日清食品有限公司
NISSIN FOODS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 1475

from Strength to Strength

Annual Report 2018

The Group is delighted to present satisfactory results in our first year of listing, adding much to the joy of celebrating the 60th anniversary of the invention of instant noodles. The results attest to the strength of our vertical and horizontal integration strategy, as well as the strides we have made in developing and delivering delicious and quality products for our consumers. The Group remains committed to innovation, seeking to grow from strength to strength to optimise shareholders' value.

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Dedicating to Great Taste

Instant Noodles

Beverages

Granola and Snacks

Distribution Business

Frozen Foods

Leading for Excellence

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors ("the Board") of Nissin Foods Company Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

The Group generated satisfactory performance in its first year of listing in 2018. As we celebrate the 60th anniversary of the invention of instant noodles by Mr. Momofuku Ando, the founder of Nissin Foods Holdings Company Limited in Japan, the Group is placing its focus on product quality improvement. The landmark year for the Group's products has coincided with China's national development plan for the Guangdong-Hong Kong-Macao Greater Bay Area, thereby facilitating greater mobility for people, trade and capital and bringing in greater business opportunities to the region. Under such favourable market conditions, the Group has sought to boost the distribution of our flagship "Made-In-Hong Kong" DEMAE ICCHO to a greater number of Chinese consumers. As a result, the Group recorded increased sales and profits during the year. The Group will endeavour to continue to execute our existing business strategies and support such strategies throughout our business activities.

株主の皆様へ、

董事会を代表し、2018年度年次報告書を謹んでお届け致します。

上場初年度となった2018年度は当社において一定の成果の出た年となりました。日本日清食品創業者会長である安藤百福が即席麺を発明してから60年を迎えるなか、当社は品質の強化に注力致しました。また、中国地域発展計画「粵港澳大灣區」構想により「人、物、金の往来」が高まりました。そのような追い風のなか発売から50周年を迎えた当社主力商品である出前一丁（香港製造）はより多くの中国消費者のもとへお届けすることが出来ました。この結果当社は2018年度において増収、増益を達成致しました。我々の活動、取り組みを通じてより一層の進化を遂げられるよう事業推進を行って参ります。

HOW WE WANT TO CHANGE THE SOCIETY

We, with our comprehensive product range, wish to capture a market of affluent consumers in Hong Kong and PRC.

To meet the growing expectations and needs of consumers, we strive to keep up with the evolving market pace and developing trends. Despite constant changes in our economy, we will continue to work steadily and thoroughly to deliver excellent food safety and high-quality product offerings in order to give our consumers peace of mind. At the same time, we will introduce new joyful delights and surprises to enrich our consumers' lives. In delivering these core values through our product offerings, we are confident that our revenue and margin will continue to grow.

ACTION PLANS

In our core businesses: To continue to engage consumer interest in our delightful instant noodle offerings, we will take our CUP NOODLES products to the next level under the concept of "Tasty, Joyful and Convenient". We will further introduce our state-of-the-art non-fried instant noodle offerings including "RAOH" to garner positive attention during the Year of the Pig 2019.

In our non-noodle businesses: To reach out and to satisfy our customers, we will further enhance our offerings of premium products to encourage patronage.

We will proactively invest in our business to realise these goals and uphold our sound reputation.

実現したい社会

弊社製品を通じて香港と中国の消費者の生活を豊かにしたい。

豊かさは時代によって変化します。
一つは安全性と安心を与えること。
一つは楽しさと驚きを与えること。

これを実現出来れば、消費者からの評価として売上と利益の成長を実現出来ると信じています。

具体的な方針

基幹事業において：即席麺の魅力を再び消費者の皆様にお伝えすべく合味道をより美味しい、楽しい、便利な商品へと進化させます。

ラ王をはじめとするノンフライ即席麺においても最高峰の技術に基づく生麺製品を生産し、豚年である2019年に開花させて参ります。

非即席麺事業において：安心で、生活を豊かにする提案力の高い製品を消費者の皆様にお届けして参ります。

これらを実現すべく積極的な事業投資に取り組んで参ります。

Kiyotaka Ando
Chairman

2 CORE CORPORATE BRANDS

5 FLAGSHIP PRODUCT BRANDS

EMPLOYEES IN HONG KONG AND PRC OPERATIONS **3,420**

4 PLANTS IN HONG KONG

5 PLANTS IN CHINA

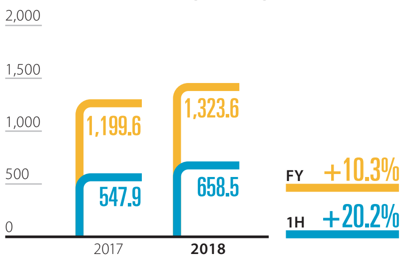
FINANCIAL HIGHLIGHTS

KEY HIGHLIGHTS

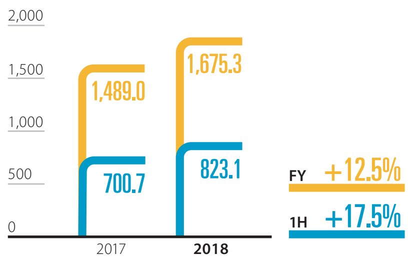
	FY2018 HK$ million	FY2017 HK$ million (restated)	+/-%
Revenue	**2,998.8**	2,688.5	+11.5%
Gross Profit	**933.4**	820.8	+13.7%
	31.1%	*30.5%*	
Profit attributable to owners of the Company	**205.4**	195.4	+5.2%
	6.9%	*7.3%*	
Segment Results	**261.3**	242.6	+7.7%
	8.7%	*9.0%*	
EBITDA	**407.7**	374.8	+8.8%
	13.6%	*13.9%*	
Total Assets	**4,444.4**	4,461.0	-0.4%
Net Assets attributable to owners of the Company	**3,480.5**	3,439.2	+1.2%
Total Dividend per share (HK cents)	**9.5**	7.3	+30.1%
Earnings per share (HK cents)	**19.13**	23.81	-19.7%
Dividend Payout Ratio (%)	**49.7%**	40.0%	
Net Asset per share (HK$)	**3.24**	3.20	+1.3%

TRACK RECORD

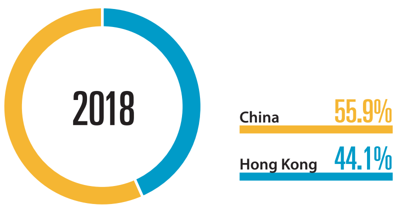
Revenue in Hong Kong (HK$million)



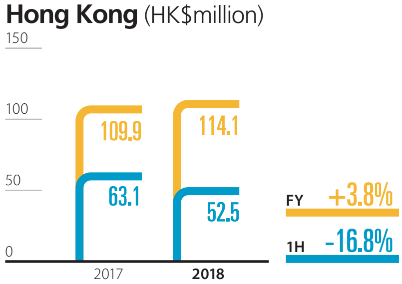
Revenue in China (HK$million)



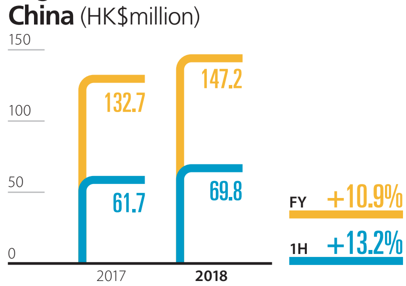
Proportion of Revenue by Geographical Region



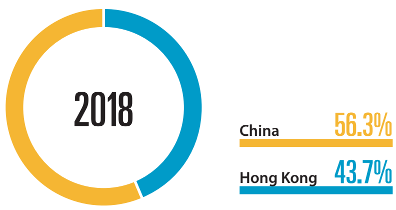
Segment Results in Hong Kong (HK$million)



Segment Results in China (HK$million)



Proportion of Result by Geographical Region



Source: Segment Results

Delivering shared Value

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the annual results for the year ended 31 December 2018.

NISSIN'S EVOLUTION TO SUCCESS

Year 2018 would be a memorable milestone in the Company's long-lasting history since the establishment of the Hong Kong business in year 1984. The collective effort of the employees has paid off after years of preparation, as we celebrated the first anniversary of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") last year. Meanwhile, ***Demae Iccho***, one of the most favourite instant noodles brands globally, has marked the 50th year anniversary since its invention in year 1968. The Company began its evolutionary journey a decade ago in year 2009 with the arrival of Mr. Kiyotaka Ando, Chairman and Chief Executive Officer of the Company, who has repositioned and transformed the PRC business completely. Today, our journey finally reaches a checkpoint where the Company's strategic capital investments in the past few years have all come into place.

NISSIN'S EVOLVING JOURNEY

Phase I: Premiumisation and localisation

The Company positioned itself as a premium instant noodles manufacturer in the People's Republic of China (the "PRC") with the focus on ***Cup Noodles*** seafood flavour as the signature product when premiumisation was perceived generally not an attractive niche market in late 2000s. This product differentiation strategy has created enormous room for the Company to evolve and be a stronger self. The Company had also gone through a period of localisation in terms of business operation and people management to lay the foundation of future business expansion.

Phase II: Upgrading our overall capability

Production capacity and efficiency has always been the key issue among manufacturing companies, especially in a highly competitive landscape in the PRC which requires continuous cost management and efficiency enhancement. The Company has equipped with new production capability in the past three years with the commencement of operation of the production plants located in Dongguan, Fujian and Pinghu of the PRC. This provides the Company with the appropriate technique to manufacture both fried and non-fried instant noodles, as well as the paper cup materials by the middle of year 2017 and thus, better control the cost efficiency and value to customers. Currently, we have a total of nine production plants in Hong Kong and the PRC.

Phase III: Business diversification into non-instant noodles categories

Since the establishment in Hong Kong in year 1984 and in the PRC in year 1993, the key focus of the business has always been in instant noodles. In order to broaden the income stream especially in Hong Kong, the Company has stepped into non-instant noodles categories, for instance, potato chips, confectionaries, frozen foods and beverages, to name a few. The acquisition of distribution business of MC Marketing & Sales (Hong Kong) Limited ("MCMS") in March 2017 has also equipped the Company with downstream capability to better handle the logistics and inventory control, which is an essential part when we further expand nationally in the PRC in the future.

Phase IV: Distribution channels expansion, product innovation and investing in people

Today, as we progressively expand into the PRC, one of the key challenges for us is the progress of recruiting local employees to improve decision making quality and better understand the local atmosphere of the surrounding environment in which we compete in. Currently, the Company is actively liaising with the distribution channels to have better mutual understanding on each other's needs. At the forefront, the support from our strong research and development capability would ensure continual product innovation to the market. In the foreseeable future, distribution channels, product innovation and staff employment would still be the key focus as we further escalate our expansion into the PRC territory.

FINANCIALS

Economic conditions in Hong Kong and the PRC have been changing rapidly in the second half of the year. Compared to the first half of 2018, the market has turned the tide and been adversely affected by the heated dispute between the USA and the PRC on trade tariff coupled with slower economic environment. Consumers began to rethink their spending instead and we also witnessed the price adjustments of consumer in the market to rebalance the product portfolio.

Nevertheless, the Group has achieved a stable result this year. Revenue increased by 11.5% to HK$2,998.8 million for the year (2017: HK$2,688.5 million), primarily attributable to the continual regional expansion in the PRC which boosted the sales, the momentum growth in the Hong Kong operation and the additional contribution from distribution business in Hong Kong. Gross profit margin recovered from the first half with an increase of 0.6% to 31.1% for the year (2017: 30.5%), mainly due to the fixed cost optimisation on depreciation and overheads of the production plants. The cost of key raw materials such as wheat flour and packaging materials has been stable in the second half, which allowed the Company to better control its raw material costs during the year.

The management considers EBITDA as a better indicator for the business expansion. At EBITDA level, the Group grew by 8.8% to HK$407.7 million (2017: HK$374.8 million), representing the EBITDA margin of 13.6% for the year (2017: 13.9%). Profit attributable to owners of the Company was HK$205.4 million, representing an increase of 5.2% from HK$195.4 million for the corresponding period in 2017. Excluding the one-off gain on disposal of assets for the production plant located at Songjiang District of Shanghai of the PRC in 2017 at HK$35.3 million and other impairment losses, the adjusted profit attributable to owners of the Company would be HK$211.3 million (2017: HK$176.6 million), representing an increase of 19.6% from that of last year.

For the fiscal year of 2018, the Group's basic earnings per share was 19.13 HK cents (2017: 23.81 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. The Board has resolved to declare a final dividend of 9.5 HK cents per share, representing a dividend payout ratio of 49.7% for the year. During the year, the Group has approved the Dividend Policy, aiming at providing guiding principles and procedures to assist the Company in making decisions on dividend payments. We have adopted a progressive dividend policy which aims to steadily increase or at least maintain the value of ordinary dividends per share annually in the future. The prospective dividend growth, however, remains dependent upon the financial performance and future funding needs of the Company.

