiary owned as to 34.0% by Koike-Ya, Inc. which is in turn owned as to approximately 34.53% by Controlling Shareholder	42.8	23.7
Master Raw Materials and Products Procurement Agreement (Note 5)	Nissin Japan	Controlling Shareholder	142.0	118.8
Master Equipment and Parts Purchase Agreement (Note 6)	Nissin Japan	Controlling Shareholder	7.9	1.5
Master Raw Materials and Products Sale Agreement (Note 7)	Nissin Japan	Controlling Shareholder	67.8	50.3
Master Quality Control Support Service Agreement (Note 8)	Food Safety Evaluation & Research Institute Co., Ltd.	Subsidiary of Controlling Shareholder	18.2	4.1
Publicity Service Master Agreement (Note 9)	Nissin Japan	Controlling Shareholder	16.0	6.9
MCHK Master Procurement Agreement (Note 10)	Mitsubishi Corporation (Hong Kong) Limited	Subsidiary of a non-controlling shareholder of a subsidiary of the Company	559.0	412.3
MCHK Master Supply Agreement (Note 11)	Mitsubishi Corporation (Hong Kong) Limited	Subsidiary of a non-controlling shareholder of a subsidiary of the Company	492.2	379.4
Mitsubishi Master Supply Agreement (Note 12)	Mitsubishi Corporation	Non-controlling shareholder of a subsidiary of the Company	10.0	4.2
MS Master Procurement Agreement (Note 13)	Mitsubishi Shokuhin Co., Ltd.	Subsidiary of a non-controlling shareholder of a subsidiary of the Company	10.0	5.4

Notes:

1. The Company entered into the Technology and Trademark Licencing Agreement with Nissin Japan on 21 November 2017, pursuant to which Nissin Japan granted:

   (i) a non-exclusive licence to the Group to use certain technology and trademarks (the "Nissin Trademarks and Technology") in our business in Hong Kong, Macau, the PRC, Taiwan (i.e. the HK Group Territory) and export of its products bearing and/or using the Nissin Trademarks and Technology; and

   (ii) a non-exclusive licence to the Group to use certain trademarks (the "Nissin Koikeya Trademarks") in distribution of products bearing the Nissin Koikeya Trademarks in the HK Group Territory.

   The term of the Technology and Trademark Licencing Agreement is three years commencing from the Listing Date and shall be automatically renewable for further terms of three years upon expiry subject to the applicable requirements under the Listing Rules unless and until terminated upon the breach of any undertakings in any material respect by the Group or otherwise mutually terminated by the parties in writing at least 90 days in advance.

2. On 8 January 2014, Nissin Koikeya Foods and Taiwan Koikeya entered into the Snacks Outsourcing Agreement pursuant to which Nissin Koikeya Foods agreed to outsource the production of potato chips products to Taiwan Koikeya. The Snacks Outsourcing Agreement is for a term of three years from 8 January 2014 and is renewable upon expiry for further terms of one year subject to the applicable requirements under the Listing Rules, unless otherwise terminated by any party by no later than six months prior to expiry of a term of the agreement.

3. On 21 November 2017, the Company has entered into a snacks supply agreement (the "Snacks Supply Agreement") with Nissin Koikeya Foods, the connected subsidiary, pursuant to which the Company has agreed to supply potato chips products to Nissin Koikeya Foods for its onward sales. The term of the Snacks Supply Agreement is three years commencing from 1 January 2017 and is renewable upon expiry for further terms of three years subject to applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Snacks Supply Agreement does not contain any provision which allows either the Company or Nissin Koikeya Foods to terminate the agreement during its term. The Directors consider that it would be more cost-efficient in the long run to produce the potato chips products on its own and it would ensure a more stable supply of quality products. On 7 November 2019, the Group adjusted the annual cap for 2019 from HK$14.6 million to HK$20.0 million, in order to meet the business growth of the snacks business of the Group.

4. Nissin Foods HK has entered into an agreement (the "Snacks and Confectionery Purchase Agreement") with Nissin Koikeya Foods on 21 November 2017 to govern the sales and purchase of snacks and confectionery. The term of the Snacks and Confectionery Purchase Agreement is three years from 1 January 2017 and is renewable upon expiry for further terms of three years subject to applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Snacks and Confectionery Purchase Agreement does not contain any provision which allows either Nissin Foods HK or Nissin Koikeya Foods to terminate the agreement during its term. The transactions contemplated under the Snacks and Confectionery Purchase Agreement are intra-group connected transactions. Before the incorporation of Nissin Foods HK in August 2015, the Company has been performing the sales function within the Group and it has a long term and direct business relationship with its distributors in Hong Kong, Macau and the PRC. After the incorporation of Nissin Foods HK, it has taken up the sales function within the Group.

5. The Company has entered into an agreement (the "Master Raw Materials and Products Procurement Agreement") with Nissin Japan on 21 November 2017. The term of the Mater Raw Materials and Products Procurement Agreement is three years commencing from 1 January 2017 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Raw Materials and Products Procurement Agreement does not contain any provision which allows either the Company or Nissin Japan to terminate the agreement during its term. The raw materials supplied under the Master Raw Materials and Products Procurement Agreement include seasoning, oil, addictive, flour, milk etc. The Company mainly sources such raw materials through the Nissin Japan Group in order to gain access to the suppliers in Japan more efficiently and to benefit from the lower procurement cost when purchases are made together with the Nissin Japan Group at a larger volume. While the Company is able to source the raw materials from Independent Third Parties in Japan or elsewhere, and believes it would not be as cost efficient when compared to the current arrangement to procure through the Nissin Japan Group. The finished goods purchased under the Master Raw Materials and Products Procurement Agreement mainly include Japanese noodles products as well as confectionery products. The Company considers that it is beneficial to the Group as a whole to purchase the finished goods from the Nissin Japan Group for its onward sale to distributors in Hong Kong, Macau, Taiwan and the PRC whom it has built a long term relationship with. On 7 November 2019, the Group adjusted the annual cap for 2019 from HK$127.9 million to HK$142.0 million, in order to meet the business growth of the Group.

6. On 21 November 2017, the Company has entered into an agreement with Nissin Japan (the "Master Equipment and Parts Purchase Agreement") in order to govern the sale and purchase of such equipment and parts. The term of the Mater Equipment and Parts Purchase Agreement is three years commencing from 1 January 2017 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Equipment and Parts Purchase Agreement does not contain any provision which allows either the Company or Nissin Japan to terminate the agreement during its term. The Company mainly sources such equipment and parts through the Nissin Japan Group in order to gain access to the suppliers in Japan more efficiently and to benefit from the lower procurement cost when purchases are made together with the Nissin Japan Group at a larger volume. While the Company is able to source the equipment and parts from Independent Third Parties in Japan or elsewhere, it would not be as cost efficient when compared to the current arrangement to procure through the Nissin Japan Group.

7. On 21 November 2017, the Company entered into a sale and purchase agreement (the "Master Raw Materials and Products Sale Agreement") with Nissin Japan to govern the supply of raw materials and finished goods by the Group to the Nissin Japan Group. The raw materials supplied by the Group to the Nissin Japan Group include seasoning powder and packaging materials and the finished goods supplied by the Group to the Nissin Japan Group include instant noodles and potato chips products. The term of the Master Raw Materials and Products Sale Agreement is three years commencing from 1 January 2017 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Raw Materials and Products Sale Agreement does not contain any provision which allows either the Company or Nissin Japan to terminate the agreement during its term. For the sale of raw materials, the Group can enjoy a lower purchasing cost by way of bulk purchases and the resale to the Nissin Japan Group would enhance a better use of the raw materials. For the sale of finished goods, the Company considers that the sale is conducted in the ordinary and usual course of business of the Group and the terms of sale to the Nissin Japan Group are similar to those that entered into with other distributors who are Independent Third Parties.

8. In order to govern the provision of food safety tests by the Nissin Shanghai Food Safety Institute to the Group, the Company has entered into a master quality control support service agreement (the "Master Quality Control Support Service Agreement") on 21 November 2017 with the Nissin Shanghai Food Safety Institute. While it can engage other Independent Third Parties to conduct the food safety tests, the Company believes that it is more cost-efficient to engage the Nissin Shanghai Food Safety Institute to provide such services as it has good experience in the food safety of instant foods products and it provides quality services. Also, it can provide the service at a more favourable rate than other Independent Third Parties providing similar service. The term of the Master Quality Control Support Service Agreement is three years commencing from 1 January 2017 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Quality Control Support Service Agreement does not contain any provision which allows either the Company or Nissin Shanghai Food Safety Institute to terminate the agreement during its term.

9. The Company has entered into a publicity service master agreement (the "Publicity Service Master Agreement") with Nissin Japan on 22 June 2018 to provide services to Nissin Japan in relation to publicity of "Nissin" brand and public relation work for the purpose of enhancing the worldwide presence of Nissin Japan and the brand recognition of "Nissin". Accordingly, the entering of this agreement will enable the Group to better utilize its business resources not only to expand its source of income but also help reinforcing the Nissin brand image. The term of the Publicity Service Master Agreement is two years commencing from 22 June 2018. The Company believes that the transactions contemplated under this agreement are beneficial to the business growth and development of the Group as a whole.

10. The Company has entered into a master procurement agreement (the "MCHK Master Procurement Agreement") with Mitsubishi Corporation (Hong Kong) Limited ("MCHK") on 22 March 2018 pursuant to which the Group has agreed to procure the procurement products from MCHK, which include (i) finished goods under the brands of third parties including mineral water and beverage products, sauce products and other products and (ii) raw materials, which include flour, starch, seasoning and material for packaging. Sourcing of such diversified products can expand the portfolio of the products and the Company believes that the transactions contemplated under this agreement are beneficial to the business growth and development of the Group as a whole. The term of the MCHK Master Procurement Agreement is from 1 January 2018 to 31 December 2020, renewable upon expiry for further three years subject to compliance with applicable requirements under the Listing Rules.

11. The Company has entered into a master supply agreement (the "MCHK Master Supply Agreement") with MCHK on 22 March 2018 pursuant to which the Group has agreed to sell the supply products to MCHK, which include instant noodles, rice vermicelli products and potato chips and provide incidental promotional service relating to the products sold. The Company believes that the well-established and extensive sales and distribution network of MCHK provides an effective sale channel for the products of the Group and the transactions contemplated under this agreement are beneficial to the business growth and development of the Group as a whole. The term of the MCHK Master Supply Agreement is from 1 January 2018 to 31 December 2020, renewable upon expiry for further three years subject to compliance with applicable requirements under the Listing Rules.

    On 21 March 2019, the Group adjusted the annual caps for 2019 and 2020 from HK$453,000,000 and HK$499,000,000 to HK$492,173,000 and HK$565,999,000, respectively, in light with the business development and the progress in production capacity of the Group.

