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 2019

The board of directors (the "Board") of Nissin Foods Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**1,497,883**	1,481,591
Cost of sales and services		**(1,015,028)**	(1,035,163)
Gross profit		**482,855**	446,428
Other income	5	**23,831**	21,242
Selling and distribution costs		**(211,160)**	(213,070)
Administrative expenses		**(101,308)**	(100,593)
Finance costs		**(61)**	–
Other expenses		**(12,254)**	(10,425)
Other gains and losses	6	**(2,714)**	988
Profit before taxation		**179,189**	144,570
Income tax expense	7	**(33,190)**	(38,820)
Profit for the period	8	**145,999**	105,750

	NOTE	Six months ended 30 June	
		2019	2018
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(8,337)**	(17,074)
Total comprehensive income for the period		**137,662**	88,676
Profit for the period attributable to:			
Owners of the Company		**132,866**	94,166
Non-controlling interests		**13,133**	11,584
		145,999	105,750
Total comprehensive income for the period attributable to:			
Owners of the Company		**125,918**	78,222
Non-controlling interests		**11,744**	10,454
		137,662	88,676
Earnings per share	10		
Basic (HK cents)		**12.37**	8.77
Diluted (HK cents)		**12.37**	8.77

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	**30 June 2019 HK$'000 (unaudited)**	31 December 2018 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment		**1,363,980**	1,307,820
Right-of-use assets		**80,322**	–
Prepaid lease payments for leasehold land		**–**	77,793
Goodwill		**40,082**	40,082
Trademark		**26,656**	28,271
Interest in an associate		**116**	116
Financial assets at fair value through profit or loss		**30,016**	31,821
Loan receivable		**2,189**	2,463
Deposits paid for acquisition of property, plant and equipment		**4,006**	14,454
Deferred tax assets		**21,334**	18,806
		1,568,701	1,521,626
Current Assets			
Prepaid lease payments for leasehold land		**–**	2,100
Inventories		**287,983**	294,086
Trade receivables	11	**435,428**	449,932
Other receivables, prepayments and deposits		**80,803**	81,839
Loan receivable		**547**	547
Amount due from ultimate holding company		**2,750**	1,666
Amounts due from fellow subsidiaries		**689**	8,965
Financial assets at fair value through profit or loss		**393,569**	88,536
Other financial assets		**156,630**	313,260
Tax recoverable		**1,399**	4,350
Time deposits over three months		**–**	292,758
Bank balances and cash		**1,503,568**	1,384,707
		2,863,366	2,922,746
Current Liabilities			
Trade payables	12	**215,978**	252,540
Other payables and accruals		**497,058**	502,071
Amount due to ultimate holding company		**24,958**	23,961
Amounts due to fellow subsidiaries		**4,784**	4,438
Lease liabilities		**1,278**	–
Tax liabilities		**18,760**	11,812
Deferred income		**1,269**	1,274
		764,085	796,096
Net Current Assets		**2,099,281**	2,126,650
Total Assets less Current Liabilities		**3,667,982**	3,648,276

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and Reserves		
Share capital	**2,941,441**	2,941,441
Reserves	**563,071**	539,095
Equity contributable to owners of the Company	**3,504,512**	3,480,536
Non-controlling interests	**108,725**	114,637
Total Equity	**3,613,237**	3,595,173
Non-current Liabilities		
Lease liabilities	**315**	–
Deferred tax liabilities	**35,111**	33,277
Deferred income	**19,319**	19,826
	54,745	53,103
	3,667,982	3,648,276

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 2018 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 financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 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 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") and an interpretation, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

<u>Application of new and amendments to HKFRSs and an interpretation</u>

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

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

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

<u>Definition of a lease</u>

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

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

<u>As a lessee</u>

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles and staff quarters have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

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

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

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

Taxation

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

2.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

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

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

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16C8(b)(ii) transition.