BUSINESS REVIEW

Hong Kong Operations

The retail sentiment in Hong Kong can be separated into two distinct periods, with the first half of 2018 being promising while consumer spending looked sluggish in the second half of the year as a result of the pocket tightening on discretion spending amid the dimmer economic outlook. As published by the Census and Statistics Department of Hong Kong, retail sales value increased by 8.8% for the full year and 13.4% for the first six months year-on-year, representing a relatively slowdown in economic activities in Hong Kong in the past few months. The launch of the Hong Kong Section of the Express Railway Link as well as the Hong Kong-Zhuhai-Macau Bridge brought together additional influx of tourists into the city. However, the two new infrastructures have brought minimal additional benefits to the operations in Hong Kong.

For the full year under review, revenue from Hong Kong operations increased by 10.3% from HK$1,199.6 million to HK$1,323.6 million, mainly driven by the growth in sales from the ***Nissin Brands*** as we continue to optimise the instant noodle product offerings with a combination of fried and non-fried instant noodles in different formatting and brands to maintain our market share. The full year operation of MCMS has also contributed to the revenue growth during the year. Currently, revenue from Hong Kong operations accounted for 44.1% (2017: 44.6%) of the Group's revenue.

The commencement of the recognition of depreciation expenses has affected the profitability in the Hong Kong operations, partly offset by better cost control in the cost of sales. Therefore, the segment result recorded a mild increase of 3.8% to HK$114.1 million in 2018 (2017: HK$109.9 million).

Notwithstanding the undisputable market share in Hong Kong, the Company has purposefully introducing new SKUs under the ***Nissin Brands*** to accommodate to demanding customers. Additional flavours have been added under the signature ***Cup Noodles*** and ***Demae Iccho*** brands regularly to offer innovative and refreshing tastes to the customers.

To cater for the health conscious customers and to promote the importance of healthiness, the Company has been developing a collection of non-fried instant noodles brands in various formats such as the promotion of the *Spicy Tomato Seafood Flavour* and *Soya Milk Soup with Vegetable Flavour* under ***Cup Noodles Light*** to offer a low fat and calorie option for the customers. *Bar Noodle* featuring non-fried straight noodles under ***Demae Iccho*** and ***FUKU*** brand has also been launched. In 2018, the Company has introduced the new conceptual products of *御當店系列* with collaboration with famous Japanese Ramen Shops such as ***IPPUDO***, ***Butao*** and ***Hakata Ikkousha*** to allow customers to enjoy the Japan-originated quality ramen at home with easy access through the convenience stores. Concurrently, the Company has noticed the increasing popularity of Japanese-imported products into Hong Kong. During the year, we have started to procure certain popular products from Japan should we think there is a sustainable market demand to those products.

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 an entity in Hong Kong owned as to 70% by the Company and 30% by Kagome ("Kagome HK"). The Company has contributed HK$3.5 million to the share capital of the Kagome HK. In July 2018, we have commenced the distribution of vegetable and fruit beverages products in Hong Kong with a promising result, further enhancing our confidence in future cooperation in the PRC region. The diversification into distribution business under MCMS has also enabled us to better mitigate our logistics cost as well as enhancing the income stream to the Company this year.

In the past few years, the Company has established a sizable non-instant noodles business with a view to generate additional income to the Group. As announced on 31 January 2019, the Company has invested approximately HK$30.0 million in a new granola production line in the Hong Kong production plant located at Tai Po Industrial Estate. The new investment has been completed in December 2018 and the product sale has commenced in January 2019. This investment enables us to manufacture and sell its made-in-Hong Kong granola products at closer proximity to local demands in Hong Kong and the PRC.

The PRC Operations

Premiumisation and consumption upgrade have been popular topics among the consumer products industry in recent years. Innovative products and services have been launched in seemingly unimaginable areas to cater for the highly demanding customers. As the living standard improves, customers begin to look for products and services that provide not just for daily necessity consumption, but also incorporating added value and better product quality to match with their quality of life. More investments have been made by the industry players to establish corporate branding and product research and development to generate higher brand equity with premium price. During the year, the Government has eased the policy of materials import into the country, which further reduces the complexity of cross-border import to promote trade affairs.

However, economic environment and market sentiment have been changing rapidly in the PRC especially in the second half of the year. As reported by the National Bureau of Statistics of the PRC, the GDP for year 2018 was 6.6% with the 4th quarterly at 6.4%. Competition has also been intensifying in the instant noodles industry with increasing competition and adjustments in product price and servings to secure the market share. It is therefore against this turbulent environment that the Company is operating in the PRC this year.

For the year under review, the Company is glad to report a stable revenue growth from the PRC operations throughout the year. Revenue increased by 12.5% (in local currency: 10.1%) from HK$1,489.0 million to HK$1,675.3 million, mainly attributable to our stable price offering. As we progressively expand into the inland, we recorded a healthy revenue growth not only along the coastal provinces, but also in the key cities such as Beijing and Tianjin in the Northern China. Currently, revenue from the PRC operations accounted for 55.9% (2017: 55.4%) of the Group's revenue.

The profitability in the PRC operations, as measured with segment result, recorded an increase of 10.9% to HK$147.2 million in 2018 (2017: HK$132.7 million), owing to the higher salary and related expenses resulted from the recruitment and the surge in depreciation expenses of Pinghu Production Plant, but compensated with the better revenue growth this year.

The Group's key strategy has been surrounding the development of container type instant noodles with affordable premium price in the past decade as this offers the best experience for the younger consumers. To further enhance our consumption experience for the signature ***Cup Noodles*** brand and after carefully considering the daily experience and feedback from the customers, we have revamped the packaging of the ***Cup Noodles*** to include an inside lid to separate the utensil from the noodle cake and seasonings. This strategy proves essential to promote our brand with enhanced food safety and hygiene for our loyal customers, which translate into a healthy revenue growth in year 2018.

In the non-fried instant noodles perspective, the Company has been actively expanding into Tonkotsu flavour premium non-fried instant noodles. On top of the three Tonkotsu flavours of ***RAOH***, an in-house brand, that we launched with cup-type in July 2017, the Company has further improved the offering with a bag-type in November 2018 to provide the same joyful experience to be served at home. The channel exclusive product co-launched between "***7-11 x IPPUDO x Nissin***" has proved a successful collaboration strategy for the Company since we launched the product in April 2018. This affordable premium product with much broader and easier access in convenience store with original Japanese flavour has obtained a promising result this year, which further enhances our belief in providing Japanese original taste to the local people in the future.

As we continue to grow into the Northern and Western part of the PRC while maintaining our presence in the coastal areas, the Company is actively recruiting additional salesforce to complement the growth in distributors and channel coverage this year with proven success.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2018, total assets of the Group amounted to HK$4,444.4 million (31 December 2017: HK$4,461.0 million) and the total equity was HK$3,595.2 million (31 December 2017: HK$3,551.1 million). The Group's working capital was HK$2,126.7 million (31 December 2017: HK$2,071.6 million), represented by the difference between the total current assets of HK$2,922.7 million (31 December 2017: HK$2,928.5 million) and the total current liabilities of HK$796.1 million (31 December 2017: HK$856.9 million). The current ratio was 3.7 as at 31 December 2018 (31 December 2017: 3.4).

The financial position of the Group remained healthy with net cash of approximately HK$1,677.5 million (2017: HK$2,109.1 million) and HK$180.8 million (2017: HK$180.8 million) in available banking facilities as at 31 December 2018. The Group had no external borrowing and the gearing ratio was nil as at 31 December 2018 (31 December 2017: nil).

Capital expenditure

The Group's capital expenditure was HK$215.3 million during the year under review (2017: HK$259.7 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$116.0 million as at 31 December 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 year under review, there has been no material development to the legal proceedings against the Company in respect of an alleged wrongful termination of distributorship of a former sub-distributor of our "Damae Iccho" instant noodles products (the "Proceedings") as disclosed in the prospectus of the Company issued on 29 November 2017 (the "Prospectus"). No provision for the claim in respect of the Proceedings was made by the Group. 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 31 December 2018, other than the litigation that the Company has engaged into as mentioned above, the Group had no material contingent liability (2017: Nil).

Pledge of Assets

The Group did not have pledged assets as at 31 December 2018 (31 December 2017: Nil).

Use of Proceeds from Global Offering

Usage disclosed in the Prospectus		Planned use of the net proceeds	Utilised net proceeds up to 31 December 2018	Unutilised net proceeds up to 31 December 2018
		HK$ million	HK$ million	HK$ million
Further expanding and upgrading production plants and facilities	45%	409.8	215.3	194.5
Further expanding sales and distribution network	10%	91.1	59.3	31.8
Enhancing research and development capabilities	5%	45.5	24.2	21.4
Partnerships and/or acquisitions	30%	273.2	3.5	269.7
Working capital	10%	91.1	61.0	30.1
Net Proceeds		**910.8**	**363.3**	**547.5**

The shares of the Company have been listed on the Main Board of the Stock Exchange since 11 December 2017. The total proceeds from the Global Offering involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK$950.8 million. As at 31 December 2018, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

According to the proposed applications of proceeds set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the utilisation of net proceeds from the Listing to 31 December 2018 was shown on the above table.

Nissin's Future Prospect

The strong product research and development support from the Nissin Global Innovation Center and the Nissin Global Food Safety Institute lay the foundation for us to further excel ourselves to provide innovative products that match the local tastes of the Hong Kong and PRC customers.

As we continue to expand further in the PRC, persistent vertical and horizontal integration has been planned ahead for better operational efficiency and cost control. As reported earlier, the upstream production for potato chips and granola have been ready in 2017 and 2018 respectively, thereby enhancing the Company's ability to control the production costs of our non-instant noodles products. Further investments would be made to the business especially to the downstream business should we identify opportunities to better control our cost structure. Horizontally, the Company has commenced the distribution of ***Kagome*** vegetable and fruit juice in the PRC to broaden the income stream in addition to the instant noodles products.

Continual localisation with local knowledge is the next big thing that the Company is focusing on. Progress has been made to localise the management of the Company to prepare for the upcoming challenges. Nonetheless, we expect the personnel expense would continue to impact on the profitability in the short run.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the total number of staff of the Group was approximately 3,420 (31 December 2017: 3,400) with staff costs (excluding directors' remuneration) amounting to HK$550.8 million for the year. Remuneration package is determined with reference to the individual performance, qualification and experience of employees concerned and prevailing industry practice. The Group provides mandatory provident fund entitlement to Hong Kong's employees.

AWARDS AND RECOGNITIONS

The Employer of Choice Award
Job Market Magazine

Learning and Development Award
Job Market Magazine

Asia Pacific Outstanding Employer Award
Job Market Magazine

Caring Company
The Hong Kong Council of Social Service

Good Employer Charter
Labour Department

Manpower Developers
Employees Retraining Board

Listed Enterprises of the Year 2018
Bloomberg Businessweek / Chinese Edition

Partner Employer Award
The Hong Kong General Chamber of Small and Medium Business

Social Capital Builder Logo Awards 2018
Community Investment & Inclusion Fund Labour and Welfare Bureau

The 9th Hong Kong Outstanding Corporate Citizenship Logo
Hong Kong Productivity Council

Wellcome 19th Favourite Brands Awards 2018
Top Ten Favourite Brands
Demae Iccho
Wellcome

Wellcome 19th Favourite Brands Awards 2018
Outstanding Category Performance Award
Oil, Rice & Noodle – Cup Noodles
Wellcome

PARKnSHOP Super Brands Award 2018
Top Ten Excellence Brands
Demae Iccho
PARKnSHOP

PARKnSHOP Super Brands Award 2018
Supermarket Brand
Nissin
PARKnSHOP

PARKnSHOP Super Brands Award 2018
Super Supermarket Brand
Demae Iccho
PARKnSHOP

PARKnSHOP Super Brands Award 2018
Star Supermarket Brand (Noodle Category)
Fuku
PARKnSHOP

PARKnSHOP Super Brands Award 2018
The Best Exclusive item
Nissin Hakata Ikkousha/Menya Musashi
PARKnSHOP

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Tong Ching Hsi

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lo Tai On, *CPA*

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

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

SENIOR MANAGEMENT

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

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

Mizuho Bank, Ltd.
MUFG Bank, Ltd.