12. The Company has entered into an agreement (the "Mitsubishi Master Supply Agreement") with Mitsubishi Corporation ("Mitsubishi") on 21 March 2019, pursuant to which the Group has agreed to sell to Mitsubishi the supply products, which include the food and beverage products. The Company believes that the well-established and extensive sales and distribution network of Mitsubishi provide an effective sale channel for the products of the Group which in turn is expected to enhance the overall sales revenue of the Group. Hence, it is believed that the transactions contemplated under the Mitsubishi Master Supply Agreement are beneficial to the business growth and development of the Group as whole. The term of the Mitsubishi Master Supply Agreement is from 1 March 2019 to 31 December 2020, renewable upon expiry for further three years subject to compliance with applicable requirements under the Listing Rules.

13. The Company has entered into an agreement (the "MS Master Procurement Agreement") with Mitsubishi Shokuhin Company Limited ("Mitsubishi Shokuhin") on 29 August 2019, pursuant to which the Group has agreed to purchase from Mitsubishi Shokuhin the procurement products, which comprise of finished goods under the brand of third parties including snacks, confectionaries, sauce and condiment products and other products. The Company believes that sourcing of such diversified products can expand the portfolio of the products that the Group can offer to its customers through its own well-established distribution and sale channels already spread over Hong Kong and the PRC which in turn is expected to enhance the overall income and profitability of the Group. Hence, it is believed that the transactions contemplated under the MS Master Procurement Agreement are beneficial to the business growth and development of the Group as a whole. The term of the MS Master Procurement Agreement is from 1 August 2019 to 31 December 2020, renewable upon expiry for further three years subject to compliance with applicable requirements under the Listing Rules.

To the extent of related party transactions set out in note 41 to the consolidated financial statements which constituted connected transactions as defined in the Listing Rules, the Company had complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the external auditor of Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 42 to 46 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' CONFIRMATION

The Independent Non-executive Directors have reviewed and confirmed that (i) each of the continuing connected transactions described above has been negotiated at arms' length, entered into in the ordinary and usual course of the Company's business; (ii) are conducted on normal commercial terms or better and in accordance with the Company's pricing policies; and (iii) the terms of the transactions and the annual caps are fair and reasonable and in the interests of the Company and the shareholder as a whole.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed to the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as independent auditor of the Company.

On behalf of the Board
Kiyotaka Ando
Chairman

Hong Kong, 19 March 2020

Deloitte. 德勤

To the Members of Nissin Foods Company Limited
日清食品有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Nissin Foods Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from sales of goods	
We identified revenue recognition from sales of goods as a key audit matter due to its significance to the consolidated financial statements as a whole. The Group's revenue for the year ended 31 December 2019 in respect of sales of goods amounted to approximately HK$3,078,252,000. As disclosed in note 5 to the consolidated financial statements, for sales of goods (including noodles, retort foods, frozen foods, beverage products and snacks), revenue is recognised when control of the goods has transferred. We focused on this area because of the Group transacts with a large number of customers in particular distributors spreading over different locations in Hong Kong and the People's Republic of China.	Our procedures in relation to revenue recognition from sales of goods included: • Obtaining an understanding of the revenue recognition processes and testing the Group's key controls over revenue recognition; • Performing analysis on recorded revenue to identify unusual customers or unexpected trends; • Inspecting sales contracts with key customers, on a sample basis, to understand the agreed trade terms and assess whether the related revenue was properly recognised in accordance with respective sales contracts and with reference to the requirements of the prevailing accounting standards; • Confirming amounts of total sales of goods for the year with selected customers, on a sample basis; and • Testing recorded sales transactions on a sample basis against corresponding goods delivery notes and acceptance confirmations from customers that evidenced risks and rewards of the goods have been passed.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan, Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	5	**3,087,781**	2,998,828
Cost of sales		**(2,074,351)**	(2,065,429)
Gross profit		**1,013,430**	933,399
Other income	7	**48,009**	45,285
Selling and distribution costs		**(454,958)**	(448,664)
Administrative expenses		**(221,909)**	(199,930)
Finance costs	8	**(64)**	–
Impairment losses reversed under expected credit loss model		**457**	645
Other expenses		**(26,488)**	(24,186)
Other gains and losses	9	**(5,839)**	(6,541)
Profit before taxation		**352,638**	300,008
Income tax expense	10	**(73,720)**	(69,426)
Profit for the year	11	**278,918**	230,582
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(42,564)**	(91,618)
Total comprehensive income for the year		**236,354**	138,964
Profit for the year attributable to:			
Owners of the Company		**250,964**	205,448
Non-controlling interests		**27,954**	25,134
		278,918	230,582
Total comprehensive income for the year attributable to:			
Owners of the Company		**210,859**	118,956
Non-controlling interests		**25,495**	20,008
		236,354	138,964
Earnings per share	15		
– Basic (HK cents)		**23.36**	19.13
– Diluted (HK cents)		**23.36**	19.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current Assets			
Property, plant and equipment	16	**1,365,671**	1,307,820
Prepaid lease payments for leasehold land	18	**–**	77,793
Right-of-use assets	17	**145,621**	–
Goodwill	19	**40,082**	40,082
Trademark	20	**25,040**	28,271
Interest in an associate	21	**116**	116
Financial assets at fair value through profit or loss	22	**33,239**	31,821
Deferred tax assets	24	**20,977**	18,806
Loan receivable	25	**1,916**	2,463
Deposits paid for acquisition of property, plant and equipment		**6,050**	14,454
		1,638,712	1,521,626
Current Assets			
Prepaid lease payments for leasehold land	18	**–**	2,100
Inventories	26	**326,593**	294,086
Trade receivables	27	**421,056**	449,932
Other receivables, prepayments and deposits	27	**73,187**	81,839
Loan receivable	25	**547**	547
Amount due from ultimate holding company	28	**5,760**	1,666
Amounts due from fellow subsidiaries	28	**3,269**	8,965
Tax recoverable		**93**	4,350
Financial assets at fair value through profit or loss	22	**397,819**	88,536
Other financial assets	23	**156,630**	313,260
Time deposits with maturity over three months	29	**105,003**	292,758
Bank balances and cash	29	**1,505,261**	1,384,707
		2,995,218	2,922,746
Current Liabilities			
Trade payables	30	**213,944**	252,540
Other payables and accruals	30	**586,317**	502,071
Amount due to ultimate holding company	28	**31,355**	23,961
Amounts due to fellow subsidiaries	28	**5,327**	4,438
Lease liabilities	31	**1,660**	–
Tax liabilities		**19,561**	11,812
Deferred income	32	**1,063**	1,274
		859,227	796,096
Net Current Assets		**2,135,991**	2,126,650
Total Assets less Current Liabilities		**3,774,703**	3,648,276

	Notes	2019 HK$'000	2018 HK$'000
Capital and Reserves			
Share capital	33	**2,941,441**	2,941,441
Reserves		**648,124**	539,095
Equity attributable to owners of the Company		**3,589,565**	3,480,536
Non-controlling interests		**122,753**	114,637
Total Equity		**3,712,318**	3,595,173
Non-current Liabilities			
Deferred tax liabilities	24	**42,231**	33,277
Lease liabilities	31	**131**	–
Deferred income	32	**20,023**	19,826
		62,385	53,103
		3,774,703	3,648,276

The consolidated financial statements on pages 51 to 135 were approved and authorised for issue by the Board of Directors on 19 March 2020 and are signed on its behalf by:

KIYOTAKA ANDO
DIRECTOR

SHINJI TATSUTANI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to the owners of the Company											
	Share capital HK$'000	PRC statutory reserve HK$'000 (Note 1)	Capital reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000 (Note 2)	Shares held for share award scheme HK$'000	Share award reserve HK$'000	Other reserve HK$'000 (Note 3)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	2,941,441	46,776	1,099	32,279	(238,168)	(1,146)	–	14,403	642,512	3,439,196	111,878	3,551,074
Profit for the year	–	–	–	–	–	–	–	–	205,448	205,448	25,134	230,582
Exchange differences arising on translation of foreign operations	–	–	–	(86,492)	–	–	–	–	–	(86,492)	(5,126)	(91,618)
Total comprehensive (expense) income for the year	–	–	–	(86,492)	–	–	–	–	205,448	118,956	20,008	138,964
Recognition of equity-settled share-based payment	–	–	–	–	–	–	809	–	–	809	–	809
Shares vested under share award scheme	–	–	–	–	–	468	(557)	–	89	–	–	–
Transfer of reserves	–	11,878	–	–	–	–	–	–	(11,878)	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,500	1,500
Dividend recognised as distribution to the owners of the Company (note 14)	–	–	–	–	–	–	–	–	(78,425)	(78,425)	–	(78,425)
Dividend recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(18,749)	(18,749)
At 31 December 2018	2,941,441	58,654	1,099	(54,213)	(238,168)	(678)	252	14,403	757,746	3,480,536	114,637	3,595,173

	Attributable to the owners of the Company											
	Share capital HK$'000	PRC statutory reserve HK$'000 (Note 1)	Capital reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000 (Note 2)	Shares held for share award scheme HK$'000	Share award reserve HK$'000	Other reserve HK$'000 (Note 3)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Profit for the year	–	–	–	–	–	–	–	–	250,964	250,964	27,954	278,918
Exchange differences arising on translation of foreign operations	–	–	–	(40,105)	–	–	–	–	–	(40,105)	(2,459)	(42,564)
Total comprehensive (expense) income for the year	–	–	–	(40,105)	–	–	–	–	250,964	210,859	25,495	236,354
Recognition of equity-settled share-based payment	–	–	–	–	–	–	230	–	–	230	–	230
Transfer of reserves	–	5,497	–	–	–	–	–	–	(5,497)	–	–	–
Dividend recognised as distribution to the owners of the Company (note 14)	–	–	–	–	–	–	–	–	(102,060)	(102,060)	–	(102,060)
Dividend recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(17,379)	(17,379)
At 31 December 2019	2,941,441	64,151	1,099	(94,318)	(238,168)	(678)	482	14,403	901,153	3,589,565	122,753	3,712,318

Notes:

1. According to the articles of association and board resolution of subsidiaries of the Company in the People's Republic of China ("PRC"), 10% of the profits after taxation, as determined under the PRC accounting rules and regulations, were transferred to general reserve funds under "PRC statutory reserve". The transfers to such reserves must be made before the distribution of a dividend to equity owners of those subsidiaries until the aggregated amounts have reached 50% of their registered capitals. These reserves should only be used for making up losses, capitalisation into capital and expansion of production and operation.

