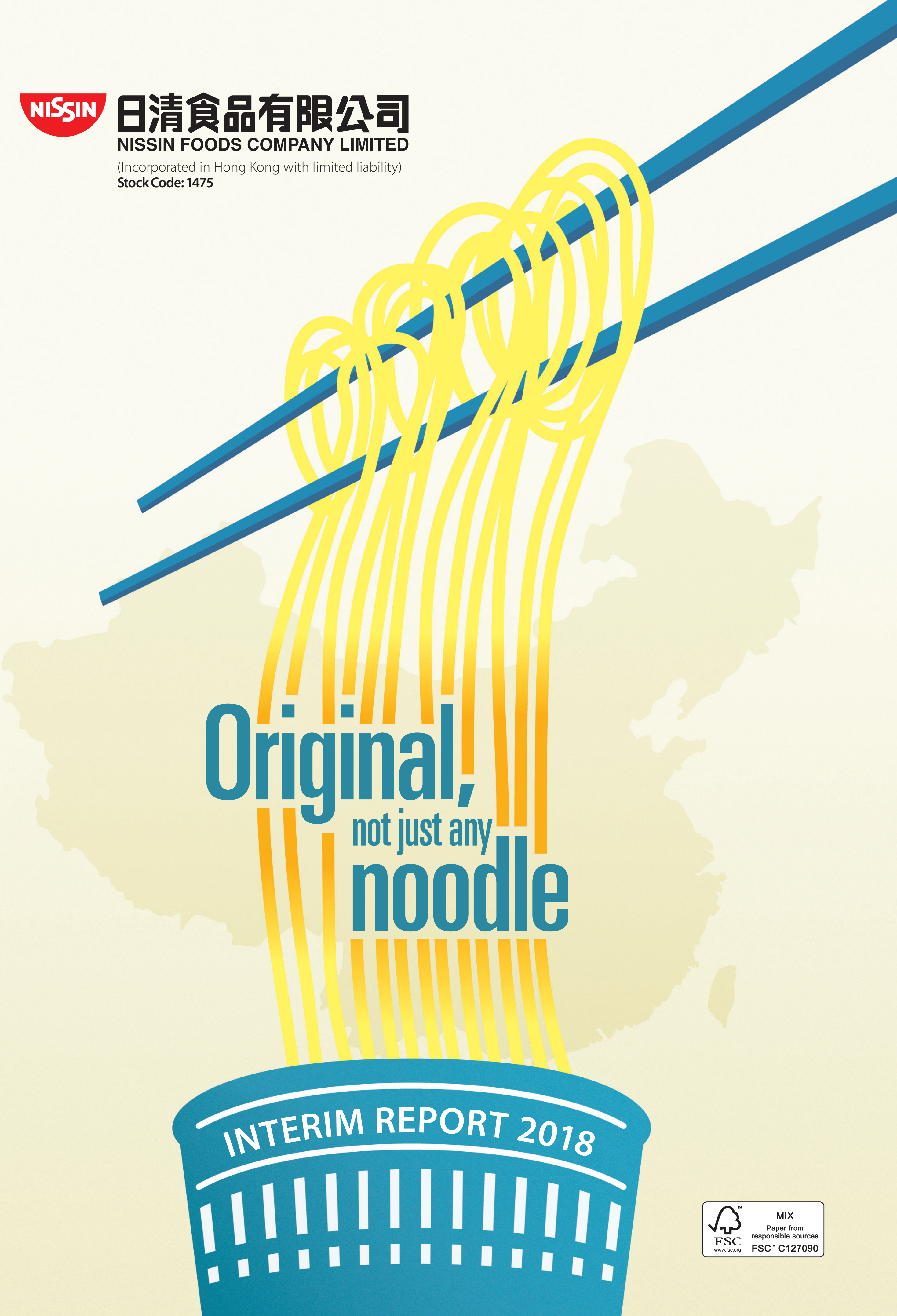
日清食品有限公司

NISSIN FOODS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 1475



Original, not just any noodle

INTERIM REPORT 2018


NISSIN
湖池屋
NISSIN
激辣魔薯
カラムーチョ
KAGOME
野菜生活
100
日本製造
橙の野菜と果物

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Proud to be the

"Earth Food Creator"

and committed to serving the community with quality food products

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Kiyotaka Ando
Mr. Toshimichi Fujinawa *(appointed on 3 July 2018)*
Mr. Shinji Tatsutani
Mr. Kazuo Kawasaka *(appointed on 3 July 2018)*
Mr. Munehiko Ono
Mr. Yoshihide Semimaru *(resigned on 3 July 2018)*
Mr. Hijiri Fukuoka *(resigned on 3 July 2018)*

Non-executive Director

Mr. Tong Ching Hsi

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, *CPA*

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

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

Senior Management

Mr. Hijiri Fukuoka
Mr. Taiji Matsumura
Mr. Satoshi Niibe
Mr. Xi Xiaotong
Mr. Takeshi Shigemi
Mr. Gen Matsunobu
Mr. Akifumi Aiba
Mr. Hiroshi Ono
Mr. Takeshi Kikunaga
Mr. Tse Chi Ping Roy
Mr. Ying Li Feng
Mr. Zhao Xiongda

Registered Office

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

Headquarter 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.
The Bank of Tokyo-Mitsubishi UFJ, 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

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Media Relations Email: pr@nissinfoods.com.hk

Stock Code

1475

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Nissin Foods Company Limited (the "Company") is pleased to announce the interim results for the six months ended 30 June 2018.