SHARE REGISTRAR AND TRANSFER OFFICE

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

CONTACT INFORMATION

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

STOCK CODE

1475

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kiyotaka Ando
Executive Director,
Chairman of the Board,
Chief Executive Officer

Mr. Toshimichi Fujinawa
Executive Director

Mr. Shinji Tatsutani
Executive Director

Mr. Kazuo Kawasaka
Executive Director

Mr. Munehiko Ono
Executive Director

BOARD OF DIRECTORS

Mr. Kiyotaka Ando, aged 39, is Executive Director, Chairman of the Board and Chief Executive Officer. Mr. Ando is the grandson of Mr. Momofuku Ando, who was the founder of Nissin Foods Holdings Co., Ltd. ("Nissin Japan"), the controlling shareholder of the Company as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). He is responsible for strategic planning and managing the overall business and operations of the Group. Mr. Ando joined the Group since March 2009 and has been a director of a number of subsidiaries of the Company. Mr. Ando obtained a Bachelor of Arts degree in Economics from Keio University in Japan in March 2004. Prior to joining the Group, Mr. Ando worked in Mitsubishi from April 2004 to December 2007. In January 2008, Mr. Ando joined Nissin Japan and its subsidiaries ("Nissin Japan Group") as the deputy general manager of marketing division and is currently a managing officer of Nissin Japan and a director of two subsidiaries of Nissin Japan (both are non-executive in nature). Mr. Ando is the son-in-law of Mr. Tong Ching Hsi, Non-executive Director of the Company.

Mr. Toshimichi Fujinawa, aged 59, is Executive Director. Mr. Fujinawa is the director of Nissin Foods (H.K.) Management Company Limited, Winner Food Products Limited, Kagome Nissin Foods (H.K.) Co., Limited, Dongguan Nissin Packaging Co., Ltd., and Zhuhai Golden Coast Winner Food Products Limited ("Zhuhai Winner"), all of which are subsidiaries of the Company, and is responsible for overseeing and managing overall research and development functions of the Group. Before joining the Group, Mr. Fujinawa joined Nissin Japan since 1982 with his last position being the executive officer and deputy head of NISSIN Global Innovation Center of Nissin Japan. Between April 2008 and March 2014, Mr. Fujinawa served as deputy managing director of research and development division of the Company. Mr. Fujinawa has extensive experience in the fields of research and development related to food products. He obtained a Bachelor of Agriculture degree from Obihiro University of Agriculture and Veterinary Medicine in Japan in March 1982.

Mr. Tong Ching Hsi
Non-executive Director

Dr. Sumio Matsumoto
Independent Non-executive Director

Mr. Junichi Honda
Independent Non-executive Director

Professor Lynne Yukie Nakano
Independent Non-executive Director

Mr. Shinji Tatsutani, aged 54, is Executive Director, and Chief Financial Officer of the Group. Mr. Tatsutani is responsible for overseeing and managing overall finance functions of the Group. Mr. Tatsutani obtained a Bachelor of Economics degree from Osaka Prefecture University in Japan in March 1987. Mr. Tatsutani has over 27 years of experience in finance and accounting. Mr. Tatsutani joined Nissin Japan and worked in accounting division between April 1987 and November 1996. From November 1996 to March 2002, Mr. Tatsutani was assigned to Guangdong Shunde Nissin Food Co., Ltd. From March 2002 to March 2008, Mr. Tatsutani was re-assigned to Nissin Japan, with his last position being manager in finance division. In March 2008, after re-joining the Group, Mr. Tatsutani has been a director of certain subsidiaries of the Company and is also a director of Nissin Shanghai Food Safety Institute.

Mr. Kazuo Kawasaka, aged 54, is Executive Director. He is a director of Nissin Foods (China) Holding Co., Ltd. ("Nissin China") and Zhejiang Nissin Foods Company Limited, both being subsidiaries of the Company, and is responsible for overseeing and managing operations of sales of "NISSIN (日清)" brand products in the PRC. Before joining the Group, Mr. Kawasaka joined Nissin Japan since 1988 with his last position being the assistant general manager in the marketing department of Nissin Japan. Between 2007 and 2015, Mr. Kawasaka has been a director of certain subsidiaries of the Group for overseeing the sales and marketing functions in the PRC. Mr. Kawasaka has extensive experience in the fields of sales, marketing and management. He obtained a Bachelor of Business Administration degree from Ritsumeikan University in Japan in March 1988.

Mr. Munehiko Ono, aged 51, is Executive Director, and Chief Production Officer of the Group. Mr. Ono is responsible for overseeing and managing overall production functions of the Group. Mr. Ono obtained a Bachelor of Agriculture degree from Tokyo University of Agriculture in Japan in March 1991. Before joining the Group, Mr. Ono joined Nissin Japan since April 1991, with his last position being deputy general manager. Between March 2007 and July 2011, Mr. Ono was assigned as the Company's director and plant manager. Mr. Ono re-joined the Group since January 2014 and has been a director of certain subsidiaries of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong Ching Hsi, aged 83, is Non-executive Director appointed by the Company on 17 March 2016. Mr. Tong is responsible for providing advice on business development and making recommendations on corporate governance practice of the Group. Mr. Tong obtained a Bachelor of Mechanical Engineering degree from Waseda University in Japan in October 1965. In 1965, Mr. Tong founded Ability Enterprise Co., Ltd. (listed on Taiwan Stock Exchange; stock code 2374). In 1987, Mr. Tong founded Ability Investment Co., Ltd.. Mr. Tong is one of the founders of Abico Group and has been working in Abico Group for around 52 years.

Mr. Tong is currently the president of Abico Group, the chairman of the board of directors of Ability Investment Co., Ltd., and director of Ability I Venture Capital Corporation as well as Abico Asia Capital Corporation. Other than the aforesaid, he was a director of Ability Enterprise Co., Ltd. (listed on Taiwan Stock Exchange; stock code 2374), AVY Precision Technology Inc. (listed on Taipei Exchange; stock code 5392) and HiTi Digital, Inc. (listed on Taiwan Stock Exchange; stock code 3494) between 26 January 2010 and 14 March 2014, and an independent director of TPK Holding Co., Ltd. (listed on Taiwan Stock Exchange; stock code 3673) between 8 January 2010 and 21 May 2013.

Mr. Tong is also currently the vice-president of the Taiwan Japan Association for Business Communication and council member of Taiwan-Japan Relations Association. Mr. Tong is the father-in-law of Mr. Kiyotaka Ando, Executive Director, Chairman of the Board and Chief Executive Officer.

Dr. Sumio Matsumoto, aged 71, is Independent Non-executive Director appointed by the Company on 21 November 2017. Dr. Matsumoto obtained a Bachelor degree of Medicine from the School of Medicine of Keio University in Japan in March 1973 and further obtained a Doctor of Medicine degree from the same University in October 1981. From 1973 to 1984, Dr. Matsumoto worked in Keio University with his last position being teaching assistant of the School of Medicine. From 1980 to 1982, Dr. Matsumoto was employed by National Hospital Organization Kanagawa Hospital as surgeon. From 1982 to 2005, Dr. Matsumoto worked in Fujita Health University with his last position being the President of the Banbuntane Hotokukai Hospital of Fujita Health University. After his departure from Fujita Health University, Dr. Matsumoto worked in Tokyo Medical Center of the National Hospital Organization between 2005 and 2014, with his last position being the President.

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

Mr. Junichi Honda, aged 72, is Independent Non-executive Director appointed by the Company on 21 November 2017. Mr. Honda obtained a Bachelor of Commerce degree from the Faculty of Business and Commerce of Keio University in Japan in March 1970 and obtained a Master degree majoring in management and accountancy from the Graduate School of Business and Commerce of the same University in March 1974. Mr. Honda was qualified as a Certified Public Accountant in Japan in 1980. He has over 36 years of experience in finance and accounting. In July 1974, Mr. Honda joined Chuo Kaikei Jimusho Audit Firm as an accountant. From October 1983 to March 1987, Mr. Honda worked as an accountant in Deutsche Treuhand Gesellschaft Audit Firm. From April 1987 to December 2011, Mr. Honda worked in Deloitte Touche Tohmatsu with his last position being a partner.

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

Professor Lynne Yukie Nakano, aged 54, is Independent Non-executive Director appointed by the Company on 21 November 2017. Professor Nakano obtained a Bachelor of Arts degree from Carleton College in 1987, a Master of Philosophy degree from Yale University in the United States in 1990 and a Doctor of Philosophy degree in 1998 from the same University. Since August 1995, Professor Nakano has been working in The Chinese University of Hong Kong and is currently a professor at the department of Japanese studies.

SENIOR MANAGEMENT

Mr. Hijiri Fukuoka, aged 52, is general manager in southern China of Nissin Foods (China) Holdings Co., Ltd ("Nissin China"). Mr. Fukuoka is responsible for overseeing and managing operations of sales of "NISSIN (日清)" brand products in the PRC. Mr. Fukuoka joined the Group since September 2009 and has been a director of certain subsidiaries of the Company. Mr. Fukuoka had also been the Company's Executive Director from 17 March 2016 to 3 July 2018 and director from September 2009 to March 2012. Mr. Fukuoka obtained a Bachelor of Arts degree majoring in Commerce from Waseda University in Japan in March 1989. He has over 27 years of experience in marketing and management. Before joining the Group, Mr. Fukuoka worked in Nippon Steel Corporation, which is one of the largest steel manufacturers in Japan from April 1989 to November 1991. In January 1992, Mr. Fukuoka joined Nissin Japan and worked in the marketing division.

Mr. Taiji Matsumura, aged 69, joined the Group since July 2011 and was appointed as senior executive officer for procurement of the Group, responsible for overseeing and managing overall procurement functions of the Group. Mr. Matsumura obtained a Bachelor of Engineering degree in Industrial Chemistry from Chuo University in Japan in March 1973. From July 1973 to May 1998, Mr. Matsumura worked in Cargill Japan Limited with his last position being deputy general manager of chemical division. After that, Mr. Matsumura joined Nissin Japan in June 1998 and had subsequently performed various roles, including deputy general manager of the international division, executive officer and general manager of the purchasing division in Osaka head office, director of the Central Research Institute, director and chief strategy officer of the international operation headquarters, managing director of Nissin Foods (Asia) Pte. Ltd. (a subsidiary of Nissin Japan) and director and chief representative in Asia and so on. Mr. Matsumura has nearly 21 years of experience in international business strategy and procurement. He is currently the head of international packaging development division of Nissin Japan.

Mr. Satoshi Niibe, aged 53, joined the Group since December 2013. He is a director of Nissin Foods (H.K.) Management Company Limited and senior executive officer for legal matter and general counsel of the Group, responsible for overseeing and managing overall legal matters of the Group. Mr. Niibe obtained Bachelor of Laws degree from Chuo University in Japan in March 1989 and a Master of Laws degree from the University of Tokyo in Japan in March 1996. Before joining the Group, Mr. Niibe worked in Heiwa Corporation from April 1989 to September 2007 with his last position being executive manager of the legal department. From October 2007 to April 2008, Mr. Niibe was appointed as a legal counsel of Medtronic Japan Co. Ltd. In May 2008, Mr. Niibe joined Nissin Japan and his last position with Nissin Japan prior to joining the Group was the general manager of the legal division. He has nearly 30 years of experience in legal affairs.

Mr. Xi Xiaotong, aged 50, joined the Group since December 2013 and was appointed as senior executive officer for sales in northern and western China of the Group, responsible for overseeing and managing overall sales in northern and western China of the Group. Mr. Xi obtained a Bachelor of Economics degree from Nihon University in Japan in March 1996. Before joining the Group, Mr. Xi had worked in Nissin Japan since April 1996, and had been assigned to Shanghai Nissin Foods Co., Ltd. ("Shanghai Nissin") between 2001 and 2004 and between 2008 and 2009.

Mr. Takeshi Shigemi, aged 56, joined the Group since March 2014 and is currently a director in Nissin Foods (H.K.) Management Co., Ltd, in charge of administration, public relations and business planning functions. In March 2014, he was first appointed as senior executive officer for sales in southern China of the Group, responsible for overseeing and managing overall sales in southern China of the Group. From April 2017 to March 2018, Mr. Shigemi was responsible for overseeing and managing overall sales in eastern China of the Group and his title was changed to senior executive officer for sales in eastern China. He graduated from the Chinese language curriculum of Kyoto Sangyo University in Japan in March 1985. He has nearly 27 years of experience in sales and marketing. From April 1985 to August 2013, Mr. Shigemi worked in Panasonic Corporation (previously known as Matsushita Electric Industrial Co., Ltd.), with his last position being head of the marketing division. From August 2013 to March 2014, Mr. Shigemi was the manager of the marketing division of Nissin Japan.