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

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

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

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	1,064
Reclassified from prepaid lease payments for leasehold land *(Note)*	79,893
	80,957
By class:	
Leasehold land	79,893
Land and buildings	947
Motor vehicles	117
	80,957

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

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

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

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

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets			
Prepaid lease payments for leasehold land	**77,793**	**(77,793)**	**–**
Right-of-use assets	**–**	**80,957**	**80,957**
Current Assets			
Prepaid lease payments for leasehold land	**2,100**	**(2,100)**	**–**
Current Liabilities			
Lease liabilities	**–**	**664**	**664**
Non-current Liabilities			
Lease liabilities	**–**	**400**	**400**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

	For the six months ended 30 June 2019 (unaudited)			For the six months ended 30 June 2018 (unaudited)		
	HK Operations (as defined in note 4) HK$'000	**PRC Operations (as defined in note 4) HK$'000**	**Total HK$'000**	HK Operations (as defined in note 4) *HK$'000*	PRC Operations (as defined in note 4) *HK$'000*	Total *HK$'000*
Types of goods and services						
Sales of goods	**626,159**	**868,838**	**1,494,997**	657,412	822,154	1,479,566
Others *(Note)*	**252**	**2,634**	**2,886**	1,073	952	2,025
Total	**626,411**	**871,472**	**1,497,883**	658,485	823,106	1,481,591
Timing of revenue recognition						
A point in time	**626,411**	**870,459**	**1,496,870**	658,485	822,312	1,480,797
Over time	**–**	**1,013**	**1,013**	–	794	794
Total	**626,411**	**871,472**	**1,497,883**	658,485	823,106	1,481,591

Note: Other mainly includes revenue from provision of publicity services.

4. SEGMENT INFORMATION

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

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

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

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

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

Segment revenue and results

For the six months ended 30 June 2019 (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	**626,411**	**871,472**	**1,497,883**	**–**	**1,497,883**
Inter-segment revenue *(Note)*	**76,429**	**81,220**	**157,649**	**(157,649)**	**–**
Segment revenue	**702,840**	**952,692**	**1,655,532**	**(157,649)**	**1,497,883**
Result					
Segment results	**58,711**	**99,361**	**158,072**	**–**	**158,072**
Unallocated income and other gains					**2,082**
Unallocated expenses and other losses					**(1,083)**
Interest income					**19,944**
Gain on disposal of property, plant and equipment					**174**
Consolidated profit before taxation					**179,189**

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 *(Note)*	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
Consolidated profit before taxation					144,570

Note: Inter-segment revenue are charged at prevailing market rates.

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income from bank deposits	**18,649**	19,091
Interest income from financial assets at fair value through profit or loss	**1,295**	–
	19,944	19,091
Miscellaneous income	**3,887**	2,151
	23,831	21,242

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Exchange losses, net	**(1,083)**	(564)
Fair value changes on financial assets at fair value through profit or loss	**(1,805)**	1,404
Gain on disposal of property, plant and equipment	**174**	148
	(2,714)	988

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**9,670**	8,373
PRC Enterprise Income Tax	**22,376**	23,196
PRC withholding tax	**1,911**	2,246
	33,957	33,815
Overprovision in prior years:		
PRC Enterprise Income tax	**–**	(4,859)
Deferred taxation	**(767)**	9,864
	33,190	38,820

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	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
Amortisation of trademark	**1,615**	1,615
Depreciation of right-of-use assets	**1,737**	–
Cost of inventories recognised as expense	**1,015,028**	1,035,163
Depreciation of property, plant and equipment	**68,900**	73,257
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(60,195)**	(64,198)
	8,705	9,059
Research and development expenditure	**12,254**	10,425
Staff costs (Note)		
Directors' emoluments:		
– fees	**400**	400
– other emoluments	**7,828**	5,674
	8,228	6,074
Other staff costs excluding directors' emoluments (Note)	**287,991**	285,863
Total staff costs	**296,219**	291,937
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(136,918)**	(137,477)
Less: Amount included as research and development expenditure as shown in above	**(7,155)**	(5,826)
	152,146	148,634

Note: Contributions to retirement benefit scheme included in other staff costs for the six months ended 30 June 2019 amounted to HK$28,288,000 (for the six months ended 30 June 2018: HK$23,717,000).

9. DIVIDEND

During the current interim period, the Company declared and recognised the 2018 final dividend of 9.5 HK cents per ordinary share amounting to HK$102,060,000 (for the six months ended 30 June 2018: 2017 final dividend of 7.3 HK cents per ordinary shares amounted to HK$78,425,000) in aggregate as distribution to its shareholders.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share (HK$'000)	**132,866**	94,166
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,074,144,370**	1,074,036,980
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**159,210**	–
Weighted average number of ordinary shares of the purpose of diluted earnings per share	**1,074,303,580**	1,074,036,980

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

11. TRADE RECEIVABLES

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**244,525**	261,209
31 to 90 days	**152,030**	157,810
91 to 180 days	**38,873**	30,913
	435,428	449,932

The Group allows an average credit period of 90 days to its trade customers.