The beginning of year 2018 has been a solid start for the Company. Operating environment in both Hong Kong and the People's Republic of China (the "PRC") has been stabilized. Consumer sentiment has been gradually improving as the Chinese consumers continue their consumption upgrade to premium consumer products. Continuous evolvement has also taken place within the Group as we continue to localise our management team since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 December 2017 (the "Listing") with the recruitment of local talents who better understand the challenging and ever-changing business landscape in both Hong Kong and the PRC.

Under HKAS18, the Group used to recognise sales rebates to the customer as selling expenses. By applying HKFRS15 starting from 1 January 2018, such rebates are considered as part of transaction cost. The effect of this change in accounting standard is a reduction in both revenue and selling expenses. In order to better illustrate the effect of application of HKFRS15, the Company has restated the results for the period ended 30 June 2017 accordingly.

In this regards, the Group's revenue increased by 18.7% to HK$1,481.6 million for the period (2017: HK$1,248.6 million), primarily attributable to the optimization of the product mix with portfolio price adjustments and contribution from the distribution business. Gross profit margin decreased to 30.1% for the period (2017: 31.1%), mainly due to the commencement of recognition of depreciation expenses for both Nissin Hong Kong and Pinghu production plants, as well as the incorporation of the distribution business of MC Marketing & Sales (Hong Kong) Limited ("MCMS") since March 2017. As the costs of key raw materials such as wheat flour, packaging materials and freeze-drying goods have been on the rise, the Company has further increased the automation of production plants so as to reduce the impact on the cost of sales.

At EBITDA level, the Group grew by 9.1% to HK$198.3 million (2017: HK$181.8 million), representing the EBITDA margin of 13.4% for the period (2017: 14.6%). Profit attributable to owners of the Company was HK$94.2 million, representing an increase of 2.8% from HK$91.6 million for the corresponding period in 2017. The better revenue growth during the period has outweighed the increasing personnel expenses and depreciation expenses while the increase in other income derived from the interest income has also contributed to the better performance of the Group for the first half of 2018. However, the Group's basic earnings per share decreased to 8.77 HK cents for the period (2017: 11.38 HK cents) due to increase in the number of issued shares as a result of the initial public offering of the Company in December 2017.

BUSINESS REVIEW

Hong Kong Operations

The retail sentiment in Hong Kong has been promising so far in the Year of The Dog. Not only did we witness a double digit growth of retail sales statistics in terms of both value (+13.4%) and volume (+11.8%) as published by the Census and Statistics Department of Hong Kong, but also an increase of the influx of tourists into Hong Kong by 10.1% in the first half of the year as disclosed by The Hong Kong Tourism Board. From the instant noodles market perspective, the overall consumption has been relatively stable in recent years with customers continuing to search for innovative products to challenge their taste bud.

For the first half year, revenue from Hong Kong operations increased healthily by 20.2% from HK$547.9 million to HK$658.5 million, mainly driven by the growth in sales of ***Demae Iccho*** after the transition from third party distributor to MCMS, as well as the contribution from full year operation of MCMS this year. For the current period, revenue from Hong Kong operations accounted for 44.4% of the Group's revenue. However, the commencement of the recognition of depreciation expenses has affected the profitability of the first half year in the Hong Kong operations, with segment result recorded a decrease of 16.8% to HK$52.5 million in 2018 (2017: HK$63.1 million).

We have established ourselves to be a food company in Hong Kong. Several innovative and exciting products have been launched during the period in the instant noodles business under our flagship brands to maintain our market leadership and extend our product portfolio. For ***Cup Noodles***, two new flavours were released to the market to enhance the current portfolio. For those customers who prefer Japan-originated products, the Company has collaborated with ***IPPUDO*** (一風堂) to introduce Tonkotsu flavour instant noodles in April 2018. Under ***Demae Iccho***, the Group also introduced new Asian flavours for consumers indulging in Asian tastes. New products were also added under the ***DOLL*** and ***FUKU*** brands this year to serve different clientele.

Under the non-instant noodles business, the performance of potato chips and granolas have been improving. Our diversification into the distribution business with MCMS in Hong Kong has positively contributed to the operating income to the Group for the period.

In terms of marketing and advertising, the Group cooperated with "Make life stereo! STAYREAL" in June 2018 to introduce four styles of T-shirts under the "STAYREAL x 出前一丁聯名系列" while other accessory products would also be available from July 2018 onwards to demonstrate the stylish aspects of our ***Demae Iccho*** brand.

Currently the Group manufactures its instant noodles and some of its frozen food products in Hong Kong in four production plants located in Tai Po. As our business and sales volume continue to grow, the Group has continuously made improvement to its production plants. During the period, machinery upgrades have been carried out in certain plants to improve production efficiency. The Company is now planning for the Phase 2 improvement of Nissin Hong Kong Plant where new warehouses would be installed at the plant for future expansion.

The PRC Operations

In recent years, China has become one of the most prosperous countries in the world with an expanding middle class continuing to seek upgraded consumer goods to enhance the people's quality life. As the economy continues to grow, consumers tend to seek better quality products, and we have witnessed a faster growth in the spending on premium products. With the propelling force from the economic growth, as measured by the 6.8% increase in gross domestic products and the 9.4% increase in the retail sales as reported by the National Bureau of Statistics of the PRC, it has provided golden opportunities for consumer-centric companies to supply premium products to match customer demands. Nonetheless, the recent trade friction between the United States and the PRC, coupled with Renminbi depreciation in recent months, have created some turbulence and uncertainties on the economy in 2018.