Mr. Gen Matsunobu, aged 48, joined the Group since March 2010 and is currently general manager of marketing for mainland China, responsible for overseeing and managing product planning and marketing of the Group. Mr. Matsunobu graduated from the Department of Biochemical Science and Technology, Faculty of Agriculture, Kagoshima University in Japan in March 1994 and further obtained a Master of Agriculture degree from the same University in March 1996. From April 1996 to March 2010, Mr. Matsunobu worked in Nissin Japan, with his last position being a supervisor in the marketing division.

Mr. Akifumi Aiba, aged 43, joined the Group since March 2012 and was appointed as managing director of Zhuhai Winner, responsible for overseeing and managing Zhuhai Winner. Mr. Aiba is also a director of a number of the subsidiaries of the Company. Mr. Aiba obtained a Bachelor of Business Administration degree from Kyoto Sangyo University in Japan in March 1999. From April 1999 to March 2012, Mr. Aiba worked in Nissin Japan and performed various roles in the marketing and sales functions.

Mr. Takeshi Kikunaga, aged 46, joined the Group since March 2014 and is currently deputy managing director in Nissin Foods (H.K.) Company Limited, responsible for overseeing the sales functions in Hong Kong. He joined Nissin Japan in April 1997 and performed various sales and marketing positions in Nissin Japan until March 2014. Mr. Kikunaga obtained a Bachelor of Engineering degree from Aoyama Gakuin University in Japan in March 1997.

Mr. Tse Chi Ping Roy, aged 58, joined the Group since January 2008 and is currently a senior executive officer for sales in Nissin Foods (H.K.) Company Limited, responsible for overseeing and managing the sales functions. Mr. Tse obtained an Honours Diploma in Business Management from the Hong Kong Baptist University (previously known as Hong Kong Baptist College) in November 1985 and obtained a Master of Business Administration degree from the Open University of Hong Kong in June 2002. Before joining the Group, Mr. Tse worked as the key account manager in sales department in A.S. Watson & Company Limited. He has accumulated 32 years of experience in sales and marketing having previously worked under sales department in various paper companies and trading companies.

Mr. Ying Li Feng, aged 59, joined the Group since April 2012 and was appointed as assistant director of Nissin China, responsible for overseeing and managing the sales functions of southern China of the Group. Mr. Ying obtained a diploma in Chinese (Secretarial Studies) from the Qingdao Technical College (previously known as Qingdao Technical Part-Time College) in the PRC in July 1990. Before joining the Group, Mr. Ying worked in Shanghai Liang Ling Logistics Co. Ltd. from April 2003 to March 2012 with his last position being general manager assistant and sales department general manager. Mr. Ying joined the Group in April 2012 and had subsequently performed various roles, including assistant director and/or sales planning manager and/or project manager of Nissin China, sales manager in northern China and/or director and/or sales manager of Shanghai Nissin and the director, general manager assistant and senior executive officer of the sales and management department of Zhuhai Winner.

Mr. Zhao Xiongda, aged 49, join the Group since February 2001. He is currently deputy general manager of East District of the Group, responsible for supervising and managing the sales functions in the Central China and Zhejiang regions. Mr. Zhao obtained a Bachelor of Engineering degree in enterprise management from Shanghai University of Engineering Science in July 1991. Before joining the Group, Mr. Zhao worked for Pepsi Cola, US Campbell's and other food manufacturing companies. He has extensive experience in food sales and marketing.

CORPORATE GOVERNANCE REPORT

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company that they have complied with the required standard set out in the Model Code during the year. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code, each Director is required to notify the Chairman of the Board in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities. Relevant employees of the Company are also bound by the Model Code, which prohibits them to deal in the Securities at any time when they possess inside information.

THE BOARD

Board Composition

As at the date of this annual report, the Board currently comprise nine Directors, including five Executive Directors, one Non-executive Director and three Independent Non-executive Directors as follows:

Executive Directors

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

Non-executive Director

Mr. Tong Ching Hsi

Independent Non-executive Directors

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

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

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

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

THE BOARD AND MANAGEMENT

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

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

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

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

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

BOARD DIVERSITY POLICY

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

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

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the members of the directors and senior management by band for the year ended 31 December 2018 is set out below:

Emoluments	Number of Personnel
Nil to HK$1,500,000	14
HK$1,500,001 to HK$2,500,000	6
HK$4,500,001 to HK$5,500,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements of this annual report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

Pursuant to Article 107 of the Articles of Association, at each annual general meeting, one-third of the directors (including the managing director) or, if their number is not three or a multiple of three, the number which is nearest to and is at least one-third, shall retire from office by rotation. A retiring director shall be eligible for re-election. Accordingly, Mr. Tong Ching Hsi, Dr. Sumio Matsumoto and Mr. Junichi Honda will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. The Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. Pursuant to Code Provision A.6.5 of the CG Code, during the year, the Company organized training on duties and responsibilities of directors and seminar on updated laws and regulations for the Directors and provided reading material to the Directors in order for the Directors to develop and refresh their professional knowledge.

During the year, the Company had arranged periodically site visit and talks for the Directors to enhance their understanding and knowledge of the Group's manufacturing processes and food safety management and production in the PRC.

DIRECTORS' AND OFFICERS' LIABILITIES

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

BOARD COMMITTEES

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

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

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

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

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

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

AUDIT COMMITTEE

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

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

During the year, three Audit Committee meetings were held to review the Group's financial results including interim results for the six months ended 30 June 2018 and annual results for the year ended 31 December 2017 before their submission to the Board and monitored the integrity of such financial statements.

BOARD AND COMMITTEE MEETINGS

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

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

Notes:

1. With effect from 3 July 2018, Mr. Yoshihide Semimaru and Mr. Hijiri Fukuoka have resigned as Executive Directors.

2. With effect from 3 July 2018, Mr. Toshimichi Fujinawa and Mr. Kazuo Kawasaka have been appointed as Executive Directors.

ACCOUNTABILITY AND AUDIT

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

Financial Reporting

The Board is committed to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects to the shareholders and other stakeholders, including but not limited to the financial statements, regulatory announcements and other communications of the corporate. In addition, the Board, supported by the finance functions of the Group, is responsible for overseeing the preparation of the consolidated financial statements for the year ended 31 December 2018 which shall give a true and fair view of the Group's financial position, financial performance and cash flows.

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

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

The working scope and reporting responsibilities of the external auditor, Deloitte Touche Tohmatsu, are set out on pages 52 and 53 in the Independent Auditor's Report.

Risk Management and Internal Control

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures to manage its risks across business operations.

The Group's risk management and internal control systems are designed and implemented to reduce risks, safeguarding Group's assets, prevent and discover fraud and protect shareholders' investment as well as to ensure that proper accounting records are maintained and applicable laws, regulations and legislations are duly complied with.

The Group has adopted the COSO ERM Framework, the "Top-Down" approach, in establishing its risk management framework, which consists of the Board, the Audit Committee, the Risk Management Taskforce and various departments within the Group. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Risk Management Taskforce, which consists of key management members, is to assist the Board and the Audit Committee in overseeing the risk management and internal control systems and ensures that sufficient resources are allocated to maintain the adequacy and effectiveness of the systems within the Group in order to reduce the risks or potential risks to acceptable levels when achieving the Group's objectives. Each department is responsible for identifying, assessing and managing risks within its operation, ensuring that appropriate internal controls for effective risk management are implemented and any significant internal control deficiency is reported to the Risk Management Taskforce timely for a prompt mitigation action. At least on an annual basis, Risk Management Taskforce identify risks that would adversely affect the achievement of the Group's objectives, assess and prioritize the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant. A risk management and internal control report is submitted to the Audit Committee and the Board at least once a year. The role of Audit Committee is to assist the Board to oversee financial reporting, risk management and internal control systems of the Group and conduct independent annual review on the adequacy and effectiveness of the risk management and internal control systems.

In addition, the Group has established an internal audit function to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Internal audit formulates the internal audit plan of the Group based on the strategic objective analysis, business flow analysis, risk assessment and performance evaluation and the self-inspection mechanism with comprehensive risk management function under the authority of the Board and the guidance of Audit Committee. It is a combination of independent assurance and consultation to add value and enhance the ways by which the Group is able to promote a long-term success of its business. Internal Audit Department is an independent function that reports directly to the Audit Committee. The Department has unrestricted access to all information regarding the business activities of the Group that allow it to complete the risk-based audit projects and report to the Board through the Audit Committee on a timely basis.

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

The appropriate risk mitigation plan is determined based on the following risk responses:

- Acceptance: Risks are considered immaterial and acceptable based on Group's risk appetite and therefore no action is considered necessary.
- Reduction: Risks cannot be considered immaterial, actions such as controls have to be taken to reduce the impact and vulnerability to an acceptable level.
- Sharing: Risks cannot be considered immaterial and the Group itself cannot effectively reduce the risks to an acceptably low level, therefore a portion of the risks has to be transferred to or shared with other parties by insurance, outsourcing, etc.
- Avoidance: Risks are so significant that there is no measure both internally and externally to reduce the risk to an acceptable level, or involving unreasonably high cost to reduce the risk to an acceptable level. Therefore activities giving rise to the risks should be avoided.

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

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

AUDITOR'S REMUNERATION

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

Services rendered	Fee paid/payable
	HK$'000
Audit services	4,987
Non-audit services	1,125
Total	6,112

DISSEMINATION OF INSIDE INFORMATION

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

COMPANY SECRETARY

The Company's secretarial functions are outsourced to external services provider. Mr. Lo Tai On ("Mr. Lo") was appointed as the Company Secretary in March 2016. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants, with over 26 years of experience in the field of company secretarial services. According to Rule 3.29 of the Listing Rules, Mr. Lo has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2018.

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

COMMUNICATION WITH SHAREHOLDERS

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

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

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by shareholders

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

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

Putting forward proposals at a general meeting

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

Voting by poll

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

Sending enquiries to the Board by shareholders

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

INVESTOR RELATIONS AND CORPORATE COMMUNICATION

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

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

Major Investor Relations Events in Financial Year 2018

2018	Event	Organiser	Location
Q1	Post-result Roadshows	Nomura	Hong Kong
	Post-result Roadshows	DBS	Hong Kong
	Post-result Roadshows	Daiwa	Hong Kong
	Post-result Roadshows	Kim Eng	Hong Kong
Q2	Post-result Roadshows	Mizuho	Hong Kong
	Nomura HK China Consumer Corporate Day	Nomura	Hong Kong
	HSBC 5th Annual China Conference	HSBC	China
	Nomura Investment Forum Asia 2018	Nomura	Singapore
	Non-deal Roadshows	Kim Eng	Malaysia
Q3	Post-result Roadshows	Kim Eng	Hong Kong
	Post-result Roadshows	Nomura	Hong Kong
	Post-result Roadshows	Mizuho	Hong Kong
	Post-result Roadshows	DBS	Hong Kong
	Post-result Roadshows	Daiwa	Hong Kong
Q4	Non-deal Roadshows	DBS	Singapore/Malaysia
	Non-deal Roadshows	Kim Eng	London/Edinburgh/ Copenhagen/Helsinki

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

CONSTITUTIONAL DOCUMENT

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

DIRECTORS' REPORT

The Directors present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacture and sales of instant noodles and is the vehicle holding interest of its subsidiaries, whereas the Group is engaged in manufacturing and sales of noodles, retort foods, frozen foods, beverage products and snacks in Hong Kong and China. Analysis of the principal activities of the subsidiaries of the Company during the year ended 31 December 2018 is set out in note 40 to the consolidate financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54.

DIVIDEND

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

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

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

The Board recommends the payment of a final dividend of 9.5 HK cents per share for the year ended 31 December 2018, which will not be subject to any withholding tax in Hong Kong. The final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 6 June 2019 and the final dividend will be distributed on 28 June 2019 to the shareholders whose names appear on the register of members of the Company on 19 June 2019.

BUSINESS REVIEW

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

Principal risks and uncertainties

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

Food Safety Risk

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

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

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

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

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

Labour supply risk

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

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

Business competition risk

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

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

Taking into account today's healthy trends, the Group has been developing a collection of non-fried instant noodle products, offering a low fat and calorie option for its health-conscious customers.

The Group continues to strengthen its market-oriented product development efforts to provide new and innovative products to satisfy its customers' appetites. During the year, Nissin Foods has set up a new production line to produce made-in-Hong Kong granola products and commenced the distribution of Japanese-made vegetable and fruit beverage products in both Hong Kong and the PRC.