12. TRADE PAYABLES

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**123,248**	111,980
31 to 90 days	**80,279**	118,972
91 to 180 days	**12,173**	21,569
Over 180 days	**278**	19
	215,978	252,540

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

13. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

			Numbers of shares awarded	
Category of grantees	**Date of grant**	**Vesting period**	**Balance as at 1 January 2019**	**Balance as at 30 June 2019**
Employees	25 May 2018	From 25 May 2018 to 11 December 2020	159,210	159,210

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

The Group recognised the total expense of HK$118,000 (for the six months period ended 30 June 2018: HK$553,000) in relation to share award granted by the Company in the current period.

14. COMMITMENTS

As at the end of the reporting period, capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements amounted to HK$23,294,000 (31 December 2018: HK$116,015,000).

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 2019.

INVESTING IN US; SERVING FOR YOU

In the first half of year 2019, we witnessed a disruption in global economy where disputes are raised among different countries which ultimately dampen the worldwide business environment. Thus, the GDP in Hong Kong unexpectedly grew by only 0.5% year on year in the first six months of year 2019 whereas in the PRC, the GDP growth was amongst one of the lowest levels at 6.3%, mounting the worrisome on the future economic outlook.

Against this backdrop, the Company has been excelling in different frontiers to create investment value and restore the joy for everyone. Investments were made by the Company on production capability to improve investors' and shareholders' value while innovative products were developed and introduced for delighting our customers.

Vertical and horizontal integration was deployed continually to our production plants. Additional investment in various production facilities, for instance, the granola production line and the bar ramen production line, were made to prepare for in-house production on other products which we consider possessing good opportunity and potential in the long run. To further improve the transparency of the Company, the Company has commenced disclosing quarterly financial information since May 2019 so that up-to-date information is disseminated to both shareholders and potential investors in a timely manner.

In order to enhance the customers' value and serve our customers' daily need, product advancements and breakthroughs with novel product ideas were introduced into our pipeline especially in non-noodles categories where new product categories were offered.

The collective efforts by the Company have been rewarded and recognised publicly. On 14 May 2019, MSCI Inc. announced the results of the May 2019 Semi-Annual Index Review for MSCI Equity Indexes where the Company has been added to the *MSCI Hong Kong Small Cap Index* with effect from 28 May 2019 after the market close. The inclusion reflects investors' unwavering trust in the Company and signifies the continuous effort of the Group in enhancing shareholder value.

FINANCIALS

For the period under review, the Group has achieved an outstanding performance in both Hong Kong and the PRC with improvement in margin amid the poor economic sentiment. Revenue increased by 1.1% to HK$1,497.9 million (2018: HK$1,481.6 million), primarily attributable to healthy growth in sale volume of our premium instant noodles from different regions in the PRC, partly offset by the negative impact of foreign exchange of Renminbi and the reduction in revenue in Hong Kong. Gross profit margin increased by 2.1% to 32.2% (2018: 30.1%), benefiting from stable raw material costs and better control in fixed costs.

At Adjusted EBITDA level *(Note 1)*, the Group grew by 16.1% to HK$230.3 million (2018: HK$198.3 million), representing the Adjusted EBITDA margin of 15.4% for the period (2018: 13.4%). Profit attributable to owners of the Company increased by 41.1% to HK$132.9 million (2018: HK$94.2 million), reflecting our stringent control in operating expenses and the result of localisation. The Group's basic earnings per share increased to 12.37 HK cents for the period (2018: 8.77 HK cents).

BUSINESS REVIEW

Hong Kong Operations

Carried forward from the slow down economy since the second half of year 2018, the economy has yet to be recovered for the period under review. As published by the Census and Statistics Department of Hong Kong, retail sales value has marked a five-month-decreased since February 2019 and slipped by 2.6% year-on-year for the first six months of year 2019. While the influx of tourists from the PRC has been increasing this year, the additional benefits to economic growth was limited. With the political tensions in Hong Kong continued to impact on the physical economy, as suggested by the lackluster performance of many shopping malls and street shops, coupled with the reduction in consumer spending, we anticipate business sentiment would remain weak for the rest of the year 2019.

For the first half year of 2019, revenue from Hong Kong operations decreased by HK$32.1 million or 4.9% to HK$626.4 million (2018: HK$658.5 million), mainly attributable to the change in product portfolio in our MC Marketing & Sales (Hong Kong) Limited ("MCMS") distribution business where certain brand products were terminated during the period. On a like-for-like basis excluding the change in portfolio, the MCMS's operation would have contributed positively to the revenue growth. While the economic turbulence in Hong Kong has resulted in a disruption of daily business activities, revenue growth from instant noodles and other products remained intact for the period. Currently, revenue from Hong Kong operations accounted for 41.8% (2018: 44.4%) of the Group's revenue.