Against this backdrop, revenue from the PRC operations increased by 17.5% from HK$700.7 million to HK$823.1 million in the first half of the year, mainly due to the better performance from the container type instant noodles as we continued to expand our coverage in the PRC, as well as the favourable average exchange rate during the period. In terms of geographic coverage, sales performance was satisfactory in Southern China, and with promising performance in Eastern and Northern China, testifying to the effectiveness of the Group's plan to pursue gradual expansion into inland China. Currently, revenue from the PRC operations accounted for 55.6% of the Group's revenue. Segment result increased by 13.2% to HK$69.8 million for the period (2017: HK$61.7 million), amid the higher salary and related expenses resulted from the recruitment of salesforce and the surge in depreciation expenses of Pinghu Production Plant.

Premium instant noodles have become one of the key focus in China in recent years. We believe the Group can provide an exciting customer experience which at the same time can help drive the organic growth of the Group. In the past decade, the Group has focused on seafood flavour of the ***CUP NOODLES*** in the PRC. Since the second half of 2017, the Group introduced Tonkotsu flavour premium non-fried instant noodles under our in-house brand ***RAOH*** (拉王) which features three flavours with improving performance, as well as a Tonkotsu flavour instant noodle product in collaboration with ***IPPUDO*** (一風堂) to Chinese consumers whom prefer more original Japanese flavour products. In order to expand our coverage in the PRC, additional salesforce is being recruited to liaise closely with the current and potential distributors.

Currently, we have five production plants in southern and eastern part of the PRC to support our business growth. The new Pinghu Production Plant, which commenced operation in May 2017, attained good utilisation after one year of operation.

CORPORATE DEVELOPMENT

Joint Venture

As set out in the announcement dated 23 April 2018, the Company has entered into a subscription and joint venture agreement with Kagome Co., Ltd. ("Kagome") pursuant to which the parties shall form a joint venture company in Hong Kong owned as to 70% by the Company and 30% by Kagome (the "JV Company"). The Company has contributed HK$3.5 million to the share capital of the JV Company. The JV Company shall principally engage in the import, purchase and sale of a comprehensive product range of vegetable and/or fruit beverages products in Hong Kong, Macau and the PRC. We believe the strategic cooperation with Kagome will enable the Group to further strengthen its market penetration in the food and beverage industry and broaden the Group's product offerings to consumers, which is beneficial to the business growth and development of the Group in the future.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2018, total assets of the Group amounted to HK$4,515.2 million (31 December 2017: HK$4,461.0 million) and the total equity was HK$3,542.5 million (31 December 2017: HK$3,551.1 million). The Group's working capital was HK$2,070.8 million (31 December 2017: HK$2,071.6 million), represented by the difference between the total current assets of HK$2,989.2 million (31 December 2017: HK$2,928.5 million) and the total current liabilities of HK$918.4 million (31 December 2017: HK$856.9 million). The current ratio was 3.3 as at 30 June 2018 (31 December 2017: 3.4).

The financial position of the Group remained healthy with net cash of approximately HK$2,162.4 million and HK$180.8 million in available banking facilities as at 30 June 2018. The Group had no external borrowing and the gearing ratio was nil as at 30 June 2018 (31 December 2017: nil).

Capital expenditure

The Group's capital expenditure was HK$94.1 million during the period under review (2017: HK$167.0 million), which was mainly due to the capital investments on the production plants in Hong Kong and the PRC.

Capital commitment

The Group had capital commitment in respect of acquisition of property, plant and equipment contracted for but not provided of HK$141.0 million as at 30 June 2018 (31 December 2017: HK$202.7 million).

Financial Risk Management

The Group does not enter 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 period ended 30 June 2018, 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. For more details of the Proceedings, please refer to the section headed "Business — Legal proceedings and regulatory compliance — Particulars of claims against our Company as at the Latest Practicable Date" in the Prospectus.

As at 30 June 2018, the Group had no material contingent liability.

Use of Proceeds from Global Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 December 2017. The total net 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 period, the net proceeds from the Listing were utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 30 June 2018, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

Future Prospect

Going forward, we expect the heated Sino-US trade dispute would continue to affect the global economy for the remaining of the year. Overall, we are cautiously optimistic in the overall consumption in the PRC as consumers continue to trade up for their daily consumption to live a better life. Should the Renminbi depreciation continue to persist in the second half of the year, there will be a translation impact to the full year result.

In Hong Kong, the Company would continue to expand the product categories. The recent joint venture with Kagome provides us a chance to expand into the vegetable beverage segment. Nonetheless, as mentioned earlier, we expect the personnel expenses would continue to impact on the profitability in the short run as we are progressing step by step in localising our management team.

In the PRC, more efforts would be spent in expanding the geographic coverage especially in the Northern and Western China with additional salesforce. The Group will continue to offer innovative and premium products to consumers on one hand and to control operating expenses on the other.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2018, the total number of staff of the Group was approximately 3,400 with staff costs (excluding directors' remuneration) amounting to HK$285.9 million for the period. 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.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to the maintenance of good corporate governance practices. The Company has applied the principles and complied with all the applicable code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2018 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 non-executive director and 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established its Audit Committee with written terms of reference in compliance with 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, making recommendation to the Board on appointment and/or removal of external auditor and approving the remuneration and terms of engagement of the external auditor, reviewing and monitoring the external auditor's independence, and the effectiveness of audit process in accordance with applicable standards. The Audit Committee comprises three Independent Non-executive Directors of the Company. The unaudited interim results of the Group for the six months ended 30 June 2018 has been reviewed by the Audit Committee in conjunction with the external auditor.