2. Merger reserve represents the difference between the share capital issued by the Company, and the aggregate of (1) the share capital of Winner Food Products Limited ("Winner Food") and (2) the retained earnings of Winner Food, net of non-controlling interests, prior to the original acquisition of Winner Food by Nissin Foods Holdings Co., Ltd., the Company's immediate and ultimate holding company, in 1989, arising from group reorganisation on 1 January 2014.

3. On 22 December 2014, the Company further acquired 26% interest in Winner Food from the non-controlling shareholder for a cash consideration of HK$129,453,000. The difference between the cash consideration paid and the carrying amount of the net assets attributable to the additional interest in Winner Food acquired from the non-controlling shareholder of HK$14,403,000 is recognised in "other reserve". Upon completion of this acquisition, Winner Food became a wholly-owned subsidiary of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**352,638**	300,008
Adjustments for:		
Amortisation of prepaid lease payments for leasehold land	**–**	2,180
Amortisation of trademark	**3,231**	3,231
Depreciation of property, plant and equipment	**19,438**	17,650
Depreciation of right-of-use assets	**3,736**	–
Equity-settled share-based payment expense	**230**	809
Fair value changes on financial assets at fair value through profit or loss	**(6,905)**	(1,204)
Finance costs	**64**	–
(Gain) loss on disposal of property, plant and equipment	**(587)**	3,469
Government grant related to acquisition of assets	**(1,813)**	(1,980)
Government grant related to expenses recognised	**–**	(939)
Impairment loss recognised on property, plant and equipment	**–**	2,426
Impairment losses reversed in respect of trade receivables	**(457)**	(645)
Interest income	**(39,882)**	(37,257)
Operating cash flows before movement in working capital	**329,693**	287,748
Decrease in inventories	**82,812**	112,115
Decrease (increase) in trade receivables	**26,488**	(36,690)
Decrease in other receivables, prepayments and deposits	**12,935**	6,257
Decrease (increase) in amounts due from fellow subsidiaries	**5,696**	(4,442)
Decrease in trade payables	**(37,145)**	(10,350)
Increase (decrease) in other payables and accruals	**85,621**	(13,310)
Increase in amount due to ultimate holding company	**7,561**	4,120
Increase in amounts due to fellow subsidiaries	**889**	386
Government grant related to expenses received	**–**	939
Cash generated from operations	**514,550**	346,773
Income taxes paid	**(55,062)**	(82,858)
NET CASH FROM OPERATING ACTIVITIES	**459,488**	263,915

	Notes	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Interest received		**38,062**	36,249
Purchase of property, plant and equipment		**(208,933)**	(214,815)
Proceeds from disposal of property, plant and equipment		**1,009**	13,608
Purchase of other financial assets		**(156,630)**	(313,260)
Proceeds from disposal of other financial assets		**313,260**	–
Purchase of financial assets at fair value through profit or loss		**(392,332)**	(88,708)
Proceeds from disposal of financial assets at fair value through profit or loss		**88,536**	–
Government grant in related to acquisition of assets received		**2,268**	4,922
Loan repaid		**547**	547
Net cash outflow on acquisition of a subsidiary	38	**(62,160)**	–
Advance to ultimate holding company		**(5,760)**	(1,666)
Repayment from ultimate holding company		**1,619**	3,881
Placement of time deposits with maturity of more than three months		**(105,003)**	(292,758)
Withdrawal of time deposits with maturity of more than three months		**292,758**	415,669
NET CASH USED IN INVESTING ACTIVITIES		**(192,759)**	(436,331)
FINANCING ACTIVITIES			
Dividend paid to owners of the Company		**(102,060)**	(78,425)
Dividend paid to non-controlling interests		**(19,817)**	(14,629)
Repayments of lease liabilities		**(825)**	–
Interest paid		**(64)**	–
Contribution from non-controlling interests		**–**	1,500
NET CASH USED IN FINANCING ACTIVITIES		**(122,766)**	(91,554)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**143,963**	(263,970)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**(23,409)**	(44,782)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,384,707**	1,693,459
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,505,261**	1,384,707

1. GENERAL

Nissin Foods Company Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate and ultimate holding company is Nissin Foods Holdings Co., Ltd., a company incorporated in Japan with its shares listed on the Tokyo Stock Exchange.

The addresses of the registered office and principal place of business of the Company are 21-23 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, and 11-13 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the manufacturing and sales of noodles, retort foods, frozen foods, beverage products and snacks, and provision of publicity services.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year *(continued)*

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease terms ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate for the leases in Hong Kong applied is 2.715% and for the leases in the PRC applied is 4.750%.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year *(continued)*

HKFRS 16 Leases (continued)

As a lessee (continued)

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	5,717
Lease liabilities discounted at relevant incremental borrowing rates	5,557
Add: Termination options reasonably certain not to be exercised	654
Less: Recognition exemption-short term leases	(5,147)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and as at 1 January 2019	1,064
Analysed as:	
Current	664
Non-current	400
	1,064

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	1,064
Reclassified from prepaid lease payments for leasehold land (Note)	79,893
Reclassified from leasehold lands under property, plant and equipment (Note)	8,491
	89,448
By class:	
Leasehold lands	88,384
Leased properties	947
Motor vehicles	117
	89,448

Note: Upfront payments for leasehold lands in the PRC and in Hong Kong were classified as prepaid lease payments for leasehold land, and leasehold lands under property, plant and equipment as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments for leasehold land amounting to HK$2,100,000 and HK$77,793,000 respectively, and leasehold lands under property, plant and equipment amounting to HK$8,491,000 were reclassified to right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year *(continued)*

HKFRS 16 Leases (continued)

As a lessee (continued)

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payment relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. However, no adjustment has been made to adjust the refundable rental deposits paid and right-of-use assets since the discounting effect is insignificant.

The transition of HKFRS 16 has no material impact on the retained profits as at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets			
Prepaid lease payments for leasehold land	77,793	(77,793)	–
Property, plant and equipment	1,307,820	(8,491)	1,299,329
Right-of-use assets	–	89,448	89,448
Current Assets			
Prepaid lease payments for leasehold land	2,100	(2,100)	–
Current Liabilities			
Lease liabilities	–	664	664
Non-current Liabilities			
Lease liabilities	–	400	400

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to customers to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (i.e. service contracts in which the Group bills a fixed amount for each month of service provided), the Group recognises revenue in an amount to which the Group has the right to invoice.

Revenue from contracts with customers *(continued)*

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Variable consideration

For contracts that contain variable consideration, such as sales rebate, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production or for its own use purposes are carried at cost less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments for leasehold land" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Intangible asset acquired separately

Trademark

Trademark is an intangible asset with finite useful life that is acquired separately and carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for trademark is recognised on a straight-line basis over its estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Trademark is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of a trademark, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(continued)*

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contract with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets, or financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9 or initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, loan receivable, amounts due from ultimate holding company and fellow subsidiaries, other financial assets, time deposits with maturity over three months, and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables and amounts due from fellow subsidiaries which are in trade nature. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk *(continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Historical repayment pattern;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals, and amounts due to ultimate holding company and fellow subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration and payable is recognised in profit or loss.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any indirect costs incurred by the Group; and
- an estimated costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise prices of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individually group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Equity-settled share-based payment transactions

Share awards granted to employees (including directors of the Company)

Share awards granted to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the share awards determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share award reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share award reserve. For the share awards that vest immediately at the date of grant, the fair value of the share awards granted is expensed immediately to profit or loss.

When awarded shares are vested, the amount previously recognised in share award reserve and the amount accumulated in shares held for share award scheme will be transferred to retained profits.

Upon granting of the awarded shares to the awardees, the fair value of the awarded shares at grant date is transferred from share capital to shares held for share award scheme in equity.

Upon vesting and transfer of the awarded shares to the awardees, the related costs of the awarded shares are credited to shares held for share award scheme, and the related fair value of the shares are debited to the share award reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of the assets within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Amortisation of trademark

Amortisation of trademark is calculated based on the expected useful life of the trademark. Adjustments may need to be made to the carrying amount of the trademark and its amortisation should there be a material change in the expected useful life of trademark.

As at 31 December 2019, the carrying amounts of trademark of the Group is HK$25,040,000 (2018: HK$28,271,000) (net of accumulated amortisation and impairment loss of HK$48,379,000 (2018: HK$45,148,000)). Details of the trademark are disclosed in note 20.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of goodwill is HK$40,082,000 (2018: HK$40,082,000). Details of the recoverable amount calculation are disclosed in note 19.

Fair value measurement of financial instruments

Certain of the Group's financial assets are measured at fair values with fair values being determined based on significant unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to fair values of these instruments. See note 40(c) for further disclosures.

Provision of ECL for trade receivables

Trade receivables with significant balances and amounts due from fellow subsidiaries in trade nature are assessed for ECL individually. In addition, the provision rates are based on internal crediting ratings as grouping of various debtors that have similar loss patterns. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The information about the ECL and the Group's trade receivables and amounts due from fellow subsidiaries in trade nature are disclosed in notes 40(b), 27 and 28 respectively.

5. REVENUE

a) Disaggregation of revenue from contracts with customers

	31 December 2019			31 December 2018		
	HK Operations (as defined in note 6) HK$'000	**PRC Operations (as defined in note 6) HK$'000**	**Total HK$'000**	HK Operations HK$'000	PRC Operations HK$'000	Total HK$'000
Types of goods and services						
Sales of goods	**1,299,259**	**1,778,993**	**3,078,252**	1,308,958	1,672,686	2,981,644
Others	**505**	**9,024**	**9,529**	14,609	2,575	17,184
Total	**1,299,764**	**1,788,017**	**3,087,781**	1,323,567	1,675,261	2,998,828
Timing of revenue recognition						
A point in time	**1,299,764**	**1,781,139**	**3,080,903**	1,309,525	1,675,261	2,984,786
Over time	**–**	**6,878**	**6,878**	14,042	–	14,042
Total	**1,299,764**	**1,788,017**	**3,087,781**	1,323,567	1,675,261	2,998,828

Note: Others mainly include revenue from sales of scrap noodle and provision of 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 and snacks), 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 has the primary responsibility for selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon invoice issued.