Segment results for Hong Kong operation increased by 11.8% to HK$58.7 million during the period (2018: HK$52.5 million). In additional to the improvement in profitability of our ***Nissin Brands***, the Company has recorded improvement in profit from MCMS's operation as well as additional contribution from the ***Kagome*** joint venture business.

The Company is never tired of introducing innovative products for customers delight. This year, the ***Nissin Brands*** portfolio serves our customers with two new flavours, namely *Clam Chowder Flavour* and *Lobster Bisque Flavour*, featuring western style soup in our signature ***Cup Noodles*** brand. Added to our current portfolio of collaborative products of ***IPPUDO***, ***Butao*** and ***Hakata Ikkousha***, the collaboration front has brought customers authentic and original Japanese ramen brand ***Menya Musashi*** in this year. With our success in ***Bar Ramen*** since we first launched in year 2016, we have further introduced to our customers a new product category of room-temperature, Japanese Inaniwa style ***Bar Udon*** this year with smooth surface and chewy texture.

For our joint venture with Kagome Co. Ltd., its business expansion has progressed smoothly and has well integrated into the current business portfolio. New flavours of *Setouchi Mandarin Mixed Juice, Apple Mixed Juice* and *Ehime Kiwi Mixed Juice* under ***Kagome*** brand have been launched during the year into supermarkets, convenience stores and some selected channels. The in-house production of Granola products has commenced subsequent to the completion of construction of production line in December 2018. During the period, the Company has enlarged our offerings in the Nissin Koikeya potato chip's family with a series of potato sticks products.

The PRC Operations

The retail sales in the PRC has been growing at one of the slowest paces in the past few years. As measured by the National Bureau of Statistics of the PRC, the retail sales grew by only 8.4% for the six months of year 2019, much slower than that of last year. In response to supporting a stable future economic development, the Government has implemented a number of stimulus measures including tax reforms in year 2019. With the quality of life gradually improving in the PRC coupled with the increasing personal income level, we witnessed a trend of progressive consumption upgrade with increasing customers' demand and preference to premium products that offers both better quality and safety for consumption.

For the period under review, the Company has maintained its double digit expansion pace (in local currency basis) in the premium instant noodles category and delivered a promising result in the PRC operations. Revenue increased by 5.9% (in local currency: 12.2%) from HK$823.1 million to HK$871.5 million, thanks to the success in improving the sale volume for our signature ***Cup Noodles*** and ***Cup Noodles BIG*** in different regions through channel expansion and extension of geographical coverage. Currently, revenue from the PRC operations accounted for 58.2% (2018: 55.6%) of the Group's revenue.

During the period, the Company has made some progress in regional expansion alongside Eastern, Northern and Western China. Business activities have been expanded to the broader market of Shanghai and further extended to the nearby provinces in Zhejiang and Jiangsu, as well as expanding into some satellite cities in the Northeastern China which can offer good opportunities for the Company. While revenue growth has been at a slower pace in the first quarter, the revenue has been gradually improving in the second quarter during the period.

In terms of segment results, the Company has reported an increase of 42.3% from HK$69.8 million to HK$99.4 million during the period, mainly due to the cost efficiency associated with the increment in sale volume and the stable depreciation since 2018. Raw material costs were not so volatile during the period, providing the Company a better control over the costs of sales.

Last year, we reported the revamp of packaging of the ***Cup Noodles*** to include an inside lid to separate the utensil from the noodle cake and seasonings. The enhanced hygiene and quality control is well received by the customers. An innovative and spicy offering of collaboration product, 蒙古湯麵, was launched in January 2019 to enhance our fried instant noodles offerings. The Company would continue to focus on building its brand equity and maintain our premium pricing in the future.

In the non-fried instant noodles category, the Company has further expanded the product offerings on top of ***RAOH*** (launched in year 2017) and ***IPPUDO*** (launched in year 2018). ***Menya Musashi*** has been launched in June this year to enhance product offerings in this attractive market segment.

Subsequent to our success in the non-instant noodles category in Hong Kong, the Company has further introduced some of our portfolio to enhance customers' delight in the PRC. During the period, ***Kagome*** vegetable and fruit juices were introduced into some parts of the PRC with satisfactory result while the in-house produced Granola products were also sold to certain specific channels in the PRC in the second quarter of the year.