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 six months ended 30 June 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2018, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 shares

Name of Director	Capacity/Nature	Number of ordinary shares held/interested	Percentage of interest
Kiyotaka Ando	Beneficial Owner	11,353,480[1]	1.06%
		164,160[2]	0.01%
Shinji Tatsutani	Beneficial Owner	21,920[2]	0.00%
Munehiko Ono	Beneficial Owner	16,400[2]	0.00%
Yoshihide Semimaru[3]	Beneficial Owner	7,760[2]	0.00%
Hijiri Fukuoka[3]	Beneficial Owner	21,920[2]	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 14 to the condensed consolidated financial statements.
3. With effect from 3 July 2018, Mr. Yoshihide Semimaru and Mr. Hijiri Fukuoka have resigned as Executive Directors of the Company.

Long position in shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of ordinary shares held/interested	Percentage of interest
Kiyotaka Ando	Nissin Japan	Beneficial owner	27,028[1]	0.02%
Shinji Tatsutani	Nissin Japan	Beneficial owner	1,641[2]	0.00%
Munehiko Ono	Nissin Japan	Beneficial owner	3,087[2]	0.00%
Yoshihide Semimaru[3]	Nissin Japan	Beneficial owner	605[2]	0.00%
Hijiri Fukuoka[3]	Nissin Japan	Beneficial owner	619[2]	0.00%

Notes:

1. Among the 27,028 shares of Nissin Foods Holdings Co., Ltd. ("Nissin Japan") held by Mr. Kiyotaka Ando, 27,000 shares were held directly by Mr. Kiyotaka Ando and 28 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.
2. 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 Directors.
3. With effect from 3 July 2018, Mr. Yoshihide Semimaru and Mr. Hijiri Fukuoka have resigned as Executive Directors of the Company.

Other than as disclosed above, none of the Directors nor their associates have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2018.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above, at no time during the six months ended 30 June 2018 was the Company or any of its subsidiaries 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.

SUBSTANTIAL AND OTHERS SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2018, so far as known to any Directors, the following person (not being a Director or chief executive of the Company) had interest or short position in 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 shares

Name of Shareholder	Capacity/Nature	Number of ordinary shares held/interested	Percentage of interest
Nissin Japan	Beneficial owner	793,858,000	73.89%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares of the Company or any other interests representing 5% or more of the shares of the Company as at 30 June 2018.

CHANGES IN INFORMATION OF DIRECTORS

As at 30 June 2018, (i) Mr. Kiyotaka Ando, Executive Director of the Company, has been appointed as a director of Kagome Nissin Foods (H.K.) Co., Limited, a subsidiary of the Company; (ii) Mr. Munehiko Ono, Executive Director of the Company, was no longer a director of Gangyongnan Food Products (Shenzhen) Co., Ltd., a subsidiary of the Company; (iii) Mr. Yoshihide Semimaru, Executive Director of the Company, was no longer a director of Nissin Foods (H.K.) Management Company Limited and Zhuhai Golden Coast Winner Food Products Limited; and (iv) Mr. Tong Ching Hsi, Non-executive Director of the Company, was no longer a director of Ting Lu Development Co., Ltd., Ability Enterprise Co., Ltd. (listed on Taiwan Stock Exchange Corporation ("TWSE"), stock code 2374), AVY Precision Technology Inc. (listed on TWSE, stock code 5392) and Taiwan-Japanese Economic and Trade Foundation as well as a supervisor of The Third Wednesday Club.

CHANGES IN COMPOSITION OF THE BOARD

With effect from 3 July 2018, (i) Mr. Yoshihide Semimaru has resigned as Executive Director of the Company and Chief Research Officer of the Group and Mr. Hijiri Fukuoka has resigned as Executive Director of the Company; and (ii) Mr. Toshimichi Fujinawa and Mr. Kazuo Kawasaka have been appointed as Executive Directors of the Company.

Biographical details of two newly appointed Executive Directors can be found in the announcement of the Company dated 29 June 2018.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF NISSIN FOODS COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Nissin Foods Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 11 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June **2018** **HK$'000** **(unaudited)**	 2017 HK$'000 (unaudited) (restated)
Revenue	3	**1,481,591**	1,248,631
Cost of sales		**(1,035,163)**	(860,458)
Gross profit		**446,428**	388,173
Other income	4	**21,242**	14,909
Selling and distribution costs		**(213,070)**	(170,530)
Administrative expenses		**(100,593)**	(80,935)
Other expenses		**(10,425)**	(12,606)
Other gains and losses	5	**988**	(5,227)
Profit before taxation		**144,570**	133,784
Income tax expense	6	**(38,820)**	(31,227)
Profit for the period	7	**105,750**	102,557
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(17,074)**	50,933
Fair value loss on available-for-sale investments		**–**	(4,212)
Reclassification adjustment upon impairment of available-for-sale investments		**–**	4,212
		(17,074)	50,933
Total comprehensive income for the period		**88,676**	153,490
Profit for the period attributable to:			
Owners of the Company		**94,166**	91,620
Non-controlling interests		**11,584**	10,937
		105,750	102,557
Total comprehensive income attributable to:			
Owners of the Company		**78,222**	139,875
Non-controlling interests		**10,454**	13,615
		88,676	153,490
Earnings per share	9		
Basic (HK cents)		**8.77**	11.38
Diluted (HK cents)		**8.77**	11.38