5. REVENUE *(continued)*

b) Performance obligations for contracts with customers *(continued)*

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

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

Under the Group's standard contract terms, customers have a right to exchange for expiry products without limitation of time period. The Group uses its accumulated historical experience to estimate the number of exchange on 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 publicity services (revenue recognised over time)

Revenue from provision of publicity services is 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 publicity service is at period of one year or less, as permitted under HKFRS 15, the transaction price allocation to the unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

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

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

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

- PRC Operations: Manufacturing and sales of noodle, frozen foods and other products in the PRC, and provision of publicity services

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

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

For the year ended 31 December 2019

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

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2018

	HK Operations HK$'000	PRC Operations HK$'000	Reportable segments total HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
Segment revenue from external customers	1,323,567	1,675,261	2,998,828	–	2,998,828
Inter-segment revenue	124,800	213,670	338,470	(338,470)	–
Segment revenue	1,448,367	1,888,931	3,337,298	(338,470)	2,998,828
Result					
Segment results	114,068	147,196	261,264	–	261,264
Unallocated income					8,028
Unallocated expenses and other losses					(1,850)
Interest income					37,257
Fair value changes on financial assets at FVTPL					1,204
Impairment loss recognised on property, plant and equipment					(2,426)
Loss on disposal of property, plant and equipment					(3,469)
Consolidated profit before taxation					300,008

Inter-segment revenue are charged at prevailing market rates.

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

6. SEGMENT INFORMATION *(continued)*

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 2019

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

For the year ended 31 December 2018

	HK Operations HK$'000	PRC Operations HK$'000	Total HK$'000
Amortisation of prepaid lease payments for leasehold land	–	2,180	2,180
Amortisation of trademark	3,231	–	3,231
Depreciation of property, plant and equipment	7,203	10,447	17,650

6. SEGMENT INFORMATION *(continued)*

Geographical information

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

	2019 **HK$'000**	2018 HK$'000
External revenue:		
Hong Kong	**1,189,414**	1,216,122
The PRC	**1,788,017**	1,687,527
Others (Canada, Australia, United States of America, Taiwan, Macau, etc.)	**110,350**	95,179
	3,087,781	2,998,828

	2019 **HK$'000**	2018 HK$'000
Non-current assets (Note):		
Hong Kong	**604,152**	514,465
The PRC	**978,428**	954,071
	1,582,580	1,468,536

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

6. SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue from customers of corresponding years individually contributing over 10% of the total revenue of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Customer A[1]	**786,140**	800,867
Customer B[2]	**512,262**	436,936
Customer C[2]	**426,267**	427,488

1 From the PRC operations

2 From both HK and the PRC operations

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Government grant related to acquisition of assets (note 32)	**1,813**	1,980
Government grant related to expenses recognised	**–**	939
Interest income from bank deposits	**31,734**	37,257
Interest income from financial assets at fair value through profit or loss	**8,148**	–
Miscellaneous income	**3,343**	2,710
Other scrap material sales	**2,971**	2,399
	48,009	45,285

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on lease liabilities	**64**	–

9. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Exchange loss, net	**(13,331)**	(1,850)
Fair value changes on financial assets at FVTPL	**6,905**	1,204
Gain (loss) on disposal of property, plant and equipment	**587**	(3,469)
Impairment loss recognised on property, plant and equipment (note 16)	**–**	(2,426)
	(5,839)	(6,541)

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong Profits Tax	**16,262**	15,809
PRC Enterprise Income Tax	**47,868**	44,752
PRC Withholding tax	**1,900**	2,246
	66,030	62,807
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(276)**	(356)
PRC Enterprise Income Tax	**1,556**	(2,383)
	1,280	(2,739)
	67,310	60,068
Deferred tax (note 24)	**6,410**	9,358
	73,720	69,426

10. INCOME TAX EXPENSE *(continued)*

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

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

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

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

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**352,638**	300,008
Tax at the domestic income tax rate of 16.5%	**58,185**	49,501
Tax effect of expenses not deductible for tax purpose	**4,555**	2,615
Tax effect of income not taxable for tax purpose	**(5,756)**	(6,675)
Tax effect of tax losses not recognised	**–**	4,758
Utilisation of tax losses previously not recognised	**(5,400)**	–
Tax effect of other temporary differences not recognised	**–**	982
Effect of different tax rates of subsidiaries operating in the PRC	**17,655**	19,962
Under(over)provision in prior years	**1,280**	(2,739)
Withholding tax attributable to undistributed profits of the PRC subsidiaries	**2,410**	(4,303)
Income tax at concessionary rate	**(165)**	(165)
Others	**956**	5,490
Income tax expense for the year	**73,720**	69,426

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments for leasehold land	–	2,180
Amortisation of trademark	**3,231**	3,231
Auditor's remuneration	**5,676**	4,987
Cost of inventories recognised as expense	**2,074,351**	2,065,429
Depreciation of property, plant and equipment	**137,936**	140,983
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(118,498)**	(123,333)
	19,438	17,650
Depreciation of right-of-use assets	**3,736**	–
Total depreciation	**23,174**	17,650
Expenses relating to short-terms lease	**4,801**	–
Minimum lease payments paid under operating leases in respect of rented premises	–	8,916
Research and development expenditure	**26,488**	24,186
Staff costs (Note i)		
Directors' emoluments (note 12)		
– fees	**733**	800
– other emoluments	**14,340**	13,812
	15,073	14,612
Other staff costs excluding directors' emoluments (Notes i, ii and iii)	**557,997**	549,998
Equity-settled share-based payment	**230**	809
Total staff costs	**573,300**	565,419
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(277,623)**	(271,837)
Less: Amount included as research and development expenditure as shown in above	**(15,052)**	(12,134)
	280,625	281,448

Notes:

i. Operating lease rentals in respect of staff quarters for the year ended 31 December 2018 amounting to HK$1,127,000 was included under minimum lease payments paid under operating leases in respect of rented premises.

ii. Contributions to retirement benefit scheme included in other staff costs for the year ended 31 December 2019 amounted to HK$58,198,000 (2018: HK$49,878,000).

iii. In addition to the employee benefits expense presented above, the Group also provides other non-monetary benefits (such as staff quarters and motor vehicles to employees). Depreciation of right-of-use assets in relation to these non-monetary benefits is amounted to HK$390,000 for the year ended 31 December 2019.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2019 HK$'000	2018 HK$'000
Directors' fees (Note i)	**733**	800
Other emoluments: (Note ii)		
Basis salaries and allowances	**14,340**	13,812
Discretionary bonus	**–**	–
	15,073	14,612

Notes:

i. The directors' fees were mainly for their services as directors of the Company and its subsidiaries.

ii The other emoluments were mainly for their services in connection with the management of the affairs of the Company and the Group.

The emoluments paid or payable to the directors and chief executive of the Company are set out below:

For the year ended 31 December 2019

		Other emoluments			
	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS					
Mr. Kiyotaka Ando (Note)	–	5,402	–	–	5,402
Mr. Toshimichi Fujinawa	–	2,883	–	–	2,883
Mr. Shinji Tatsutani	–	1,901	–	–	1,901
Mr. Kazuo Kawasaka	–	2,047	–	–	2,047
Mr. Munehiko Ono	–	2,107	–	–	2,107
B) NON-EXECUTIVE DIRECTOR					
Mr. Tong Ching Hsi (resigned on 1 September 2019)	133	–	–	–	133
C) INDEPENDENT NON-EXECUTIVE DIRECTORS					
Dr. Sumio Matsumoto	200	–	–	–	200
Mr. Junichi Honda	200	–	–	–	200
Professor Lynne Yukie Nakano	200	–	–	–	200
	733	14,340	–	–	15,073

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

For the year ended 31 December 2018

		Other emoluments			
	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS					
Mr. Kiyotaka Ando (Note)	–	5,358	–	–	5,358
Mr. Toshimichi Fujinawa (appointed on 3 July 2018)	–	1,304	–	–	1,304
Mr. Shinji Tatsutani	–	1,898	–	–	1,898
Mr. Kazuo Kawasaka (appointed on 3 July 2018)	–	1,277	–	–	1,277
Mr. Munehiko Ono	–	1,992	–	–	1,992
Mr. Yoshihide Semimaru (resigned on 3 July 2018)	–	510	–	–	510
Mr. Hijiri Fukuoka (resigned on 3 July 2018)	–	1,473	–	–	1,473
B) NON-EXECUTIVE DIRECTOR					
Mr. Tong Ching Hsi	200	–	–	–	200
C) INDEPENDENT NON-EXECUTIVE DIRECTORS					
Dr. Sumio Matsumoto	200	–	–	–	200
Mr. Junichi Honda	200	–	–	–	200
Professor Lynne Yukie Nakano	200	–	–	–	200
	800	13,812	–	–	14,612

Note: Mr. Kiyotaka Ando is the Executive Director, chairman of the Board and chief executive of the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included five directors (2018: four directors), details of whose remuneration are set out in note 12. Details of the remuneration for the year ended 31 December 2018 of the remaining one highest paid employee who is neither a director nor chief executive of the Company is as follows:

	2019 **HK$'000**	2018 HK$'000
Basis salaries and allowances	**–**	1,599

The emolument of this employee was individually from HK$1,500,001 to HK$2,000,000 for the year ended 31 December 2018.

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensating for loss of office during both years.

14. DIVIDEND

	2019 **HK$'000**	2018 HK$'000
Dividends recognised as distribution during the year:		
2018 Final – 9.5 HK cents (2018: 2017 final dividend 7.3 HK cents) per share	**102,060**	78,425

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of 11.7 HK cents per ordinary share, in an aggregate amount of HK$125,695,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. 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:

	2019	2018
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share (HK$'000)	**250,964**	205,448
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,074,144,370**	1,074,091,116
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**156,600**	101,480
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,074,300,970**	1,074,192,596

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Owned properties HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 January 2018	31,470	932,035	17,892	808,853	100,547	18,205	48,504	1,957,506
Additions	–	4,353	1,041	59,265	9,210	1,578	139,855	215,302
Disposals	–	(582)	–	(34,995)	(2,800)	(1,590)	–	(39,967)
Reclassification	–	52,770	733	21,729	1,221	485	(76,938)	–
Exchange realignment	–	(28,446)	(31)	(24,574)	(4,326)	(710)	(995)	(59,082)
At 31 December 2018	31,470	960,130	19,635	830,278	103,852	17,968	110,426	2,073,759
Adjustment upon application of HKFRS 16 (Note 2)	(31,470)	–	–	–	–	–	–	(31,470)
At 1 January 2019 (restated)	–	960,130	19,635	830,278	103,852	17,968	110,426	2,042,289
Additions	–	2,954	1,979	22,361	14,064	718	181,542	223,618
Disposals	–	–	–	(4,024)	(704)	(856)	–	(5,584)
Reclassification	–	177,765	19,338	28,835	4,261	–	(230,199)	–
Exchange realignment	–	(13,402)	(47)	(11,730)	(1,754)	(374)	(809)	(28,116)
At 31 December 2019	–	1,127,447	40,905	865,720	119,719	17,456	60,960	2,232,207
DEPRECIATION AND IMPAIRMENT								
At 1 January 2018	22,681	228,299	12,541	338,265	48,705	11,629	–	662,120
Provided for the year	298	34,195	2,246	87,155	14,452	2,637	–	140,983
Impairment loss recognised (Note)	–	–	–	2,264	162	–	–	2,426
Eliminated upon disposals	–	(524)	–	(19,249)	(1,725)	(1,392)	–	(22,890)
Exchange realignment	–	(5,363)	–	(9,664)	(1,347)	(326)	–	(16,700)
At 31 December 2018	22,979	256,607	14,787	398,771	60,247	12,548	–	765,939
Adjustment upon application of HKFRS 16 (Note 2)	(22,979)	–	–	–	–	–	–	(22,979)
At 1 January 2019 (restated)	–	256,607	14,787	398,771	60,247	12,548	–	742,960
Provided for the year	–	36,568	3,224	82,358	13,572	2,214	–	137,936
Eliminated upon disposals	–	–	–	(3,679)	(627)	(856)	–	(5,162)
Exchange realignment	–	(3,561)	(4)	(4,441)	(1,056)	(136)	–	(9,198)
At 31 December 2019	–	289,614	18,007	473,009	72,136	13,770	–	866,536
CARRYING VALUES								
At 31 December 2019	–	837,833	22,898	392,711	47,583	3,686	60,960	1,365,671
At 31 December 2018	8,491	703,523	4,848	431,507	43,605	5,420	110,426	1,307,820

Note: During the year ended 31 December 2018, the directors of the Company conducted a review of the Group's machinery and equipment, and identified certain items which will not be used for production in the future. Accordingly, full impairment loss of HK$2,426,000 on those assets have been recognised in the profit or loss.