As we continue to further expand our business in the PRC, the Company is actively recruiting additional salesforce and expanding distribution and geographical coverage to facilitate business advancement.

SUBSEQUENT EVENT AFTER THE PERIOD

As set out in our announcement dated 2 July 2019, the Company has entered into an equity transfer agreement with Grandview China Holdings Limited (the "Seller") and its ultimate controlling shareholders, pursuant to which, Nissin Foods (China) Holding Company Limited, a wholly owned subsidiary of the Company agreed to conditionally acquire the entire equity interest in 珠海聯智科技有限公司 (UNI-INTEC (Zhuhai) Scientific Technology Co., Ltd.*) (the "Target Company") (the "Acquisition").

The Target Company principally engages in the manufacturing business and owns the land use rights of a site of approximately 30,000 sq.m. located in Zhuhai, the PRC. Following the completion of the Acquisition, the Group intends to invest approximately RMB180 million to construct a new production plant on the site for the purpose of manufacturing packaging materials, which targets to complete the construction by year 2021. The new production plant would enable the Group to better mitigate its production costs and have synergy effect with the Group's existing production facilities also located in Zhuhai, the PRC. It also allows the possibility to collaborate with and have synergy with our controlling shareholder, Nissin Foods Holdings Co., Ltd.. Currently, the Group owns a packaging materials production plant in Dongguan, the PRC, which is operating at nearly full capacity.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2019, total assets of the Group amounted to HK$4,432.1 million (31 December 2018: HK$4,444.4 million) and the total equity was HK$3,613.2 million (31 December 2018: HK$3,595.2 million). The Group's working capital was HK$2,099.3 million (31 December 2018: HK$2,126.7 million), represented by the difference between the total current assets of HK$2,863.4 million (31 December 2018: HK$2,922.7 million) and the total current liabilities of HK$764.1 million (31 December 2018: HK$796.1 million). The current ratio was 3.7 as at 30 June 2019 (31 December 2018: 3.7).

The financial position of the Group remained healthy with net cash of approximately HK$1,503.6 million (31 December 2018: HK$1,677.5 million) and HK$180.8 million (31 December 2018: HK$180.8 million) in available banking facilities as at 30 June 2019. The Group had no external borrowing and the gearing ratio was nil as at 30 June 2019 (31 December 2018: Nil).

Capital expenditure

The Group's capital expenditure was HK$128.2 million during the period under review (30 June 2018: HK$94.1 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$23.3 million as at 30 June 2019 (31 December 2018: HK$116.0 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 under review, there has been no material development to the legal proceedings against the Company in respect of an alleged wrongful termination of distributorship of a former sub-distributor of our "Damae Iccho" instant noodles products (the "Proceedings") as disclosed in the prospectus of the Company issued on 29 November 2017 (the "Prospectus"). No provision for the claim in respect of the Proceedings was made by the Group and as at 30 June 2019, the Group had no material contingent liability (2018: Nil). For more details of the Proceedings, please refer to the section headed "Business – Legal proceedings and regulatory compliance – Particulars of claims against the Company as at the Latest Practicable Date" in the Prospectus.

Pledge of Assets

The Group did not have pledged assets as at 30 June 2019 (2018: Nil).

Use of Proceeds from Global Offering

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limtied on 11 December 2017 (the "Listing"). 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 2019, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

FUTURE PROSPECTS

In the short term, the Company foresees the Sino-US trade disputes are likely to continue to impact on the economy in Hong Kong. The Company has conducted the price revision to adjust the ex-factory price of some of its container-type instant noodles products in Hong Kong in July 2019 amid the ongoing cost pressure on raw materials, labour costs and logistics cost. The Company would continue to keep a close eye on the latest economic development and is cautiously optimistic on the Hong Kong operations.

For the PRC operations, the Company expects a healthy business environment in the premium instant noodles market as the living standard in the PRC continues to improve. Additional efforts would be put on the expansion of distribution channels and the geographical coverage to improve the Company's competitiveness.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2019, the total number of staff of the Group was approximately 3,400 with staff costs (excluding directors' remuneration) amounting to HK$288.0 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (2018: Nil).

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 2019 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 2019 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 2019.

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

Hong Kong, 29 August 2019

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.

Note 1: Adjusted EBITDA is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions. The measurement basis of Adjusted EBITDA is defined as net profit before net interest expenses, tax, depreciation of property, plant and equipment, depreciation of right-of-use asset and amortisation of trademark. This also excludes share of material gains or losses which are of capital nature or non-operational related and fair value changes on financial assets at fair value through profit or loss.

* *For identification purpose only*