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment	10	**1,305,349**	1,295,386
Prepaid lease payments for leasehold land		**81,941**	83,750
Goodwill		**40,082**	40,082
Trademark		**29,887**	31,502
Interest in an associate		**116**	116
Available-for-sale investments		**–**	30,445
Financial assets at fair value through profit or loss		**31,849**	–
Deferred tax assets		**21,067**	29,295
Loan receivable		**2,736**	3,010
Deposits paid for acquisition of property, plant and equipment		**13,045**	18,875
		1,526,072	1,532,461
Current Assets			
Prepaid lease payments for leasehold land		**2,183**	2,201
Inventories		**276,007**	290,728
Trade receivables	11	**439,825**	420,626
Other receivables, prepayments and deposits		**90,873**	89,504
Loan receivable		**547**	547
Amount due from ultimate holding company	17	**1,808**	3,929
Amounts due from fellow subsidiaries	17	**5,236**	4,523
Tax recoverable		**10,280**	7,343
Time deposits over three months		**391,098**	415,669
Bank balances and cash		**1,771,311**	1,693,459
		2,989,168	2,928,529
Current Liabilities			
Trade payables	12	**259,629**	267,684
Other payables and accruals		**497,773**	511,977
Dividend payable		**108,161**	13,080
Amount due to ultimate holding company	17	**27,606**	19,793
Amounts due to fellow subsidiaries	17	**4,151**	4,051
Tax liabilities		**21,077**	40,363
		918,397	856,948
Net Current Assets		**2,070,771**	2,071,581
Total Assets less Current Liabilities		**3,596,843**	3,604,042

	NOTE	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Capital and Reserves			
Share capital	13	**2,941,441**	2,941,441
Reserves		**498,105**	497,755
Equity contributable to owners of the Company		**3,439,546**	3,439,196
Non-controlling interests		**102,907**	111,878
Total Equity		**3,542,453**	3,551,074
Non-current Liabilities			
Deferred tax liabilities		**35,616**	33,831
Deferred income		**18,774**	19,137
		54,390	52,968
		3,596,843	3,604,042

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company												
	Share capital HK$'000	PRC statutory reserve HK$'000 (Note 1)	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000 (Note 2)	Share award reserve HK$'000	Shares held for share award scheme HK$'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 (audited)	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 period	–	–	–	–	–	–	–	–	–	94,166	94,166	11,584	105,750
Exchange differences arising on translation of foreign operations	–	–	–	–	(15,944)	–	–	–	–	–	(15,944)	(1,130)	(17,074)
Total comprehensive (expense) income for the period	–	–	–	–	(15,944)	–	–	–	–	94,166	78,222	10,454	88,676
Transfer of reserves	–	5,411	–	–	–	–	–	–	–	(5,411)	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	–	–	553	–	–	–	553	–	553
Shares vested under share award scheme	–	–	–	–	–	–	(553)	468	–	85	–	–	–
Dividend recognised as distribution to owners of the Company (note 8)	–	–	–	–	–	–	–	–	–	(78,425)	(78,425)	–	(78,425)
Dividend recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(19,425)	(19,425)
At 30 June 2018 (unaudited)	2,941,441	52,187	1,099	–	16,335	(238,168)	–	(678)	14,403	652,927	3,439,546	102,907	3,542,453

	Attributable to owners of the Company												
	Share capital HK$'000	PRC statutory reserve HK$'000 (Note 1)	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000 (Note 2)	Share award reserve HK$'000	Shares held for share award scheme HK$'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 2017 (audited)	2,030,686	41,919	1,099	–	(81,053)	(238,168)	–	(2,046)	14,403	852,015	2,618,855	84,566	2,703,421
Profit for the period	–	–	–	–	–	–	–	–	–	91,620	91,620	10,937	102,557
Exchange differences arising on translation of foreign operations	–	–	–	–	48,255	–	–	–	–	–	48,255	2,678	50,933
Fair value loss on available-for-sale investments	–	–	–	(4,212)	–	–	–	–	–	–	(4,212)	–	(4,212)
Reclassification adjustment upon impairment of available-for-sale investments	–	–	–	4,212	–	–	–	–	–	–	4,212	–	4,212
Total comprehensive income for the period	–	–	–	–	48,255	–	–	–	–	91,620	139,875	13,615	153,490
Acquisition of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	–	–	10,366	10,366
Transfer of reserves	–	3,805	–	–	–	–	–	–	–	(3,805)	–	–	–
Dividend recognised as distribution to owners of the Company	–	–	–	–	–	–	–	–	–	(400,009)	(400,009)	–	(400,009)
Dividend recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(12,597)	(12,597)
At 30 June 2017 (unaudited)	2,030,686	45,724	1,099	–	(32,798)	(238,168)	–	(2,046)	14,403	539,821	2,358,721	95,950	2,454,671

