Nissin Foods Company Limited
日 清 食 品 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1475)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Board of Directors (the "Board") of Nissin Foods Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(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

	NOTE	Six months ended 30 June	
		2018	2017
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
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

	NOTE	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**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	*10*	**439,825**	420,626
Other receivables, prepayments and deposits		**90,873**	89,504
Loan receivable		**547**	547
Amount due from ultimate holding company		**1,808**	3,929
Amounts due from fellow subsidiaries		**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

	NOTE	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Current liabilities			
Trade payables	*11*	**259,629**	267,684
Other payables and accruals		**497,773**	511,977
Dividend payable		**108,161**	13,080
Amount due to ultimate holding company		**27,606**	19,793
Amounts due to fellow subsidiaries		**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
Capital and reserves			
Share capital		**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

NOTES:

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.

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.

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.

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.

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)

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.

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.

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*.

Classification and measurement of financial assets

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.

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 below.

Impairment under expected credit losses ("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.

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 below.

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.

	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 fair value through profit or loss ("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.

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 HKFRS 9 and considered that the measurement of ECL has no material impact to the Group's retained profits at 1 January 2018.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue mainly represents the amount received and receivable for goods sold, net of discount, rebates and similar allowance, 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	**Others**	**Total**	Sales of goods	Others	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	**(unaudited)** *(Note)*	**(unaudited)**	(unaudited)	(unaudited)	(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

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.

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**

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.

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)

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 and 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 end 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	2017
	(unaudited)	(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.

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. TRADE RECEIVABLES

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

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(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

11. 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

12. 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**	**Share awarded during the period**	**Share 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.

13. 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

MANAGEMENT DISCUSSION & ANALYSIS

The Board 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.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the Code Provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2018 except the following:

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.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 in conjunction with the Company's 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.

By order of the Board
Kiyotaka Ando
Chief Executive Officer and Executive Director

Hong Kong, 30 August 2018

As at the date of this announcement, Executive Directors are Mr. Kiyotaka Ando, Mr. Toshimichi Fujinawa, Mr. Shinji Tatsutani, Mr. Kazuo Kawasaka and Mr. Munehiko Ono; Non-executive Director is Mr. Tong Ching Hsi; and Independent Non-executive Directors are Dr. Sumio Matsumoto, Mr. Junichi Honda and Professor Lynne Yukie Nakano.