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

(i) Relationship with Customers

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

(ii) Relationship with Distributors

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

(iii) Relationship with Suppliers

The Group procures a majority of raw materials from independent third-party domestic and overseas suppliers. It has different suppliers for each type of raw materials for both Hong Kong and the PRC operation to avoid over reliance on any single supplier. Meanwhile, the Group procures a portion of raw materials such as soup base, seasoning and condiments from Nissin Japan and believing that it has greater bargaining power for certain procurement and better quality control. The Group also carefully selects its suppliers by evaluating their overall track record, financial strengths, reliability, competitiveness, stability of supply, quality control measures, pricing as well as logistics arrangements. It also closely communicates with and monitors its suppliers and requires them to provide safety certificates for their supply of raw materials.

(iv) Relationship with Employees

Employees are one of the greatest assets of the Group. As at 31 December 2018, the Group has a total of 3,420 employees in Hong Kong and the PRC. For the purpose of sustainable business development, the Group spares no efforts in recruiting talented professionals. It also provides continuing education and training programmes to employees so as to improve their skills and develop their potentials. The Group believes that the working environment and the supports and benefits provided to the employees have contributed to maintaining good working relationships.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company (the "Shares") were listed on the Main Board of the Stock Exchange on 11 December 2017 (the "Listing Date"). The total proceeds from the Listing involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK$950.8 million. As at 31 December 2018, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong. Details of the use of proceeds are set out in the section headed "Management Discussion and Analysis" of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the Group's sales to its five largest customers accounted for 69.7% (2017: 66.0%) of the Group's total revenue and the largest customer accounted for 26.7% (2017: 28.4%) of the Group's total revenue. The Group's five largest suppliers accounted for 20.9% (2017: 23.3%) of the Group's total purchases and the largest supplier accounted for 6.7% (2017: 6.7%) of the Group's total purchases.

None of the Directors, their respective associates, or any of the existing shareholders who, to the best knowledge of the Directors owned 5.0% or more of the issued share capital of the Company, had any interest of any of the top five customers.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of HK$215.3 million, and property, plant and equipment with carrying values of HK$40.0 million were disposed.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit schemes are set out in note 35 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserve at 31 December 2018 amounted to approximately HK$508.6 million (2017: HK$465.6 million) which represented retained profits of the Company as at that date.

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Tong Ching Hsi

Independent Non-executive Directors

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

Pursuant to Article 107 of the Articles of Association, at each annual general meeting, one-third of the directors (including the managing director) or, if their number is not three or a multiple of three, the number which is nearest to and is at least one-third, shall retire from office by rotation at the annual general meeting. A retiring director shall be eligible for re-election. Accordingly, Mr. Tong Ching Hsi, Dr. Sumio Matsumoto and Mr. Junichi Honda will retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Toshimichi Fujinawa and Mr. Kazuo Kawasaka will be eligible and offer themselves for re-election at the forthcoming annual general meeting.

For the year ended 31 December 2018, the non-executive directors were appointed for a specific term. All Directors (including Independent Non-executive Directors) are also subject to retirement by rotation in accordance with the Articles of Association.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code, were as follows:

Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Kiyotaka Ando	Beneficial Owner	11,353,480[1]	1.06%
		164,160[2]	0.01%
Shinji Tatsutani	Beneficial Owner	21,920[2]	0.00%
Munehiko Ono	Beneficial Owner	16,400[2]	0.00%
Yoshihide Semimaru[6]	Beneficial Owner	7,760[2]	0.00%
Hijiri Fukuoka[6]	Beneficial Owner	21,920[2]	0.00%

Long position in the Shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Kiyotaka Ando	Nissin Japan	Beneficial owner	27,029[3]	0.02%
Toshimichi Fujinawa[7]	Nissin Japan	Beneficial owner	1,245[4]	0.00%
Shinji Tatsutani	Nissin Japan	Beneficial owner	1,678[4]	0.00%
Kazuo Kawasaka[7]	Nissin Japan	Beneficial owner	4,135[5]	0.00%
Munehiko Ono	Nissin Japan	Beneficial owner	3,241[4]	0.00%
Yoshihide Semimaru[6]	Nissin Japan	Beneficial owner	605[4]	0.00%
Hijiri Fukuoka[6]	Nissin Japan	Beneficial owner	619[4]	0.00%

Notes:

1. These Shares are held by Mr. Kiyotaka Ando directly in his personal name.
2. These Shares are the Shares granted by the Company pursuant to the Share Award Scheme as set out in note 32 to the consolidated financial statements.
3. Among 27,029 shares of Nissin Japan held by Mr. Kiyotaka Ando, 27,000 shares were held directly by him and 29 shares were held by a director share ownership association, namely 日清食品役員持株會, as a nominee of Mr. Kiyotaka Ando.
4. These Shares were held by an employee share ownership association, namely 日清食品従業員持株會, as a nominee of the respective Director.
5. Among 4,135 shares of Nissin Japan held by Mr. Kazuo Kawasaka, 2,235 shares were held directly by him and 1,900 shares were held by an employee share ownership association, namely 日清食品従業員持株會, as a nominee of Mr. Kazuo Kawasaka.
6. With effect from 3 July 2018, Mr. Yoshihide Semimaru and Mr. Hijiri Fukuoka have resigned as Executive Directors of the Company.
7. With effect from 3 July 2018, Mr. Toshimichi Fujinawa and Mr. Kazuo Kawasaka have been appointed as Executive Directors of the Company.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL AND OTHERS SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2018, so far as known to the Directors, the following person (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in Shares

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are carried out by the Company's subsidiaries in Hong Kong and the PRC while the Shares itself are listed on the Stock Exchange. The Group's operations are regulated by Hong Kong and the PRC laws. During the year ended 31 December 2018 and up to the date of this annual report, the Company has complied with the relevant laws and regulations that have significant impact in Hong Kong and the PRC. In particular, as a food and beverage manufacturer, the Group's operations are regulated by the food safety and environmental protection laws and regulations in Hong Kong and the PRC. During the year under review, the Group did not have any material non-compliance with such laws and regulations.

EQUITY-LINKED AGREEMENT

Save for the share award scheme disclosed in note 32 to the consolidated financial statements, no equity-linked agreement (as defined in section 6 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was entered into during the year or subsisted at the end of the year.

NON-COMPETITION CONFIRMATION

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

MANAGEMENT CONTRACT

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

CONTRACT OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS OF SUBSIDIARIES

The following Directors have served on the Board in subsidiaries of the Company as at 31 December 2018:

Name of the Subsidiaries	Place/Country of Incorporation	Name of Directors
Nissin Foods (H.K.) Company Limited	Hong Kong	Kiyotaka Ando Takeshi Kikunaga Teppei Ito
Nissin Foods (H.K.) Management Company Limited	Hong Kong	Kiyotaka Ando Toshimichi Fujinawa Shinji Tatsutani Munehiko Ono Taiji Matsumura Satoshi Niibe Motoyoshi Tachibana Takeshi Shigemi
Nissin Koikeya Foods (China & HK) Co., Limited ("Nissin Koikeya Foods")	Hong Kong	Kiyotaka Ando Takeshi Kikunaga Teppei Ito Takashi Koike Kazunori Takemura Hiromichi Kimura

Name of the Subsidiaries	Place/Country of Incorporation	Name of Directors
Winner Food Products Limited	Hong Kong	Yosuke Tsuchiya Kiyotaka Ando Toshimichi Fujinawa Shinji Tatsutani Munehiko Ono Akifumi Aiba Lau Wing Leung Max
MC Marketing & Sales (Hong Kong) Limited	Hong Kong	Kiyotaka Ando Kano Tachibana Masamune Komori Shinji Tatsutani Takeshi Kikunaga Teppei Ito Wataru Kato Katsuhiro Ito Tetsuya Murata
Kagome Nissin Foods (H.K.) Co., Limited	Hong Kong	Kiyotaka Ando Takeshi Kikunaga Toshimichi Fujinawa Teppei Ito Hiromichi Kimura Kazunari Yamamoto Norio Izutsu Norito Ebata
Nissin Foods (China) Holding Co., Limited	PRC	Kiyotaka Ando Kazuo Kawasaka Shinji Tatsutani Hijiri Fukuoka Xi Xiaotong Gen Matsunobu Akifumi Aiba Ying Li Feng
Zhejiang Nissin Foods Company Limited	PRC	Kiyotaka Ando Shinji Tatsutani Munehiko Ono Kazuo Kawasaka Masashi Imazu

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every directors shall be entitled to the indemnity out of the assets of the Company against any liability incurred by him/her in relation to the Company in defending any proceedings, whether civil or criminal, to the extent permitted by the Companies Ordinance. Such permitted indemnity provision was in force during the year ended 31 December 2018 and remains in force at the date of this annual report.

EMOLUMENT POLICY

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

Environment, social and governance report will be published to the websites of the Company and the Stock Exchange respectively in July 2019 in the manner as required by Appendix 27 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions which are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules during the year ended 31 December 2018. At the Listing, the Company had applied for and the Stock Exchange had granted a waiver under Rule 14A105 of the Listing Rules from strict compliance with the announcement requirements under the Listing Rules for certain continuing connected transactions. Details of these connected transactions and the waiver are set out in the section headed "Connected Transactions — Continuing connected transactions exempt from independent shareholders' approval requirement" of the Prospectus.

Transaction Agreement	Connected parties involved	Nature of Relationship	Annual caps (HK$million)	Transaction amount in 2018 (HK$million)
Technology and Trademark Licencing Agreement (Note 1)	Nissin Japan	Controlling Shareholder	34.3	15.1
Snacks Outsourcing Agreement (Note 2)	Taiwan Koikeya Company Limited	Associate of Controlling Shareholder	9.6	–
Snacks Supply Agreement (Note 3)	Nissin Koikeya Foods	Non-wholly owned subsidiary owned as to 34.0% by Koike-Ya, Inc. which is in turn owned as to approximately 34.53% by Controlling Shareholder	12.4	8.2
Snacks and Confectionery Purchase Agreement (Note 4)	Nissin Koikeya Foods	Non-wholly owned subsidiary owned as to 34.0% by Koike-Ya, Inc. which is in turn owned as to approximately 34.53% by Controlling Shareholder	36.3	25.0
Master Raw Materials and Products Procurement Agreement (Note 5)	Nissin Japan	Controlling Shareholder	122.0	115.1
Master Equipment and Parts Purchase Agreement (Note 6)	Nissin Japan	Controlling Shareholder	10.0	1.0
Master Raw Materials and Products Sale Agreement (Note 7)	Nissin Japan	Controlling Shareholder	52.1	46.1
Master Quality Control Support Service Agreement (Note 8)	Food Safety Evaluation & Research Institute Co., Ltd.	Subsidiary of Controlling Shareholder	15.1	5.3
Publicity Service Master Agreement (Note 9)	Nissin Japan	Controlling Shareholder	16.0	14.0
MCHK Master Procurement Agreement (Note 10)	Mitsubishi Corporation (Hong Kong) Limited	Non-controlling shareholder of a subsidiary of the Company	510.0	416.1
MCHK Master Supply Agreement (Note 11)	Mitsubishi Corporation (Hong Kong) Limited	Non-controlling shareholder of a subsidiary of the Company	412.0	428.0

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

    On 21 March 2019, the Group announced that the aggregated amount of sale to MCHK contemplated under the MCHK Master Supply Agreement for the year ended 31 December 2018 amounted to approximately HK$428,000,000, which has exceeded the existing annual cap in the amount of HK$412,000,000 for the year ended 31 December 2018.

    In light of the growth rate of sale to our customers (including MCHK) by the Group in the financial year ended 31 December 2018, it is anticipated that the sale transaction amount under the MCHK Master Supply Agreement for the financial year ending 31 December 2019 and 2020 would also be higher than anticipated at the time of entering into the MCHK Master Supply Agreement. Accordingly the existing annual caps for the year ending 31 December 2019 and 2020 were revised from HK$453,000,000 and HK$499,000,000 to HK$492,173,000 and HK$565,999,000, respectively. The Company has also adopted further measures to ensure strict compliance with Chapter 14A of the Listing Rules and to avoid occurrence of similar events in the future.

    Details of the MCHK Master Supply Agreement and the revision of annual caps are disclosed in the announcements of the Company dated 22 March 2018 and 21 March 2019.