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, except for construction in progress after taking into account of their estimated residual values, are depreciated on a straight-line basis at the following rates per annum:

Owned properties	3%-5%
Leasehold improvements	Over the shorter of the terms of the leases or 20%
Machinery and equipment	9%-30%
Furniture and fixtures	14%-20%
Motor vehicles	18%-30%

17. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	**Leased properties** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
As at 1 January 2019				
Carrying amounts	88,384	947	117	89,448
As at 31 December 2019				
Carrying amounts	143,837	1,726	58	145,621
For the year ended 31 December 2019				
Depreciation charge	(2,308)	(1,367)	(61)	(3,736)
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16				4,801
Total cash outflow for leases				65,715
Additions to right-of-use assets (Note)				61,487

Note: Included in additions to right-of-use assets amounted of HK$60,025,000 are the acquisition of a leasehold land in the PRC through acquisition of a subsidiary (note 38).

17. RIGHT-OF-USE ASSETS *(continued)*

For both years, the Group leases office premises, staff quarters and motor vehicles for its operations. Lease contracts are entered into for fixed terms of one to three years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for staff quarters and motor vehicles. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 11.

18. PREPAID LEASE PAYMENTS FOR LEASEHOLD LAND

	2018 HK$'000
Prepaid lease payments for leasehold land in the PRC	79,893
Analysed for reporting purposes as:	
Non-current assets	77,793
Current assets	2,100
	79,893

19. GOODWILL

	2019 HK$'000	2018 HK$'000
AT COST AND CARRYING VALUES		
At 1 January 2018, 31 December 2018 and 31 December 2019	**40,082**	40,082

For the purpose of impairment testing, goodwill has been allocated to two individual cash generating units ("CGUs"), comprising one subsidiary, namely Guangdong Shunde Nissin Foods Co., Ltd., engaged in the manufacturing and sales of instant noodles products and another subsidiary, namely MC Marketing & Sales (Hong Kong) Limited engaged in the importation and distribution of beverages, processed food and sauces products of a number of brands in Hong Kong and Macau. The carrying amount of goodwill allocated to these CGUs are as follows:

	2019 HK$'000	2018 HK$'000
Guangdong Shunde Nissin Foods Co., Ltd	**8,414**	8,414
MC Marketing & Sales (Hong Kong) Limited	**31,668**	31,668
	40,082	40,082

The management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised as bellows:

Guangdong Shunde Nissin Foods Co., Ltd.

The recoverable amount of this CGU has been determined by a value in use calculation. The Group performed impairment review for the goodwill of Guangdong Shunde Nissin Foods Co., Ltd based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows for the following five years as approved by the management and using a pre-tax discount rate of 7.7% (2018: 7.7%) per annum. The cash flows beyond five-year are extrapolated using a 1% (2018: 1%) per annum growth rate. Key assumptions for the value in use calculation, are those regarding the discount rates, growth rates and expected changes to selling prices and cost during forecasted periods. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Management believes that any reasonably possible change of these assumptions would not cause the aggregate carrying amount of this CGU to exceed its aggregate recoverable amount.

MC Marketing & Sales (Hong Kong) Limited

The recoverable amount of this CGU has been determined based on a value in use calculation. At 31 December 2019, the recoverable amount of this CGU is determined taking into account the valuation performed by management, based on the cash flows forecasts derived from the most recent financial budgets for the next five years and a pre-tax discount rate of 15.0% (2018: 15.0%) per annum which reflects current market assessment of the time value of money and the risks specific to the CGU. The cash flows beyond the five-year period are extrapolated using a steady 3% (2018: 3%) per annum growth rate. This growth rate does not exceed the average long-term growth rate for the relevant industry. Other key assumptions and key parameters for the value in use calculation include budgeted sales and gross margin and expected changes to selling prices and cost, which are determined based on management's expectations for the market development and market growth forecasts. Management believes that any reasonably possible change of these assumptions would not cause the aggregate carrying amount of this CGU to exceed the aggregate recoverable amount.

20. TRADEMARK

	HK$'000
COST	
At 1 January 2018, 31 December 2018 and 31 December 2019	73,419
AMORTISATION AND IMPAIRMENT	
At 1 January 2018	41,917
Amortisation for the year	3,231
At 31 December 2018	45,148
Amortisation for the year	3,231
At 31 December 2019	48,379
CARRYING VALUES	
At 31 December 2019	25,040
At 31 December 2018	28,271

The carrying amount of trademark (net of previously recognised amortisation and impairment) is amortised on a straight-line method over its remaining useful life, i.e. 12 years, at the time of impairment.

21. INTEREST IN AN ASSOCIATE

	2019 **HK$'000**	2018 HK$'000
Cost of investment in an unlisted company	**120**	120
Exchange realignment	**(4)**	(4)
	116	116

Particulars of the associate of the Group are as follows:

Name of associate	**Place of incorporation**	**Proportion of ownership interest held by the Group** **2019**	2018	**Principal activities**
北京正本廣告有限公司	PRC	**25%**	25%	Designing, producing an publishing advertisements

21. INTEREST IN AN ASSOCIATE *(continued)*

The followings are the summarised financial information of the associate:

	2019 HK$'000	2018 HK$'000
The Group's share of result of the associate	–	–
Aggregate carrying amount of the Group's interest in an associate	116	116

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Financial assets designated at FVTPL:		
Listed equity investment in Hong Kong (Note i)	9,328	12,035
Unlisted equity investments (Note ii)	23,639	19,514
Club debenture (Note iii)	272	272
	33,239	31,821
Financial asset mandatorily measured at FVTPL:		
Structured notes (Note iv)	397,819	88,536
	431,058	120,357
Analysed for reporting purposes as:		
Current assets	397,819	88,536
Non-current assets	33,239	31,821
	431,058	120,357

Notes:

i. The above listed equity investment represents ordinary shares of an entity listed in Hong Kong. This investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate this investment as at FVTPL.

ii. The unlisted equity investments include an amount of HK$2,950,000 (2018: HK$3,905,000) which represents investment in 5% unlisted equity issued by a private entity established in the PRC. This investment is principally engaged in the test and inspection of the safety and quality of food products. The remaining HK$20,689,000 (2018: HK$15,609,000) represents investment in 26.68% unlisted equity issued by a private entity in India, which is engaged in processing and export of freeze-dried seafood, spices and herbs.

    The directors of the Company have elected to designate these investments as FVTPL.

iii. Club debenture is stated at fair value which is determined by reference to market price.

iv. The structured notes of US$51,074,000 (equivalent to approximately HK$397,819,000) (2018: US$11,350,000 (equivalent approximately to HK$88,536,000) are issued by a financial institution in Hong Kong. The structured notes are interest-rate linked instruments with enhanced interest rates which accrue on a daily basis and will be automatically extended every month by an additional month unless the Group exercises the right to redeem the instruments on maturity date. Thus, it is not held solely for payment for principal and interest and therefore, it is measured at FVTPL.

Details of the fair value measurement of financial assets at FVTPL are set out in note 40(c).

23. OTHER FINANCIAL ASSETS

During the year ended 31 December 2019, the Group purchased certificates of deposits of US$20,000,000 (equivalent to HK$156,630,000) (2018: US$40,000,000 (equivalent to HK$313,260,000)) from the financial institutions with a maturity date on 20 January 2020 (2018: 28 March 2019) and carried at fixed interest rate at 3.3% (2018: ranging from 3.13% to 3.19%) per annum.

The certificate of deposits met the contractual cash flow that are solely payments for principal and interest and therefore, is classified as other financial assets at amortised cost under current assets in the consolidated statement of financial position at the end of the reporting period.

Detail of impairment assessment of other financial assets are set out in note 40(b).

24. DEFERRED TAXATION

For the purpose of presentation of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 **HK$'000**	2018 HK$'000
Deferred tax assets	**(20,977)**	(18,806)
Deferred tax liabilities	**42,231**	33,277
	21,254	14,471

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000 (Note 1)	**Undistributed earnings of the PRC subsidiaries** HK$'000 (Note 2)	**Others** HK$'000 (Note 3)	**Total** HK$'000
At 1 January 2018	41,096	(21,588)	12,312	(27,284)	4,536
(Credited) charged to profit or loss	(4,119)	12,178	(6,549)	7,848	9,358
Exchange realignment	16	520	(605)	646	577
At 31 December 2018	36,993	(8,890)	5,158	(18,790)	14,471
Charged (credited) to profit or loss	5,873	2,391	510	(2,364)	6,410
Exchange realignment	(524)	29	(204)	1,072	373
At 31 December 2019	42,342	(6,470)	5,464	(20,082)	21,254

24. DEFERRED TAXATION *(continued)*

Notes:

1. At the end of the reporting period, the Group has unused tax losses of approximately HK$64,233,000 (2018: HK$111,396,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$39,212,000 (2018: HK$53,692,000) of such losses. No deferred tax asset in respect of the remaining tax losses of approximately HK$25,021,000 (2018: HK$57,704,000) has been recognised due to the unpredictability of future profit streams.

   Included in unrecognised tax losses as at 31 December 2019 are losses of HK$24,371,000 (2018: HK$46,245,000) that will expire as follows:

	2019 **HK$'000**	2018 HK$'000
2022	**7,388**	28,883
2023	**16,983**	17,362
	24,371	46,245

   The remaining unrecognised tax loss will be carried forward indefinitely.

2. Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries amounting to approximately HK$109,000,000 (2018: HK$103,000,000).

3. Amount mainly represents deductible temporary differences arising from provision for retirement benefits, accrued salaries and promotion expenses.

   At the end of the reporting period, the Group has other deductible temporary differences of approximately HK$92,405,000 (2018: HK$83,056,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$85,169,000 (2018: HK$75,820,000) of such deductible temporary differences. No deferred tax assets in respect of the remaining temporary differences of approximately HK$7,236,000 (2018: HK$7,236,000) has been recognised due to unpredictability of future profits stream.

25. LOAN RECEIVABLE

The loan receivable is interest-free, repayable by quarterly instalments within ten years (from July 2014 with last payment by 2024) and the repayments are guaranteed by the shareholders of the borrower.

Details of impairment assessment of loan receivable are set out in note 40(b).

26. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**88,014**	102,994
Work in progress	**47,023**	27,597
Finished goods	**191,556**	163,495
	326,593	294,086

27. TRADE RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Trade receivables

	2019 HK$'000	2018 HK$'000
Trade receivables – sales of goods	**421,935**	451,292
Less: allowance for credit losses	**(879)**	(1,360)
	421,056	449,932

At 1 January 2018, trade receivables from contracts with customers amounted to HK$422,702,000.

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.

	2019 HK$'000	2018 HK$'000
0 to 30 days	**215,436**	261,209
31 to 90 days	**137,280**	157,810
91 to 180 days	**68,340**	30,913
	421,056	449,932

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$109,757,000 (2018: HK$106,334,000) which are past due as at the end of the reporting period. Out of the past due balances, HK$9,285,000 (2018: HK$8,039,000) has been past due 90 days or more and is not considered as in default as the customers have good repayment history during the current year and over the past years, and these customers have strong financial capacity as they are the subsidiaries of large listed corporate in Hong Kong.

Details of impairment assessment of trade receivables are set out in note 40(b).

27. TRADE RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

Other receivables, prepayments and deposits

The following is the analysis of other receivables, prepayments and deposits at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Other receivables	**25,296**	36,027
Prepayments	**7,995**	9,833
Prepaid value added tax and other taxes	**27,453**	22,383
Rental deposits	**2,148**	2,280
Utilities and other deposits	**10,295**	11,316
	73,187	81,839

Details of impairment assessment of other receivables are set out in note 40(b).

28. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The following is an aged analysis of trade receivables from related companies (which are unsecured, interest-free and with credit terms ranging from 30 to 40 days) presented based on the invoice date, which approximate the respective revenue recognition dates at the end of the reporting period.

Amounts due from fellow subsidiaries:

	2019 HK$'000	2018 HK$'000
0 to 30 days	**1,671**	8,727
31 to 90 days	**1,598**	238
	3,269	8,965

At 31 December 2019, included in the Group's trade receivables with fellow subsidiaries are debtors with aggregate carrying amount of HK$1,598,000 (2018: HK$238,000) which are past due as at the reporting period. No balances are past due over 90 days or more at 31 December 2019 and 2018.

The following is an aged analysis of trade payables to related companies (which are unsecured, interest-free and with credit terms ranging from 30 to 40 days) presented based on the invoice date at the end of the reporting period.

28. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES *(continued)*

Amount due to ultimate holding company:

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**14,293**	11,327
31 to 90 days	**7,737**	8,046
91 to 180 days	**3,300**	3,040
Over 180 days	**6,025**	1,548
	31,355	23,961

Amounts due to fellow subsidiaries:

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**5,284**	3,872
31 to 90 days	**43**	566
	5,327	4,438

Other than disclosed in above, the remaining amounts are in non-trade nature, unsecured, interest-free and repayable on demand.

Details of impairment assessment of amounts due from ultimate holding company and fellow subsidiaries are set out in note 40(b).

29. TIME DEPOSITS OVER THREE MONTHS, AND BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 3.50% (2018: 0.01% to 4.80%) per annum.

The time deposits over three months carry fixed interest rate ranging from 1.95% to 2.36% (2018: 1.45% to 3.90%) per annum.

Details of impairment assessment of time deposits over three months and bank balances are set out in note 40(b).

30. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables

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

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**118,059**	111,980
31 to 90 days	**94,597**	118,972
91 to 180 days	**1,279**	21,569
Over 180 days	**9**	19
	213,944	252,540

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

Other payables and accruals

The following is the analysis of other payables and accruals at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Accruals for promotion and advertising expenses	**240,572**	193,933
Construction payables	**19,927**	13,577
Dividend payable	**15,174**	17,200
Staff costs and welfare payables	**103,609**	95,401
Value added tax and other tax payables	**10,915**	6,344
Refund liabilities (Note)	**94,214**	102,581
Other payables and accruals	**101,906**	73,035
	586,317	502,071

Note: The refund liabilities arose from outstanding rebates in relation to the goods sold to certain customers.

31. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	**1,660**
Within a period of more than one year but not more than two years	**131**
	1,791
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,660)**
Amount due for settlement after 12 months shown under non-current liabilities	**131**

Lease obligations that are denominated in currencies of the functional currencies of the relevant group entities.

32. DEFERRED INCOME

The following is the movement in deferred income in the current and prior years.

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**21,100**	19,137
Government grant received in relation to acquisition of assets (Note)	**2,268**	4,922
Amortisation in the current year	**(1,813)**	(1,980)
Exchange realignment	**(469)**	(979)
At end of the year	**21,086**	21,100
Analysis as:		
Current	**1,063**	1,274
Non-current	**20,023**	19,826
	21,086	21,100

Note: During the year ended 31 December 2019, the Group received government subsidy of HK$2,268,000 (2018: HK$4,922,000) for the acquisition of machinery in the PRC. The amount has been treated as deferred income. The amount is amortised and transferred to income over the useful lives of the relevant asset.

33. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,074,319,480	2,941,441

Details of the shares held under the share award scheme (note 34) are set out below:

	Average purchase price HK$	No. of shares held	Value of shares HK$'000
At 1 January 2018	4	295,840	1,146
Shares vested under share award scheme	–	(120,730)	(468)
At 31 December 2018 and 31 December 2019	4	175,110	678

34. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

34. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

			Number of shares awarded			
Category of grantees	Date of grant	Vesting period	Balance as at 1 January 2018	Awarded during the year	Vested during the year	Balance as at 31 December 2018
Employees	25 May 2018	From 25 May 2018 to 11 June 2018	–	120,730	(120,730)	–
Employees	25 May 2018	From 25 May 2018 to 11 December 2020	–	159,210	–	159,210
			–	279,940	(120,730)	159,210

The estimated fair values of the 2018 Awarded Share is HK$4.58 per share based on the market trading price of the share at the grant date. The total fair value of the 2018 Awarded Shares is HK$1,282,000.

The Group recognised the total expense of HK$230,000 for the year ended 31 December 2019 (2018: HK$809,000) in relation to share award granted by the Company.

35. OPERATING LEASE

The Group as lessee

As at 31 December 2018, the commitments for future minimum lease payments under non-cancellable operating leases for rented premises fall due as follows:

	2018 HK$'000
Within one year	5,582
In the second to fifth year inclusive	135
	5,717

36. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**82,317**	116,015

37. RETIREMENT BENEFITS SCHEME

The Group participates in both defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Certain employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme remained with the ORSO Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee and capped at HK$1,500 per month.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employees' basic salary. The pension costs charged to profit or loss represent contributions paid or payable to these funds by the Group at rates specified in the rules of these schemes.

The employees of the Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total expense recognised in profit or loss of HK$58,198,000 (2018: HK$49,878,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

At 31 December 2019 and 2018, there were no forfeited contributions which arose upon employees leaving the retirements plan and which are available to reduce the contributions payable in the future years.

38. ACQUISITION OF A SUBSIDIARY

On 2 July 2019, the Group acquired entire equity interest in 珠海日清包裝有限公司 (namely, Zhuhai Nissin Packaging Company Limited ("Zhuhai Nissin Packaging")) (formerly known as 珠海聯智科技有限公司, namely Uni-Intech (Zhuhai) Scientific Technology Co., Ltd.) from independent third parties at a cash consideration of Renminbi ("RMB") 59,270,000 (equivalents to approximately HK$65,950,000) for its land use right for construction of a new factory. The acquisition has been accounted for as acquisition of asset.

Assets and liabilities recognised on the date of acquisition are as follows:

	HK$'000
Net assets recognised:	
Right-of-use assets	60,025
Other receivables	3,338
Bank balances and cash	2,677
Other payables and accruals	(90)
	65,950

38. ACQUISITION OF A SUBSIDIARY *(continued)*

	HK$'000
Consideration transferred	
Consideration paid	64,837
Not yet paid up to 31 December 2019 (Note)	1,113
Total	65,950

Note: Amount is unsecured, interest-free and repayable within two years upon completion of the transaction date.

Net cash outflow on acquisition of Zhuhai Nissin Packaging

	HK$'000
Cash consideration paid	64,837
Less: cash and cash equivalents acquired	(2,677)
Net cash outflow on acquisition for the year ended 31 December 2019	62,160

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the generation of profits from its operations. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with its capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**431,058**	120,357
Financial assets at amortised cost	**2,237,180**	2,503,921
Financial liabilities		
Amortised cost	**726,998**	672,495

(b) Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes.

The risks associated with the financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group does not enter into or trade in derivative financial instruments either for hedging or speculative purposes. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year.

(i) Currency risk

The Company and several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
United States Dollar ("US$")	**542,718**	334,861	**17,939**	18,405
HK$	**–**	10,487	**–**	–
Japanese Yen ("JPY")	**3,084**	2,391	**16,807**	13,458
RMB	**311,172**	329,575	**77,250**	73,530
Euro	**12,206**	6,650	**–**	–

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk (continued)

(i) Currency risk (continued)

As HK$ is currently pegged to US$, the directors of the Company consider that the Group's exposure to fluctuation in HK$ against US$ is limited. The Group's currency risk is mainly concentrated on the fluctuations of JPY, Euro and RMB against HK$.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the relevant foreign currencies against the functional currencies of the relevant group entities. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A positive number below indicates an increase in profit for the year where the relevant foreign currencies strengthen 5% against the relevant functional currencies of the relevant group entities. For a 5% weakening of the relevant foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

	Profit for the year	
	2019 **HK$'000**	2018 HK$'000
JPY against HK$	**(573)**	(462)
RMB against HK$	**9,766**	10,690
Euro against HK$	**510**	277

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate time deposits with maturity over three months, other financial assets and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to the fluctuation of prevailing market interest rate on bank balances. The Group currently does not have interest rate hedging policy, however, the management monitors interest rate exposure on dynamic basis.