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 aggregate 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 profits 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 a 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**115,924**	84,450
NET CASH (USED IN) FROM INVESTING ACTIVITIES		
Net cash outflow on acquisition of a subsidiary	**–**	(21,276)
Interest received	**17,720**	10,489
Purchase of property, plant and equipment	**(74,987)**	(170,178)
Proceeds from disposal of property, plant and equipment	**3,451**	278
Payment for prepaid lease payments for leasehold land	**–**	(1,462)
Loan repaid	**274**	274
Advance to ultimate holding company	**(1,808)**	(3,771)
Repayment from ultimate holding company	**3,955**	3,447
Advance to a non-controlling shareholder of a subsidiary	**–**	(150)
Placement of time deposits with original maturity of more than three months	**(438,381)**	(207,000)
Withdrawal of time deposits with original maturity of more than three months	**463,399**	536,221
	(26,377)	146,872
CASH USED IN FINANCING ACTIVITY		
Dividend paid to non-controlling interests	**(2,768)**	(9,911)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**86,779**	221,411
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	**(8,927)**	11,437
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**1,693,459**	1,096,300
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**1,771,311**	1,329,148

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial information relating to the year ended 31 December 2017 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory consolidated financial statements is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

The Group recognises revenue from the following sources:

- Sales of goods
- Others

The Group has applied the full retrospective method of transition to HKFRS 15.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocation the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, 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 and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

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 and 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.

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

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

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Variable consideration

For contracts that contain variable consideration, such as sales rebates, 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.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The Group has applied the full retrospective method of transition to HKFRS 15. The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current and preceding periods for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2018

	As reported HK$'000	Adjustments HK$'000 (Note)	Amounts without application of HKFRS 15 HK$'000
Revenue	1,481,591	103,985	1,585,576
Selling and distribution costs	(213,070)	(103,985)	(317,055)

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (continued)

Impact on the condensed consolidated statement of profit or loss and other comprehensive income *(continued)*

For the six months ended 30 June 2017

	As reported HK$'000	Adjustments HK$'000 (Note)	Amounts without application of HKFRS 15 HK$'000
Revenue	1,248,631	95,152	1,343,783
Selling and distribution costs	(170,530)	(95,152)	(265,682)

Note: Under HKAS 18, the Group recognised certain payments to distributors as selling and distribution costs. Upon application of HKFRS 15, such payments are considered as part of the transaction prices as variable consideration stated in the contracts. This change in accounting policies resulted in a reduction of revenue for the six months ended 30 June 2018 by HK$103,985,000 (for the six months ended 30 June 2017: HK$95,152,000) while there is opposite effect to the selling and distribution costs by the same amount.

There are no material impact to the amounts recognised in condensed consolidated statement of financial position and the retained profits at both 1 January 2017 and 31 December 2017.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/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 debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan receivable, other receivables, amounts due from ultimate holding company and fellow subsidiaries, time deposits over three months, and bank balances and cash). The amount of ECL is updated at the end of each reporting period 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 end of the reporting period. Assessment 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 end of the reporting period as well as the forecast of future conditions.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model ***(continued)***

The Group always recognises lifetime ECL for trade receivables and amounts due from fellow subsidiaries. The ECL on these assets are assessed individual for debtors with significant balances and/or 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 default occurring since initial recognition.

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 end of the reporting period 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 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.

The Group considers the default has occurred when the instrument 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model *(continued)*

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.

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

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.

At 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to HKFRSs *(continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

	Available-for-sale investments HK$'000	Financial assets at fair value through profit or loss HK$'000
Closing balances at 31 December 2017 — HKAS 39	30,445	–
Effect arising from initial recognition of HKFRS 9:		
Reclassification from available-for-sale (Note)	(30,445)	30,445
Opening balance at 1 January 2018	–	30,445

Note: *From available-for-sale equity investments to FVTPL*

At the date of initial application of HKFRS 9, the Group's equity investments of HK$30,345,000 were reclassified from available-for-sale investments to financial assets at FVTPL. There is no material difference between the fair value of these equity investments as at 1 January 2018 and their previously carrying amounts measured under HKFRS 39.

From available-for-sale debt investments to FVTPL

Club debentures with a fair value of HK$100,000 were reclassified from available-for-sale investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. There is no material difference between the fair value of these club debentures as at 1 January 2018 and their previously carrying amounts measured under HKFRS 39.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and amounts due from fellow subsidiaries. To measure the ECL, trade receivables and amounts due from fellow subsidiaries have been assessed individually for debtors with significant balances and/or collectively using a provision matrix with groupings based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of loan receivable, other receivables, time deposits over three months, and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without under cost or effort in accordance with HKFRS 9 and considered that the measurement of ECL has no material impact to the Group's retained profits at 1 January 2018.

Except as described above, the application of other new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue mainly represents the amount received and receivable for goods sold, net of discount, rebates and similar allowances, and sales related tax, and provision of publicity services.

The disaggregation of revenue from contracts with customers are as follows:

	Six months ended 30 June 2018			Six months ended 30 June 2017 (restated)		
	Sales of goods HK$'000 (unaudited)	**Others HK$'000 (unaudited) (Note)**	**Total HK$'000 (unaudited)**	Sales of goods HK$'000 (unaudited)	Others HK$'000 (unaudited)	Total HK$'000 (unaudited)
Timing of revenue recognition						
A point in time	**1,479,566**	**1,231**	**1,480,797**	1,248,174	457	1,248,631
Over time	**–**	**794**	**794**	–	–	–
Total	**1,479,566**	**2,025**	**1,481,591**	1,248,174	457	1,248,631
Place of operations						
HK Operations	**657,412**	**1,073**	**658,485**	547,581	310	547,891
PRC Operations	**822,154**	**952**	**823,106**	700,593	147	700,740
Total	**1,479,566**	**2,025**	**1,481,591**	1,248,174	457	1,248,631

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

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 directors of the Company.