To the extent of related party transactions set out in note 39 to the consolidated financial statements which constituted connected transactions as defined in the Listing Rules, the Company had complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the external auditor of Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 44 to page 48 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' CONFIRMATION

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

INDEPENDENT AUDITOR

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

On behalf of the Board
Kiyotaka Ando
Chairman

Hong Kong, 21 March 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Nissin Foods Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 133, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from sales of goods	
We identified revenue recognition from sales of goods as a key audit matter as revenue is quantitatively significant to the consolidated financial statements. We focused on this area due to a number of customers including distributors spreading over different locations. The Group's revenue for the year ended 31 December 2018 in respect of sales of goods amounted to approximately HK$2,981,644,000 and the accounting policy on revenue recognition is disclosed in note 3 to the consolidated financial statements.	Our procedures in relation to revenue recognition from sales of goods included: • Obtaining an understanding of the revenue recognition processes and testing the Group's key controls on revenue recognition; • Inspecting sales contracts with customers, including distributors, on a sample basis, to understand the agreed trade terms, and comparing the Group's accounting policy on revenue recognition with the applicable accounting standards; and • Performing monthly analysis for the past years to assess whether there is any unusual revenue trend over the current year, if any, testing sales transactions recorded on a sample basis, with the corresponding goods delivery notes and sales related documentation, which indicate the timing of when risks and rewards of the goods have been passed, and assessing if the related revenue was properly recognised in accordance with the trade terms set out in the respective sales contracts.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000 (restated)
Revenue	5	**2,998,828**	2,688,530
Cost of sales		**(2,065,429)**	(1,867,706)
Gross profit		**933,399**	820,824
Other income	7	**45,285**	38,458
Selling and distribution costs		**(448,664)**	(389,968)
Administrative expenses		**(199,930)**	(162,975)
Impairment losses reversed (recognised) in respect of trade receivables		**645**	(319)
Other expenses		**(24,186)**	(40,212)
Other gains and losses	8	**(6,541)**	24,200
Profit before taxation		**300,008**	290,008
Income tax expense	9	**(69,426)**	(69,548)
Profit for the year	10	**230,582**	220,460
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(91,618)**	119,859
Fair value loss on available-for-sale investments		**–**	(8,224)
Reclassification adjustment upon impairment of available-for-sale investments		**–**	8,224
		(91,618)	119,859
Total comprehensive income for the year		**138,964**	340,319
Profit for the year attributable to:			
Owners of the Company		**205,448**	195,363
Non-controlling interests		**25,134**	25,097
		230,582	220,460
Total comprehensive income for the year attributable to:			
Owners of the Company		**118,956**	308,695
Non-controlling interests		**20,008**	31,624
		138,964	340,319
Earnings per share	14		
— Basic (HK cents)		**19.13**	23.81
— Diluted (HK cents)		**19.13**	23.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current Assets			
Property, plant and equipment	15	**1,307,820**	1,295,386
Prepaid lease payments for leasehold land	16	**77,793**	83,750
Goodwill	17	**40,082**	40,082
Trademark	18	**28,271**	31,502
Interest in an associate	19	**116**	116
Available-for-sale investments	22	**–**	30,445
Financial assets at fair value through profit or loss	20	**31,821**	–
Deferred tax assets	23	**18,806**	29,295
Loan receivable	24	**2,463**	3,010
Deposits paid for acquisition of property, plant and equipment		**14,454**	18,875
		1,521,626	1,532,461
Current Assets			
Prepaid lease payments for leasehold land	16	**2,100**	2,201
Inventories	25	**294,086**	290,728
Trade receivables	26	**449,932**	420,626
Other receivables, prepayments and deposits	26	**81,839**	89,504
Loan receivable	24	**547**	547
Amount due from ultimate holding company	27	**1,666**	3,929
Amounts due from fellow subsidiaries	27	**8,965**	4,523
Tax recoverable		**4,350**	7,343
Financial assets at fair value through profit or loss	20	**88,536**	–
Other financial assets	21	**313,260**	–
Time deposits over three months	28	**292,758**	415,669
Bank balances and cash	28	**1,384,707**	1,693,459
		2,922,746	2,928,529
Current Liabilities			
Trade payables	29	**252,540**	267,684
Other payables and accruals	29	**502,071**	525,057
Amount due to ultimate holding company	27	**23,961**	19,793
Amounts due to fellow subsidiaries	27	**4,438**	4,051
Tax liabilities		**11,812**	40,363
Deferred income	30	**1,274**	–
		796,096	856,948
Net Current Assets		**2,126,650**	2,071,581
Total Assets less Current Liabilities		**3,648,276**	3,604,042

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Capital and Reserves			
Share capital	31	**2,941,441**	2,941,441
Reserves		**539,095**	497,755
Equity attributable to owners of the Company		**3,480,536**	3,439,196
Non-controlling interests		**114,637**	111,878
Total Equity		**3,595,173**	3,551,074
Non-current Liabilities			
Deferred tax liabilities	23	**33,277**	33,831
Deferred income	30	**19,826**	19,137
		53,103	52,968
		3,648,276	3,604,042

The consolidated financial statements on pages 54 to 133 were approved and authorised for issue by the Board of Directors on 21 March 2019 and are signed on its behalf by:

KIYOTAKA ANDO
DIRECTOR

SHINJI TATSUTANI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the owners of the Company												
	Share capital HK$'000	PRC statutory reserve HK$'000 (Note 1)	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000 (Note 2)	Shares held for share award scheme HK$'000	Share award reserve HK$'000	Other reserve HK$'000 (Note 3)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	2,030,686	41,919	1,099	–	(81,053)	(238,168)	(2,046)	–	14,403	852,015	2,618,855	84,566	2,703,421
Profit for the year	–	–	–	–	–	–	–	–	–	195,363	195,363	25,097	220,460
Exchange differences arising on translation of foreign operations	–	–	–	–	113,332	–	–	–	–	–	113,332	6,527	119,859
Fair value loss on available-for-sale investments	–	–	–	(8,224)	–	–	–	–	–	–	(8,224)	–	(8,224)
Reclassification adjustment upon impairment of available-for-sale investments	–	–	–	8,224	–	–	–	–	–	–	8,224	–	8,224
Total comprehensive income for the year	–	–	–	–	113,332	–	–	–	–	195,363	308,695	31,624	340,319
Issue of shares (Note 31)	950,773	–	–	–	–	–	–	–	–	–	950,773	–	950,773
Transaction costs attributable to issue of new shares (Note 31)	(40,018)	–	–	–	–	–	–	–	–	–	(40,018)	–	(40,018)
Acquisition of a non-wholly owned subsidiary (Note 36)	–	–	–	–	–	–	–	–	–	–	–	10,366	10,366
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	900	–	–	900	–	900
Shares vested under share award scheme	–	–	–	–	–	–	900	(900)	–	–	–	–	–
Transfer of reserves	–	4,857	–	–	–	–	–	–	–	(4,857)	–	–	–
Dividend recognised as distribution to the owners of the Company (Note 13)	–	–	–	–	–	–	–	–	–	(400,009)	(400,009)	–	(400,009)
Dividend recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(14,678)	(14,678)
At 31 December 2017	**2,941,441**	**46,776**	**1,099**	**–**	**32,279**	**(238,168)**	**(1,146)**	**–**	**14,403**	**642,512**	**3,439,196**	**111,878**	**3,551,074**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**205,448**	**205,448**	**25,134**	**230,582**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(86,492)**	**–**	**–**	**–**	**–**	**–**	**(86,492)**	**(5,126)**	**(91,618)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(86,492)**	**–**	**–**	**–**	**–**	**205,448**	**118,956**	**20,008**	**138,964**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**809**	**–**	**–**	**809**	**–**	**809**
Shares vested under share award scheme	**–**	**–**	**–**	**–**	**–**	**–**	**468**	**(557)**	**–**	**89**	**–**	**–**	**–**
Transfer of reserves	**–**	**11,878**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,878)**	**–**	**–**	**–**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,500**	**1,500**
Dividend recognised as distribution to the owners of the Company (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(78,425)**	**(78,425)**	**–**	**(78,425)**
Dividend recognised as distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,749)**	**(18,749)**
At 31 December 2018	**2,941,441**	**58,654**	**1,099**	**–**	**(54,213)**	**(238,168)**	**(678)**	**252**	**14,403**	**757,746**	**3,480,536**	**114,637**	**3,595,173**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Notes:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**300,008**	290,008
Adjustments for:		
Amortisation of prepaid lease payments for leasehold land	**2,180**	3,468
Amortisation of trademark	**3,231**	3,231
Depreciation of property, plant and equipment	**17,650**	16,645
Dividend income	**–**	(206)
Equity-settled share-based payment expense	**809**	900
Government grant related to acquisition of assets	**(1,980)**	(131)
Government grant related to expenses recognised	**(939)**	(3,468)
Gain on fair value changes on financial assets of fair value through profit or loss	**(1,204)**	–
Impairment loss recognised on available-for-sale investments	**–**	8,224
Impairment loss recognised on property, plant and equipment	**2,426**	13,010
Impairment losses (reversed) recognised in respect of trade receivables	**(645)**	319
Interest income from bank deposits	**(37,257)**	(23,910)
Loss (gain) on disposal of property, plant and equipment	**3,469**	(46,228)
Operating cash flows before movement in working capital	**287,748**	261,862
Decrease in inventories	**112,115**	94,018
Increase in trade receivables	**(36,690)**	(85,156)
Decrease in other receivables, prepayments and deposits	**6,257**	11,962
Increase in amounts due from fellow subsidiaries	**(4,442)**	(3,982)
(Decrease) increase in trade payables	**(10,350)**	76,002
Decrease in other payables and accruals	**(13,310)**	(85,679)
Increase in amount due to ultimate holding company	**4,120**	2,903
Increase (decrease) in amounts due to fellow subsidiaries	**386**	(422)
Government grant related to expenses received	**939**	3,468
Cash generated from operation	**346,773**	274,976
Income taxes paid	**(82,858)**	(60,125)
NET CASH FROM OPERATING ACTIVITIES	**263,915**	214,851

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Net cash outflow on acquisition of a subsidiary	36	**–**	(21,276)
Interest received		**36,249**	24,354
Dividend received		**–**	206
Purchase of property, plant and equipment		**(214,815)**	(214,827)
Purchase of other financial assets		**(313,260)**	–
Purchase of financial assets at fair value through profit or loss		**(88,708)**	–
Government grant in related to acquisition of assets received		**4,922**	19,268
Proceeds from disposal of property, plant and equipment		**13,608**	88,672
Loan repaid		**547**	547
Advance to ultimate holding company		**(1,666)**	(3,929)
Repayment from ultimate holding company		**3,881**	3,558
Repayment from a non-controlling shareholder of a subsidiary		**–**	225
Placement of time deposits with original maturity of more than three months		**(292,758)**	(648,189)
Withdrawal of time deposits with original maturity of more than three months		**415,669**	578,741
NET CASH USED IN INVESTING ACTIVITIES		**(436,331)**	(172,650)
FINANCING ACTIVITIES			
Proceeds from issue of new shares		**–**	950,773
Expenses incurred in connection with issue of new shares		**–**	(40,018)
Dividend paid to owners of the Company		**(78,425)**	(400,009)
Dividend paid to non-controlling interests		**(14,629)**	(11,509)
Contribution from non-controlling interests		**1,500**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(91,554)**	499,237
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(263,970)**	541,438
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**(44,782)**	55,721
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,693,459**	1,096,300
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,384,707**	1,693,459

1. GENERAL

Nissin Foods Company Limited (the "Company") is a limited company incorporated in Hong Kong on 19 October 1984 and its shares are listed on the Stock Exchange of Hong Kong Limited with effect from 11 December 2017. Its immediate and ultimate holding company is Nissin Foods Holdings Co., Ltd., a company incorporated in Japan with its shares listed on the Tokyo Stock Exchange.

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

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

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

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

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong (International Financial Reporting Interpretations Committee) ("HK (IFRIC)") — Interpretation ("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 Hong Kong Accounting Standard ("HKAS") 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 HKFRS 15 Revenue from Contracts with Customers

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

The Group has applied the full retrospective method of transition to HKFRS 15 resulting in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements of prior year and comparative information has been restated. Furthermore, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard practical expedient for completed contracts, and has not restated amounts for contracts that have been completed before 1 January 2018.

The Group recognises revenue from sales of goods, scrap noodle and provision of publicity services, which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers *(continued)*

Summary of effects arising from initial application of HKFRS 15

The transition to HKFRS 15 has no material impacts on retained earnings at 1 January 2017 and 31 December 2017. The following adjustments were made to the amounts recognised in the consolidated statements of financial position at 1 January 2017 and 31 December 2017. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 1 January 2017	**Reclassification**	**Carrying amounts HKFRS 15 at 1 January 2017**
	HK$'000	HK$'000	HK$'000
		(Note)	(restated)
Other payables and accruals			
— Accruals for promotion and advertising expenses	278,632	(91,090)	187,542
— Refund liabilities	–	91,090	91,090

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts HKFRS 15 at 31 December 2017**
	HK$'000	HK$'000	HK$'000
		(Note)	(restated)
Other payables and accruals			
— Accruals for promotion and advertising expenses	277,012	(87,935)	189,077
— Refund liabilities	–	87,935	87,935

Note: As at 1 January 2017 and 31 December 2017, estimated sales rebates of HK$91,090,000 and HK$87,935,000 respectively in respect of variable considerations previously included in accruals for promotion and advertising expenses under other payables and accruals were reclassified to refund liabilities under other payables and accruals upon application of HKFRS 15.