The directors of the Company consider that the overall interest rate risk for bank balances is not significant as bank balances are all short term and interest rates are currently at low level with no significant changes are expected for the foreseeable future.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVTPL. The Group is also exposed to certain price risks in relation to unquoted equity securities for investees for long term strategic purposes which had been designed as FVTPL. The Group has monitored the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 40(c).

If the prices of the respective equity instruments had been 35% (2018: 35%) lower, the profit for the year would decrease by HK$3,265,000 (2018: HK$4,212,000) for the Group as a result of the changes in fair value of investments at FVTPL.

The management does not anticipate a significant increase in market bid price on the listed equity instrument in the next financial year having regard to the trends in the market bid price. Accordingly, no sensitivity analysis for increase in such prices is presented.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, amounts due from fellow subsidiaries which are in trade nature, other receivables, loan receivable, amount due from ultimate holding company, bank balances, time deposits with maturity over three months and other financial assets. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivable is mitigated because it is secured over the guarantee provided by the shareholders of the debtor.

Trade receivables and amounts due from fellow subsidiaries which are in trade nature arising from contracts with customers

(i) Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group has concentration of credit risk as 26% (2018: 25%) and 78% (2018: 78%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually for customers with significant balances and others based on provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. The directors of the Company consider the impairment loss were insignificant to be recognised during the year. Details of the quantitative disclosures are set out below in this note.

(ii) Amounts due from fellow subsidiaries which are in trade nature

The Group performs impairment assessment under ECL model upon application of HKFRS 9. The balances with fellow subsidiaries are considered as low credit risk since those fellow subsidiaries are with good repayment history and strong financial capacity to meet its contractual cash flow obligations in the near term. Thus, no loss allowance was recognised on these amounts due from fellow subsidiaries.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Other receivables/loan receivables/amount due from ultimate holding company/bank balances/time deposits over three months/other financial assets

(i) Loan receivable

The directors of the Company estimate the estimated loss rates by using 12m ECL based on historical credit loss experience of the debtor. Based on assessment by the directors of the Company, the loss given default is low in view of the regular settlement of debtor without any delay in settlement of instalment in the current and previous years. The directors of the Company considers the ECL for loan receivable is insignificant.

(ii) Other receivables and amount due from ultimate holding company

The directors of the Company make periodic individual assessment on the recoverability of other receivables and amount due from ultimate holding company based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL basis. For the years ended 31 December 2019 and 2018, the Group assessed the ECL for other receivables and amount due from ultimate holding company were insignificant and thus no loss allowance was recognised.

(iii) Time deposits with maturity over three months, bank balances and other financial assets

The credit risks on bank balances, time deposits with maturity over three months and other financial assets are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for time deposits with maturity over three months, bank balances and other financial assets by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL is considered to be insignificant.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Impairment assessment

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and amounts due from fellow subsidiaries which are in trade nature	Other financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Watch List	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL–not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m ECL or lifetime ECL	2019 Gross carrying amount		2018 Gross carrying amount	
				HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised costs							
Loan receivable	N/A	Low risk	12m ECL (Note 1)		**2,463**		3,010
Amounts due from fellow subsidiaries	N/A	Low risk (note 2)	Lifetime ECL (not credit impaired)		**3,269**		8,956
Amount due from ultimate holding company	N/A	Low risk	12m ECL (Note 1)		**5,760**		1,666
Other financial assets	A	N/A	12m ECL		**156,630**		313,260
Time deposits with maturity over three months	A1-Baa	N/A	12m ECL		**105,003**		292,758
Bank balances	A1-Baa	N/A	12m ECL		**1,505,143**		1,384,443
Other receivables	N/A	Low risk	12m ECL (Note 1)		**37,739**		49,623
Trade receivables	N/A	Low risk (Note 2)	Lifetime ECL (provision matrix)	**208,446**		101,213	
		Low risk	Lifetime ECL (not credit-impaired)	**212,610**		348,719	
		Loss	Credit-impaired	**879**	**421,935**	1,360	451,292

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significant since initial recognition and concluded that there is no significant increase in credit risk for loan receivable, amount due from ultimate holding company and other receivables.

2. For trade receivables and amounts due from fellow subsidiaries in trade nature, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances and amounts due from fellow subsidiaries which are in trade nature, the Group determines the expected credit losses on these items by using a provision matrix, grouped by historical repayment pattern of customers in the past three years.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

As part of the Group's credit risk management, the Group uses internal credit rating to assess the impairment for its customers in relation to the trade receivables because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Debtors with significant outstanding balances and amounts due from fellow subsidiaries which are in trade nature were assessed individually.

The estimated loss rates used are estimated based on historical observed default rates (i.e. by considering the historical repayment pattern of the customers of the past three years) over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2019 and 2018, the directors of the Company consider the impairment allowance were insignificant to be recognised during the year.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) HK$'000
At 1 January 2018	2,076
Impairment losses reversed	(645)
Exchange adjustments	(71)
As at 31 December 2018	1,360
Impairment losses reversed	(457)
Exchange adjustments	(24)
As at 31 December 2019	879

Changes in loss allowance for trade receivables are mainly due to settlement in full of trade receivables with a gross carrying amounts of HK$457,000 (2018: HK$645,000).

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity risk table

31 December 2019

	Weighted average interest rate	On demand or within 3 months HK$'000	4 to 12 months HK$'000	1 to 2 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade payables	–	213,944	–	–	213,944	213,944
Other payables and accruals	–	476,372	–	–	476,372	476,372
Amount due to ultimate holding company	–	31,355	–	–	31,355	31,355
Amounts due to fellow subsidiaries	–	5,327	–	–	5,327	5,327
Lease liabilities	4.75	635	1,745	190	2,570	1,791
		727,633	1,745	190	729,568	728,789

31 December 2018

	Weighted average interest rate	On demand or within 3 months HK$'000	4 to 12 months HK$'000	1 to 2 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade payables	–	252,540	–	–	252,540	252,540
Other payables and accruals	–	391,556	–	–	391,556	391,556
Amount due to ultimate holding company	–	23,961	–	–	23,961	23,961
Amounts due to fellow subsidiaries	–	4,438	–	–	4,438	4,438
		672,495	–	–	672,495	672,495

40. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management is to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 2019 HK$'000	Fair value as at 2018 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity investment	**9,328**	12,035	Level 1	Quoted prices in an active market
Club debenture	**272**	272	Level 2	Quoted prices in a secondary market for identical assets
Unlisted equity investments	**23,639**	19,514	Level 3	Price to earning ratio adjusted for marketability (Note)
Structured notes	**397,819**	88,536	Level 2	Quoted prices provide by financial institution

Note: An increase in the price to earning ratio would result in an increase in the fair value measurement of the unlisted equity securities, and vice versa.

There were no transfers between Level 1, 2 and 3 during the year.

(c) Fair value measurements of financial instruments *(continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL
At 1 January 2018	–
Purchases	19,514
At 31 December 2018	19,514
Fair value gain	4,125
At 31 December 2019	23,639

Fair value gains or losses on financial assets FVTPL are included in 'other gains and losses'.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

The fair values of the financial assets and financial liabilities above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

41. RELATED PARTY DISCLOSURES

Apart from the balances with related parties as disclosed in the consolidated statement of financial position and respective notes, the Group has entered into the following transactions with related parties:

	2019 **HK$'000**	2018 HK$'000
Ultimate holding company		
Management fee received	**(304)**	(261)
Outsourcing manufacturing and procurement of finished goods	**37,724**	30,796
Purchase of raw materials	**35,479**	32,494
Purchase of equipment and parts	**1,542**	1,004
Royalty charges paid (Note)	**15,592**	15,153
Sales of raw materials and finished goods	**(36)**	(42)
Purchase of SAP license	**12**	534
Provision of publicity services	**(6,878)**	(14,042)
Market service fee	**32**	19
Miscellaneous expense	**73**	65

Note: The amount represents royalty paid to ultimate holding company for the rights to use certain trademarks and technical know-how in connection with the manufacturing and sales of certain licensed products which is calculated at certain percentage on the net sales of these licensed products.

	2019 **HK$'000**	2018 HK$'000
Fellow subsidiaries		
Food testing fee	**4,132**	5,257
Outsourcing manufacturing and procurement of finished goods	**45,246**	48,372
Purchase of raw materials	**3,651**	3,296
Sales of raw materials and finished goods	**(50,232)**	(46,070)

The compensation to key management personnel consist mainly of directors' emoluments as disclosed in note 11.

42. PARTICULARS OF THE SUBSIDIARIES

At the end of the reporting period, the Company has equity interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place of incorporation/ registration/ operation	Date of incorporation/ registration	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company 2019	2018	Principal activities
東莞日清包裝有限公司Dongguan Nissin Packaging Co., Ltd.* (Note 3)	PRC	17 October 2013	RMB147,000,000	**100%**	100%	Manufacturing of packaging materials of instant noodles products
可果美日清食品(香港)有限公司Kagome Nissin Foods (H.K.) Co., Ltd. (Note 2)	Hong Kong	27 April 2018	HK$5,000,000	**70%**	70%	Import, purchase and sale of beverage products in Hong Kong, Macau and PRC
福建日清食品有限公司Fujian Nissin Foods Co., Ltd.* (Note 3)	PRC	19 February 2014	RMB235,000,000	**100%**	100%	Manufacturing of instant noodles products
港永南食品(深圳)有限公司 Gangyongnan Food Products (Shenzhen) Co., Ltd.* (Note 1)	PRC	3 March 1999	HK$11,000,000	**100%**	100%	Trading and sales of frozen foods
廣東順德日清食品有限公司 Guangdong Shunde Nissin Foods Co., Ltd.* (Note 3)	PRC	13 November 1994	HK$130,000,000	**100%**	100%	Manufacturing and and sales of instant noodles products
日清食品(中國)投資有限公司 Nissin Foods (China) Holding Co., Ltd.* (Note 2)	PRC	29 October 2001	RMB1,443,797,800	**100%**	100%	Investment holding in the PRC and purchase and sale of instant noodles products
日清食品(香港)有限公司 Nissin Foods (H.K.) Company Limited (Note 2)	Hong Kong	25 August 2015	HK$10,000,000	**100%**	100%	Sales and distribution of noodles, retort foods, frozen foods, beverage products and snacks in Hong Kong and Macau
日清食品(香港)管理有限公司Nissin Foods (H.K.) Management Company Limited (Note 2)	Hong Kong	6 July 2001	HK$200	**100%**	100%	Provision of administrative and human resources to group companies
日清湖池屋(中國•香港)有限公司 Nissin Koikeya Foods (China & HK) Co., Limited (Note 2)	Hong Kong	27 September 2013	HK$10,000,000	**66%**	66%	Purchase and sales of snacks