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

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

- PRC Operations: Manufacturing and sales of noodles, frozen foods and other products in the PRC

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

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

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

Segment revenue and results

For the six months ended 30 June 2018 (unaudited):

	HK Operations HK$'000	PRC Operations HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
Segment revenue from external customers	658,485	823,106	1,481,591	–	1,481,591
Inter-segment revenue	55,573	70,862	126,435	(126,435)	–
Segment revenue	714,058	893,968	1,608,026	(126,435)	1,481,591
Result					
Segment results	52,503	69,837	122,340	–	122,340
Unallocated income and other gains					3,555
Unallocated expenses and other losses					(564)
Interest income					19,091
Gain on disposal of property, plant and equipment					148
Profit before taxation					144,570

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

Segment revenue and results *(continued)*

For the six months ended 30 June 2017 (unaudited):

	HK Operations HK$'000	PRC Operations HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
Revenue (restated)					
Segment revenue from external customers	547,891	700,740	1,248,631	–	1,248,631
Inter-segment revenue	50,978	61,139	112,117	(112,117)	–
Segment revenue	598,869	761,879	1,360,748	(112,117)	1,248,631
Result					
Segment results	63,085	61,674	124,759	–	124,759
Unallocated income and other gains					5,351
Unallocated expenses and other losses					(657)
Interest income					9,652
Impairment loss recognised on property, plant and equipment					(1,342)
Impairment loss recognised on available-for-sale investments					(4,212)
Gain on disposal of property, plant and equipment					233
Profit before taxation					133,784

Inter-segment revenue are charged at prevailing market rates.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of certain other expenses, certain other income, net exchange gain or loss, interest income, fair value changes in financial assets at fair value through profit or loss, impairment losses recognised on available-for-sale investments and property, plant and equipment, and gain on disposal of property, plant and equipment. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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.

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income from bank deposits	**19,091**	9,652
Miscellaneous income	**2,151**	5,257
	21,242	14,909

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Exchange (loss) gain, net	**(564)**	94
Fair value changes on financial assets at fair value through profit or loss	**1,404**	–
Impairment loss recognised on available-for-sale investments	**–**	(4,212)
Impairment loss recognised on property, plant and equipment	**–**	(1,342)
Gain on disposal of property, plant and equipment	**148**	233
	988	(5,227)

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6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**8,373**	12,273
PRC Enterprise Income Tax	**23,196**	18,740
PRC withholding tax	**2,246**	1,502
	33,815	32,515
(Over)underprovision in prior years:		
PRC Enterprise Income tax	**(4,859)**	1,100
Deferred taxation	**9,864**	(2,388)
	38,820	31,227

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

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%.

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.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments for leasehold land	**1,133**	1,657
Amortisation of trademark	**1,615**	1,615
Cost of inventories recognised as expense	**1,035,163**	860,458
Depreciation of property, plant and equipment	**73,257**	53,784
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(64,198)**	(46,852)
	9,059	6,932
Listing expenses	**–**	658
Minimum lease payments paid under operating leases in respect of rented premises	**3,693**	3,777
Research and development expenditure	**10,425**	11,948
Staff costs (Note i)		
Directors' emoluments:		
— fees	**400**	100
— other emoluments	**5,674**	2,362
	6,074	2,462
Other staff costs excluding directors' emoluments (Notes i, ii)	**285,863**	234,970
Total staff costs	**291,937**	237,432
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(137,477)**	(118,211)
Less: Amount included as research and development expenditure as shown in above	**(5,826)**	(5,969)
	148,634	113,252

Notes:

i. Operating lease rentals in respect of staff quarters for the six months ended 30 June 2018 amounting to HK$522,000 (for the six months ended 30 June 2017: HK$448,000) are also 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 six months ended 30 June 2018 amounted to HK$23,717,000 (for the six months ended 30 June 2017: HK$22,706,000).

8. DIVIDEND

During the current interim period, a dividend of 7.30 HK cents per ordinary share, amounting to HK$78,425,000 in aggregate, was declared and recognised as the final dividend to be paid to the shareholders in respect of the year ended 31 December 2017. Such dividend is paid to the shareholders subsequent to the end of the reporting period.

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2018 **(unaudited)**	2017 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share (HK$'000)	**94,166**	91,620
Number of shares		
Weighted average number of ordinary shares for the purpose of		
— basic earnings per share	**1,074,036,980**	805,211,480
— diluted earnings per share	**1,074,036,980**	805,211,480

Notes:

1. Number of ordinary shares in issue has taken into account of the share subdivision for one existing share subdivided into forty shares completed pursuant to a shareholders' resolution passed on 21 November 2017.

2. The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust as set out in note 13.

3. The calculation of diluted earnings per share for the six months ended 30 June 2018 and 30 June 2017 has not considered the impact in respect of the outstanding share awards since the directors of the Company considered the impact to be insignificant.