The following tables summarise the impact of applying HKFRS 15 on the Group's consolidated statement of profit or loss and other comprehensive income for the current and prior years for each of the line items affected. Line items that were not affected by the changes have not been included.

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers *(continued)*

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

For the year ended 31 December 2018

	As reported HK$'000	Adjustments HK$'000 (Note)	Amounts without application of HKFRS 15 HK$'000
Revenue	**2,998,828**	**215,420**	**3,214,248**
Selling and distribution costs	**(448,664)**	**(215,420)**	**(664,084)**

For the year ended 31 December 2017

	As restated HK$'000	Adjustments HK$'000 (Note)	Amounts without application of HKFRS 15 HK$'000
Revenue	2,688,530	213,741	2,902,271
Selling and distribution costs	(389,968)	(213,741)	(603,709)

Note: Under HKAS 18, the Group recognised certain rebates to distributors as selling and distribution costs. Upon application of HKFRS 15, such rebates 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 year ended 31 December 2018 by HK$215,420,000 (2017: HK$213,741,000) while there is opposite effect to the selling and distribution costs by the same amount.

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

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

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

2.2 HKFRS 9 Financial Instruments

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application). 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 earnings, 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*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

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

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

Notes:

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

From available-for-sale debt investments to FVTPL
At the date of initial application of HKFRS 9, the Group's 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 HKAS 39.

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

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

2.2 HKFRS 9 Financial Instruments *(continued)*

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

Notes:

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and amounts due from fellow subsidiaries which are in trade nature. Except for those which had been determined as credit-impaired under HKAS 39, those trade receivables have been assessed individually with significant outstanding balances and/or collectively using a provision matrix with appropriate groupings. Amounts due from fellow subsidiaries, which are in trade nature, have been assessed individually.

ECL for other financial assets at amortised cost, including time deposits over three months, bank balances, loan receivable, amount due from ultimate holding company, other financial assets, and other receivables are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 January 2018.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

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

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use, and other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flow in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$5,717,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,280,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

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

HKFRS 16 Leases *(continued)*

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect 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 applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Revenue from contracts with customers

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

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

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

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

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

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

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

Output method

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

Variable consideration

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

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

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

Sale with a right of return/exchange

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

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

(b) a refund liability/contract liability; and

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

Refund liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition: Interests and dividends (prior to 1 January 2018)

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Properties in the course of construction for production or for its own use purposes are carried at cost less any recognised impairment loss. Such construction in progress is reclassified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible asset acquired separately

Trademark

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

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

Investment in an associate

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

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

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

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on tangible and intangible assets other than goodwill

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

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(i) Amortised cost and interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

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

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

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk (continued)

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

(ii) Definition of default

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL (continued)

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

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

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

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivable, trade receivables, other receivables, amounts due from ultimate holding company and fellow subsidiaries, time deposits over three months, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) financial assets at FVTPL, (b) loans and receivables or (c) held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of the reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

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

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

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Leases

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Leasehold lands and buildings

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for leasehold land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Research and development expenditure

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

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

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

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

Foreign currencies

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

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

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Equity-settled share-based payment transactions

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

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Amortisation of trademark

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

As at 31 December 2018, the carrying amounts of trademark of the Group is HK$28,271,000 (2017: HK$31,502,000) (net of accumulated amortisation and impairment loss of HK$45,148,000 (2017: HK$41,917,000)). Details of the trademark are disclosed in note 18.

Estimated impairment of goodwill

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

As at 31 December 2018, the carrying amount of goodwill is HK$40,082,000 (2017: HK$40,082,000). Details of the recoverable amount calculation are disclosed in note 17.

Fair value measurement of financial instruments

Certain of the Group's financial assets are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 38(c) for further disclosures.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The debtors are grouped based on nature of debtors that have similar loss patterns. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit-impaired, and amount due from fellow subsidiaries which are in trade nature, are assessed for ECL individually.

The information about the ECL and the Group's trade receivables are disclosed in notes 38(b) and 26 respectively.

5. REVENUE

(a) Disaggregation of revenue from contracts with customers

	31 December 2018			31 December 2017 (restated)		
	HK Operations (as defined in note 6) HK$'000	PRC Operations (as defined in note 6) HK$'000	Total HK$'000	HK Operations HK$'000	PRC Operations HK$'000	Total HK$'000
Types of goods and services						
Sales of goods	**1,308,958**	**1,672,686**	**2,981,644**	1,198,945	1,488,334	2,687,279
Others	**14,609**	**2,575**	**17,184**	611	640	1,251
Total	**1,323,567**	**1,675,261**	**2,998,828**	1,199,556	1,488,974	2,688,530
Timing of revenue recognition						
A point in time	**1,309,525**	**1,675,261**	**2,984,786**	1,199,556	1,488,974	2,688,530
Over time	**14,042**	**–**	**14,042**	–	–	–
Total	**1,323,567**	**1,675,261**	**2,998,828**	1,199,556	1,488,974	2,688,530

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

(b) Performance obligations for contracts with customers

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

For sales of goods (including noodles, retort foods, frozen foods, beverage products and snacks), revenue is recognised when control of the goods has transferred, being when (i) the goods have been loaded on board for export sales; or (ii) the goods have been delivered to the customers' specific location for local sales and the Group received acceptance confirmations from customers. Upon the relevant goods are loaded on board for export sales or delivered to the customers' specific location for local sales, the customers have full discretion over the manner of distribution and price to sell the goods, and has the primary responsibility for selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon invoice issued.

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

5. REVENUE *(continued)*

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

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

Under the Group's standard contract terms, customers have a right to exchange for expiry products without limitation of time period. The Group uses its accumulated historical experience to estimate the number of exchange on portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognise will not occur. Based on accumulated experience, the management considers the amount of goods returned as immaterial due to large volume of revenue with low value of each good sold. Therefore, the probability of significant reversal in revenue in relation to sales return in the future as remote.

Provision of publicity services (revenue recognised over time)

Revenue from provision of publicity services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

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

6. SEGMENT INFORMATION

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

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

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

- PRC Operations: Manufacturing and sales of noodle, frozen foods and other products in the People's Republic of China (the "PRC")

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

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

For the year ended 31 December 2018

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

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2017

	HK Operations HK$'000	PRC Operations HK$'000	Reportable segments total HK$'000	Elimination HK$'000	Total HK$'000
Revenue (restated)					
Segment revenue from external customers	1,199,556	1,488,974	2,688,530	–	2,688,530
Inter-segment revenue	99,657	137,274	236,931	(236,931)	–
Segment revenue	1,299,213	1,626,248	2,925,461	(236,931)	2,688,530
Result					
Segment results	109,884	132,674	242,558	–	242,558
Unallocated income					14,548
Unallocated expenses and other losses					(16,002)
Interest income					23,910
Impairment loss recognised on available-for-sale investments					(8,224)
Impairment loss recognised on property, plant and equipment					(13,010)
Gain on disposal of property, plant and equipment					46,228
Consolidated profit before taxation					290,008

Inter-segment revenue are charged at prevailing market rates.

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

Segment assets and liabilities

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance. Therefore, only segment revenue and segment results are presented.

6. SEGMENT INFORMATION *(continued)*

Other segment information

Amounts included in the measure of segment results:

For the year ended 31 December 2018

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

For the year ended 31 December 2017

	HK Operations HK$'000	PRC Operations HK$'000	Total HK$'000
Amortisation of prepaid lease payments for leasehold land	–	3,468	3,468
Amortisation of trademark	3,231	–	3,231
Depreciation of property, plant and equipment	5,057	11,588	16,645

Geographical information

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

	2018 HK$'000	2017 HK$'000 (restated)
External revenue:		
Hong Kong	1,216,122	1,113,011
The PRC	1,687,527	1,498,658
Others (Canada, Australia, United States of America, Taiwan, Macau, etc.)	95,179	76,861
	2,998,828	2,688,530

6. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

	2018 HK$'000	2017 HK$'000
Non-current assets (Note):		
Hong Kong	**514,465**	475,849
The PRC	**954,071**	993,862
	1,468,536	1,469,711

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

Information about major customers

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

	2018 HK$'000	2017 HK$'000 (restated)
Customer A[1]	**800,867**	824,578
Customer B[2]	**436,936**	335,720
Customer C[2]	**427,488**	373,992

1 From the PRC operations

2 From both HK and the PRC operations

7. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Dividend income from available-for-sale investments	**–**	206
Government grant related to acquisition of assets (Note 30)	**1,980**	131
Government grant related to expenses recognised	**939**	3,468
Interest income from bank deposits	**37,257**	23,910
Miscellaneous income	**2,710**	3,732
Other scrap material sales	**2,399**	7,011
	45,285	38,458

8. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Exchange loss, net	**(1,850)**	(794)
Fair value changes on financial assets at FVTPL	**1,204**	–
Impairment loss recognised on available-for-sale investments	**–**	(8,224)
Impairment loss recognised on property, plant and equipment (Note 15)	**(2,426)**	(13,010)
(Loss) gain on disposal of property, plant and equipment	**(3,469)**	46,228
	(6,541)	24,200

9. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	**15,809**	17,989
PRC Enterprise Income Tax	**44,752**	48,435
PRC Withholding tax	**2,246**	1,501
	62,807	67,925
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(356)**	2,147
PRC Enterprise Income Tax	**(2,383)**	991
	(2,739)	3,138
	60,068	71,063
Deferred tax (Note 23)	**9,358**	(1,515)
	69,426	69,548

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

9. INCOME TAX EXPENSE *(continued)*

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

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

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

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**300,008**	290,008
Tax at the domestic income tax rate of 16.5%	**49,501**	47,851
Tax effect of expenses not deductible for tax purpose	**2,615**	5,408
Tax effect of income not taxable for tax purpose	**(6,675)**	(1,709)
Tax effect of tax losses not recognised	**4,758**	3,287
Utilisation of tax losses previously not recognised	**–**	(2,040)
Tax effect of other temporary differences not recognised	**982**	346
Utilisation of other temporary differences previously not recognised	**–**	(6,206)
Effect of different tax rates of subsidiaries operating in the PRC	**19,962**	13,444
(Over)underprovision in prior years	**(2,739)**	3,138
Withholding tax attributable to undistributed profits of the PRC subsidiaries	**(4,303)**	5,787
Income tax at concessionary rate	**(165)**	–
Others	**5,490**	242
Income tax expense for the year	**69,426**	69,548

10. PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments for leasehold land	**2,180**	3,468
Amortisation of trademark	**3,231**	3,231
Auditor's remuneration	**4,987**	4,686
Cost of inventories recognised as expense	**2,065,429**	1,867,706
Depreciation of property, plant and equipment	**140,983**	125,577
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(123,333)**	(108,932)
	17,650	16,645
Listing expenses	**–**	15,208
Minimum lease payments paid under operating leases in respect of rented premises	**8,916**	7,708
Research and development expenditure	**24,186**	25,004
Staff costs (Note i)		
Directors' emoluments		
— fees (Note 11)	**800**	266
— other emoluments	**13,812**	6,016
	14,612	6,282
Other staff costs excluding directors' emoluments (Notes i, ii)	**549,998**	495,247
Equity-settled share-based payment	**809**	900
Total staff costs	**565,419**	502,429
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(271,837)**	(255,784)
Less: Amount included as research and development expenditure as shown in above	**(12,134)**	(11,780)
	281,448	234,865

Notes:

i. Operating lease rentals in respect of staff quarters for the year ended 31 December 2018 amounting to HK$1,127,000 (2017: HK$968,000) are included under minimum lease payments paid under operating leases in respect of rented premises.

ii. Contributions to retirement benefit scheme included in other staff costs for the year ended 31 December 2018 amounted to HK$49,878,000 (2017: HK$47,885,000).