42. PARTICULARS OF THE SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation/ registration/ operation	Date of incorporation/ registration	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company 2019	2018	Principal activities
上海日清食品有限公司 Shanghai Nissin Foods Co., Ltd.* (Deregistered on 31 August 2019) (Note 3)	PRC	28 February 1995	US$44,000,000	**–**	100%	Manufacturing and sales of instant noodles products and frozen foods (Dormant since 2017)
永南食品有限公司 Winner Food Products Limited (Note 2)	Hong Kong	11 April 1969	HK$29,975,000	**100%**	100%	Manufacturing and sales of instant noodles products and frozen foods
MC Marketing & Sales (Hong Kong) Limited (Note 2)	Hong Kong	17 January 1978	HK$1,000	**51%**	51%	Importation and distribution of beverages and food products
珠海市金海岸永南食品有限公司 Zhuhai Golden Coast Winner Food Products Limited (Note 1)	PRC	3 July 1993	HK$84,000,000	**70.45%**	70.45%	Manufacturing and sales of instant noodles
浙江日清食品有限公司 Zhejiang Nissin Foods Co., Ltd.* (Note 3)	PRC	25 November 2014	RMB350,000,000	**100%**	100%	Manufacturing of instant noodles products
珠海日清包裝有限公司 Zhuhai Nissin Packaging Company Limited* (acquired on 23 October 2019 (note 31)) (Note 3)	PRC	10 December 2003	HK$7,200,000	**100%**	–	Manufacturing of packaging materials of instant noodles products

* English translated name is for identification only.

Notes:

1. Gangyongnan Food Products (Shenzhen) Co., Ltd. and Zhuhai Golden Coast Winner Food Products Limited are indirectly held by the Company through Winner Food Products Limited.

2. These companies are directly held by the Company.

3. The subsidiaries are indirectly held by the Company through Nissin Foods (China) Holding Co., Ltd.

4. Except for Zhuhai Golden Coast Winner Food Products Limited which is a sino-foreign equity joint venture in the PRC, all other PRC subsidiaries are wholly foreign-owned enterprises registered in the PRC.

5. No debt securities have been issued by its subsidiaries as at 31 December 2019 and 2018.

42. PARTICULARS OF THE SUBSIDIARIES *(continued)*

The table below shows details of non-wholly owned subsidiaries of the Company:

	Proportion of equity interest held by non-controlling shareholders		Profit allocated to non-controlling shareholders		Accumulated non-controlling interests	
	2019	2018	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Name of subsidiaries						
Zhuhai Golden Coast Winner Food Products Limited	**29.55%**	29.55%	**22,892**	20,058	**100,039**	94,781
Other subsidiaries with individual non-controlling interests which is not material			**5,062**	5,076	**22,714**	19,856
			27,954	25,134	**122,753**	114,637

42. PARTICULARS OF THE SUBSIDIARIES *(continued)*

Information on non-wholly owned subsidiaries with material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations prepared under HKFRSs:

Zhuhai Golden Coast Winner Food Products Limited

	2019 HK$'000	2018 HK$'000
Non-current assets	**181,004**	182,516
Current assets	**303,661**	272,732
Current liabilities	**(142,829)**	(131,749)
Non-current liabilities	**(3,294)**	(2,752)
	338,542	320,747
Equity attributable to owners of the Company	**238,503**	225,966
Equity attributable to non-controlling interests	**100,039**	94,781
	338,542	320,747
Revenue	**554,063**	529,957
Profit for the year	**77,471**	67,877
Other comprehensive expense for the year	**(8,299)**	(17,351)
Total comprehensive income for the year	**69,172**	50,526
Profit for the year attributable to:		
– owners of the Company	**54,579**	47,819
– non-controlling interests	**22,892**	20,058
	77,471	67,877

42. PARTICULARS OF THE SUBSIDIARIES *(continued)*

Information on non-wholly owned subsidiaries with material non-controlling interests *(continued)*

	2019 **HK$'000**	2018 HK$'000
Total comprehensive income for the year attributable to:		
– owners of the Company	**48,739**	35,596
– non-controlling interests	**20,433**	14,930
	69,172	50,526
Dividend recognised as distribution to non-controlling interests	**15,174**	17,200
Net cash from operating activities	**64,019**	108,869
Net cash from (used in) investing activities	**8,696**	(82,200)
Net cash used in financing activities	**(51,352)**	(58,205)
Net cash inflow (outflow)	**21,363**	(31,536)

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	**Dividend payable** HK$'000	**Total** HK$'000
At 1 January 2018	–	13,080	13,080
Financing cash flows	–	(93,054)	(93,054)
Dividend declared	–	97,174	97,174
At 31 December 2018	–	17,200	17,200
Adjustment upon application of HKFRS 16	1,064	–	1,064
At 1 January 2019	1,064	17,200	18,264
Financing cash flows	(889)	(121,877)	(122,766)
Exchange differences	–	412	412
New lease entered	1,552	–	1,552
Interest expenses	64	–	64
Dividend declared	–	119,439	119,439
At 31 December 2019	1,791	15,174	16,965

44. COMPANY'S FINANCIAL INFORMATION

The following are the statement of financial position of the Company as at 31 December 2019:

	2019 **HK$'000**	2018 HK$'000
Non-current Assets		
Property, plant and equipment	**459,460**	364,507
Right-of-use assets	**5,028**	–
Trademark	**25,040**	28,271
Investments in subsidiaries	**2,062,303**	2,062,303
Financial assets of FVTPL	**27,698**	26,280
Deposits paid for acquisition of property, plant and equipment	**3,081**	889
	2,582,610	2,482,250

44. COMPANY'S FINANCIAL INFORMATION *(continued)*

	2019 HK$'000	2018 HK$'000
Current Assets		
Inventories	**80,654**	59,616
Trade receivables	**2,362**	2,655
Other receivables, prepayments and deposits	**13,647**	17,290
Amount due from ultimate holding company	**1,023**	155
Amounts due from subsidiaries	**116,198**	80,299
Amounts due from fellow subsidiaries	**1,653**	6,896
Loan to a subsidiary	**32,000**	61,000
Financial asset at FVTPL	**397,819**	88,536
Other financial assets	**156,630**	313,260
Time deposits with maturity over three months	**46,003**	–
Bank balances and cash	**271,535**	508,938
	1,119,524	1,138,645
Current Liabilities		
Trade payables	**21,647**	26,072
Other payables and accruals	**118,640**	92,508
Amount due to ultimate holding company	**21,959**	17,488
Amounts due to subsidiaries	**22,789**	14,928
Amounts due to fellow subsidiaries	**3,067**	2,923
	188,102	153,919
Net Current Assets	**931,422**	984,726
Total Assets less Current Liabilities	**3,514,032**	3,466,976
Capital and Reserves		
Share capital	**2,941,441**	2,941,441
Reserves	**546,021**	508,161
Total Equity	**3,487,462**	3,449,602
Non-current Liability		
Deferred tax liabilities	**26,570**	17,374
	3,514,032	3,466,976

The Company's statement of financial position was approved and authorised for issue by the board of directors on 19 March 2020 and are signed on its behalf of:

KIYOTAKA ANDO
DIRECTOR

SHINJI TATSUTANI
DIRECTOR

44. COMPANY'S FINANCIAL INFORMATION *(continued)*

The followings are the movements in the Company's reserves:

	Shares held for Share Award Scheme HK$'000	**Share award reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2018	(1,146)	–	465,609	464,463
Profit and total comprehensive income for the year	–	–	121,314	121,314
Recognition of equity-settled share-based payment	–	809	–	809
Shares vested under share award scheme	468	(557)	89	–
Dividend recognised as distribution (note 14)	–	–	(78,425)	(78,425)
At 31 December 2018	(678)	252	508,587	508,161
Profit and total comprehensive income for the year	–	–	139,690	139,690
Recognition of equity-settled share-based payment	–	230	–	230
Dividend recognised as distribution (note 14)	–	–	(102,060)	(102,060)
At 31 December 2019	(678)	482	546,217	546,021

45. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, a novel coronavirus has broken out which covers substantially all provinces and municipalities in the PRC and exerts downward pressure towards most travel, entertainment and retail industries as a whole. Economic growth in the PRC might be dragged severely as a result of the suspension in industrial production and trade disputes disruption. Nonetheless, the Group expects a generally upward trend towards consumption upgrade into the premium instant noodles segment and the appealing of Nissin Brands, and in particular Cup Noodles, would enable the Group to expand further into different geographical coverage in the PRC. The Group would maintain our progressive approach towards expanding into the PRC, keeping a close eye on enhancing the brand equity and maintaining a premium pricing strategy. Additional efforts would be made to further localise the Group so as to become more responsive to the rapidly changing environment.

Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these consolidated financial statements are authorised for issue, but will be reflected in the Group's future consolidated financial statements for the financial year ending 31 December 2020.

The Group has announced on 23 January 2020 that it has entered into a shareholders and cooperation agreement with Ms. Liu Feng, an independent third party, pursuant to which the said parties will form a joint venture company, which in turn will establish a wholly foreign-owned enterprise in Shanghai, the PRC. The Group will contribute HK$18,600,000 to invest 81% of the shareholding of the joint venture company.

FIVE-YEAR FINANCIAL SUMMARY

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016* HK$'000	2015* HK$'000
Results					
Revenue	**3,087,781**	2,998,828	2,688,530	2,629,905	2,628,663
Profit before taxation	**352,638**	300,008	290,008	167,669	182,575
Income tax expense	**(73,720)**	(69,426)	(69,548)	(60,517)	(66,397)
Profit for the year	**278,918**	230,582	220,460	107,152	116,178
Attributable to:					
Owners of the Company	**250,964**	205,448	195,363	90,762	101,268
Non-controlling interest	**27,954**	25,134	25,097	16,390	14,910
Total	**278,918**	230,582	220,460	107,152	116,178

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016* HK$'000	2015* HK$'000
Total Assets	**4,633,930**	4,444,372	4,460,990	3,435,304	3,859,699
Total Liabilities	**(921,612)**	(849,199)	(909,916)	(731,883)	(646,979)
Total equity	**3,712,318**	3,595,173	3,551,074	2,703,421	3,212,720
Net current Assets	**2,135,991**	2,126,650	2,071,581	1,330,833	2,087,120

* Comparative figures of the results for the year ended 31 December 2015 and 2016 and assets and liabilities as at 31 December 2015 and 2016 have not been restated to reflect the impacts of the adoption of HKFRS 15, HKFRS 16 and HKFRS 9 as the directors are of the consider that it is costs over benefits to do so.