10. PROPERTY, PLANT AND EQUIPMENT

During the current period,

(i) the Group had incurred total expenditures of approximately HK$94,057,000 (for the six months ended 30 June 2017: HK$166,989,000) on acquisition of property, plant and equipment, for the purpose of business expansion and administration; and

(ii) the Group disposed of certain plant and machinery with an aggregate carrying amount of approximately HK$3,303,000 (for the six months ended 30 June 2017: HK$1,359,000) for cash proceeds of approximately HK$3,451,000 (for the six months ended 30 June 2017: HK$278,000), resulting in a gain on disposal of approximately HK$148,000 (for the six months ended 30 June 2017: HK$233,000).

11. TRADE RECEIVABLES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Trade receivables	**441,884**	422,702
Less: allowances for doubtful debts	**(2,059)**	(2,076)
	439,825	420,626

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0 to 30 days	**245,889**	227,965
31 to 90 days	**161,581**	166,031
91 to 180 days	**32,355**	26,630
	439,825	420,626

The Group allows an average credit period ranging from 0 to 120 days to its trade customers.

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12. TRADE PAYABLES

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

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0 to 30 days	**127,780**	146,953
31 to 90 days	**103,318**	100,239
91 to 180 days	**28,489**	20,414
Over 180 days	**42**	78
	259,629	267,684

13. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	1,074,319,480	2,941,441

Details of the shares held under the share award scheme 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 granted during the period	4	(120,730)	(467)
At 30 June 2018	4	175,110	679

14. SHARE-BASED PAYMENT TRANSACTIONS

On 7 March 2016, the Company adopted a share award scheme (the "Share Award Scheme"). 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 shares in the Company have been awarded to certain employees of the Group at no consideration of which 120,730 shares have been vested during the current period.

				Numbers of shares awarded		
Category of grantees	Date of grant	Vesting date	Balance as at 1 January 2018	Shares awarded during the period	Shares vested during the period	Balance as at 30 June 2018
Employees	25 May 2018	11 June 2018	–	120,730	(120,730)	–
Employees	25 May 2018	11 December 2020	–	159,210	–	159,210
			–	279,940	(120,730)	159,210
Weighted average fair value (HK$)			–	4.58	4.58	4.58

The aggregate fair value of the award shares determined at the date of grant amounted to HK$1,282,000 of which HK$553,000 related to awarded shares vested, has been recognised as an expense in profit or loss for the six months ended 30 June 2018. The fair value of the awarded shares granted on 25 May 2018 was determined by reference to the closing price of the company at date of grant, which was HK$4.58 per share.

15. CAPITAL COMMITMENTS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**141,040**	202,700

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16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purpose.

In estimating the fair value, the Group uses market-observable data to the extent it is available.

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

Certain 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 value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 30 June 2018 HK$'000 (unaudited)	Fair value as at 31 December 2017 HK$'000 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable and key input(s)
Listed equity securities classified as financial assets at fair value through profit or loss (31.12.2017: available-for-sale investments)	**12,135**	10,831	Level 1	Quoted prices in an active market	N/A
Club debenture classified as financial assets at fair value through profit or loss (31.12.2017: available-for-sale investments)	**100**	100	Level 2	Quoted prices in a secondary market for identical assets	N/A
Unlisted equity instrument classified as financial assets at fair value through profit or loss	**19,614**	N/A	Level 3	The fair value of unlisted available-for-sale equity instruments is determined using the price to earning ratios of comparable listed companies adjusted for lack of marketability discount.	Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries, at 30 per cent (31 December 2017: N/A).

During the six months ended 30 June 2018, there were no movements for Level 3 financial instruments nor transfers between Level 1, 2 and 3.

Fair value measurements and valuation processes

The directors of the Company has determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, 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 external 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 chief financial officer reports the finding to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

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 recorded at amortised cost in the condensed consolidated financial statements approximate their corresponding 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.

17. RELATED PARTY DISCLOSURES

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0 to 30 days	**3,567**	4,264
31 to 90 days	**1,444**	259
91 to 180 days	**225**	–
	5,236	4,523

The following is an aged analysis of trade payables to related companies (which are secured, 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.

	Ultimate holding company		Fellow subsidiaries	
	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (audited)
0 to 30 days	**16,315**	7,306	**3,953**	4,021
31 to 90 days	**6,715**	7,590	**198**	30
91 to 180 days	**3,923**	2,811	**–**	–
Over 180 days	**653**	2,086	**–**	–
	27,606	19,793	**4,151**	4,051

Amount due from ultimate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

17. RELATED PARTY DISCLOSURES *(continued)*

Amounts due from fellow subsidiaries *(continued)*

Apart from the balances with related parties as disclosed in the condensed consolidated statements of financial position and above, the Group has entered into the following transactions with its related parties:

	Ultimate holding company Six months ended 30 June		Fellow subsidiaries Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Food testing fee	**–**	–	**2,240**	2,124
Management fee received	**130**	114	**–**	–
Outsourcing manufacturing and procurement of finished goods	**14,627**	3,647	**20,608**	17,021
Purchase of raw materials	**16,941**	18,537	**1,008**	1,258
Purchase of equipment and parts	**280**	3,495	**–**	–
Rental income received	**–**	9	**–**	–
Royalty charges paid (Note)	**7,468**	6,504	**–**	–
Sales of raw materials and finished goods	**–**	–	**16,876**	9,790
Software license fee	**5**	239	**–**	–
Publicity service income	**794**	–	**–**	–

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.

The compensation to key management personnel consist mainly of directors' emoluments as disclosed in note 7.

18. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 30 June 2018.