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2018 HK$'000	2017 HK$'000
Directors' fee (Note i)	**800**	266
Other emoluments: (Note ii)		
Basis salaries and allowances	**13,812**	5,116
Discretionary bonus	**–**	900
	14,612	6,282

Notes:

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

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

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

For the year ended 31 December 2018

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

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

For the year ended 31 December 2017

		Other emoluments			
	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
(A) EXECUTIVE DIRECTORS					
Mr. Kiyotaka Ando (Note)	–	1,452	636	–	2,088
Mr. Shinji Tatsutani	–	983	85	–	1,068
Mr. Munehiko Ono	–	1,255	64	–	1,319
Mr. Yoshihide Semimaru	–	983	30	–	1,013
Mr. Hijiri Fukuoka	–	443	85	–	528
(B) NON-EXECUTIVE DIRECTOR					
Mr. Tong Ching Hsi	200	–	–	–	200
(C) INDEPENDENT NON-EXECUTIVE DIRECTORS					
Dr. Sumio Matsumoto	22	–	–	–	22
Mr. Junichi Honda	22	–	–	–	22
Professor Lynne Yukie Nakano	22	–	–	–	22
	266	5,116	900	–	6,282

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

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

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four directors (2017: three directors), details of whose remuneration are set out in note 11. Details of the remuneration for the year of the remaining one (2017: two) highest paid employee who is neither a director nor chief executive of the Company is as follows:

	2018 HK$'000	2017 HK$'000
Basis salaries and allowances	**1,599**	2,077

The emolument of this employee was individually from HK$1,500,001 to HK$2,000,000 for the year ended 31 December 2018 (2017: from HK$1,000,001 to HK$1,500,000).

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

13. DIVIDEND

	2018 HK$'000	2017 HK$'000
Dividends recognised as distribution during the year:		
2017 Final — 7.3 HK cents (2017: 2017 interim dividend HK$19.86) per share	**78,425**	400,009

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of 9.5 HK cents per ordinary share, in an aggregate amount of HK$102,060,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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:

	2018	2017
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company for the purpose of basis and diluted earnings per share (HK$'000)	**205,448**	195,363
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,074,091,116**	820,677,385
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**101,480**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,074,192,596**	820,677,385

Note:

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 (the "Share Subdivision").

The weighted average number of ordinary shares shown above has been adjusted for the shares held by a share award scheme trust as set out in note 32, taking into account of Share Subdivision.

The computation of diluted earnings per share for the year ended 31 December 2017 did not assume the exercise of the over-allotment option in initial public offering because the exercise price was higher than the average market price. In addition, the computation of diluted earnings per share for the year ended 31 December 2017 had not considered the impact in respect of the outstanding shares held by a share award scheme trust as set out in note 32 since the directors of the Company considered the impact to be insignificant.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 January 2017	31,470	648,473	16,431	646,997	82,743	16,397	472,589	1,915,100
Additions	–	20,691	2,377	58,852	24,139	2,644	150,993	259,696
Disposals	–	(144,237)	(1,915)	(133,922)	(14,853)	(2,048)	–	(296,975)
Acquisition of a subsidiary (Note 36)	–	–	–	–	186	–	–	186
Reclassification	–	371,300	999	206,067	4,692	–	(583,058)	–
Exchange realignment	–	35,808	–	30,859	3,640	1,212	7,980	79,499
At 31 December 2017	**31,470**	**932,035**	**17,892**	**808,853**	**100,547**	**18,205**	**48,504**	**1,957,506**
Additions	**–**	**4,353**	**1,041**	**59,265**	**9,210**	**1,578**	**139,855**	**215,302**
Disposals	**–**	**(582)**	**–**	**(34,995)**	**(2,800)**	**(1,590)**	**–**	**(39,967)**
Reclassification	**–**	**52,770**	**733**	**21,729**	**1,221**	**485**	**(76,938)**	**–**
Exchange realignment	**–**	**(28,446)**	**(31)**	**(24,574)**	**(4,326)**	**(710)**	**(995)**	**(59,082)**
At 31 December 2018	**31,470**	**960,130**	**19,635**	**830,278**	**103,852**	**17,968**	**110,426**	**2,073,759**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2017	22,383	293,884	11,476	370,873	46,326	10,861	–	755,803
Provided for the year	298	28,756	2,980	75,698	15,273	2,572	–	125,577
Impairment loss recognised (Note)	–	–	–	13,010	–	–	–	13,010
Eliminated upon disposals	–	(104,390)	(1,915)	(131,486)	(14,813)	(1,927)	–	(254,531)
Exchange realignment	–	10,049	–	10,170	1,919	123	–	22,261
At 31 December 2017	**22,681**	**228,299**	**12,541**	**338,265**	**48,705**	**11,629**	**–**	**662,120**
Provided for the year	**298**	**34,195**	**2,246**	**87,155**	**14,452**	**2,637**	**–**	**140,983**
Impairment loss recognised (Note)	**–**	**–**	**–**	**2,264**	**162**	**–**	**–**	**2,426**
Eliminated upon disposals	**–**	**(524)**	**–**	**(19,249)**	**(1,725)**	**(1,392)**	**–**	**(22,890)**
Exchange realignment	**–**	**(5,363)**	**–**	**(9,664)**	**(1,347)**	**(326)**	**–**	**(16,700)**
At 31 December 2018	**22,979**	**256,607**	**14,787**	**398,771**	**60,247**	**12,548**	**–**	**765,939**
CARRYING VALUES								
At 31 December 2018	**8,491**	**703,523**	**4,848**	**431,507**	**43,605**	**5,420**	**110,426**	**1,307,820**
At 31 December 2017	8,789	703,736	5,351	470,588	51,842	6,576	48,504	1,295,386

Note: During the year ended 31 December 2018, the directors of the Company conducted a review of the Group's machinery and equipment, and identified certain items which will not be used for production in the future. Accordingly, full impairment loss of HK$2,426,000 (2017: HK$13,010,000) on those assets have been recognised in the profit or loss.

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

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

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

The leasehold land of the Group are situated in Hong Kong.

16. PREPAID LEASE PAYMENTS FOR LEASEHOLD LAND

	2018 **HK$'000**	2017 HK$'000
Prepaid lease payments for leasehold land in the PRC	**79,893**	85,951
Analysed for reporting purposes as:		
Non-current assets	**77,793**	83,750
Current assets	**2,100**	2,201
	79,893	85,951

17. GOODWILL

	2018 **HK$'000**	2017 HK$'000
AT COST AND CARRYING VALUES		
At 1 January	**40,082**	8,414
Arising on acquisition of a subsidiary (Note 36)	–	31,668
At 31 December	**40,082**	40,082

17. GOODWILL *(continued)*

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

	2018 **HK$'000**	2017 HK$'000
Guangdong Shunde Nissin Foods Co., Ltd	**8,414**	8,414
MC Marketing & Sales (Hong Kong) Limited	**31,668**	31,668
	40,082	40,082

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

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

Guangdong Shunde Nissin Foods Co., Ltd.

The recoverable amount of this CGU has been determined by a value in use calculation. Key assumptions for the value in use calculation, are those regarding the discount rates, growth rates and expected changes to selling prices and cost during forecasted periods. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group performed impairment review for the goodwill of Guangdong Shunde Nissin Foods Co., Ltd based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows for the following five years as approved by the management and using a pre-tax discount rate of 7.7% (2017: 7.1%) per annum. The cash flows beyond five-year are extrapolated using a 1% (2017: 1%) per annum growth rate. Management believes that any reasonably possible change of these assumptions would not cause the aggregate carrying amount of this CGU to exceed its aggregate recoverable amount.

MC Marketing & Sales (Hong Kong) Limited

The recoverable amount of this CGU has been determined based on a value in use calculation. At 31 December 2018, the recoverable amount of this CGU is determined taking into account the valuation performed by management, based on the cash flows forecasts derived from the most recent financial budgets for the next five years and a pre-tax discount rate of 15.0% (2017: 15.0%) per annum which reflects current market assessment of the time value of money and the risks specific to the CGU. The cash flows beyond the five-year period are extrapolated using a steady 3% (2017: 3%) per annum growth rate. This growth rate does not exceed the average long-term growth rate for the relevant industry. Other key assumptions and key parameters for the value in use calculation include budgeted sales and gross margin and expected changes to selling prices and cost, which are determined based on management's expectations for the market development and market growth forecasts. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this unit.

18. TRADEMARK

	HK$'000
COST	
At 1 January 2017, 31 December 2017 and 31 December 2018	73,419
AMORTISATION AND IMPAIRMENT	
At 1 January 2017	38,686
Amortisation for the year	3,231
At 31 December 2017	41,917
Amortisation for the year	3,231
At 31 December 2018	**45,148**
CARRYING VALUES	
At 31 December 2018	**28,271**
At 31 December 2017	31,502

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

19. INTEREST IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Cost of investment in an unlisted equity company	**120**	120
Exchange realignment	**(4)**	(4)
	116	116

Particulars of the associate of the Group are as follows:

Name of associate	**Place of incorporation**	**Proportion of ownership interest held by the Group**		**Principal activities**
		2018	2017	
北京正本廣告有限公司	PRC	**25%**	25%	Designing, producing and publishing advertisements

19. INTEREST IN AN ASSOCIATE *(continued)*

The followings are the summarised financial information of the associate:

	2018 **HK$'000**	2017 HK$'000
The Group's share of result of the associate	**–**	–
Aggregate carrying amount of the Group's interest in an associate	**116**	116

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Notes:

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

ii. The unlisted equity investments include an amount of HK$3,905,000 which represents investment in 5% unlisted equity issued by a private entity established in the PRC. This investment is engaged in the manufacturing and sales of instant foods. The remaining HK$15,609,000 represents investment in 26.68% unlisted equity issued by a private entity in India, which is engaged in processing and export of freeze-dried seafood, spices and herbs.

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

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

iv. The structure notes of US$11,350,000 (equivalent to approximately HK$88,536,000) are issued by a financial institution in Hong Kong. The structure notes carry interest at 2.6% per annum and payable on maturity within two months from the date of purchase. The Group has an option to redeem the note on maturity date or switch to other category under the structure notes. Interest rate is adjusted based on the categories of the structure notes. It is measured at FVTPL.

Details of the fair value measurement of financial assets at FVTPL are set out in note 38(c).

21. OTHER FINANCIAL ASSETS

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

The certificate of deposits met the contractual cash flow that are solely payments for principal and interest and therefore, is classified as other financial assets at amortised cost under current assets in the consolidated statement of financial position at 31 December 2018.

Detail of impairment assessment of other financial assets for the year ended 31 December 2018 are set out in note 38(b).

22. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000
At fair values:	
Club debenture (Note 20(iii))	100
Listed equity investment in Hong Kong (Note 20(i))	10,831
	10,931
At cost:	
Unlisted equity investments (Note)	19,514
	30,445

Note:

Unlisted equity investments are measured at cost less impairment at the end of the reporting period.

23. DEFERRED TAXATION

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

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**(18,806)**	(29,295)
Deferred tax liabilities	**33,277**	33,831
	14,471	4,536

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

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000 (Note 1)	**Undistributed earnings of the PRC subsidiaries** HK$'000 (Note 2)	**Others** HK$'000 (Note 3)	**Total** HK$'000
At 1 January 2017	20,587	(1,011)	7,361	(19,707)	7,230
Charged (credited) to profit or loss	20,496	(20,192)	4,286	(6,105)	(1,515)
Exchange realignment	13	(385)	665	(1,472)	(1,179)
At 31 December 2017	41,096	(21,588)	12,312	(27,284)	4,536
(Credited) charged to profit or loss	(4,119)	12,178	(6,549)	7,848	9,358
Exchange realignment	16	520	(605)	646	577
At 31 December 2018	**36,993**	**(8,890)**	**5,158**	**(18,790)**	**14,471**

Notes:

1. At the end of the reporting period, the Group has unused tax losses of approximately HK$111,396,000 (2017: HK$156,233,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$53,692,000 (2017: HK$126,169,000) of such losses. No deferred tax asset in respect of the remaining tax losses of approximately HK$57,704,000 (2017: HK$30,064,000) has been recognised as at 31 December 2018 due to the unpredictability of future profit streams.

   Included in unrecognised tax losses as at 31 December 2018 are losses of HK$46,245,000 (2017: HK$30,064,000) that will expire as follows:

	2018 HK$'000	2017 HK$'000
2022	**28,883**	30,064
2023	**17,362**	–
	46,245	30,064

23. DEFERRED TAXATION *(continued)*

Notes: *(continued)*

2. Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of all temporary differences attributable to undistributed profits of the PRC subsidiaries amounting to approximately HK$103,000,000 (2017: HK$233,000,000).

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

   At the end of the reporting period, the Group has other deductible temporary differences of approximately HK$83,056,000 (2017: HK$110,484,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$75,820,000 (2017: HK$109,136,000) of such deductible temporary differences. No deferred tax assets in respect of the remaining temporary differences of approximately HK$7,236,000 (2017: HK$1,348,000) has been recognised due to unpredictability of future profits stream.

24. LOAN RECEIVABLE

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

Details of impairment assessment of loan receivable for the year ended 31 December 2018 are set out in note 38(b).

25. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	**102,994**	100,067
Work in progress	**27,597**	22,767
Finished goods	**163,495**	167,894
	294,086	290,728

26. TRADE RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Trade receivables

	2018 **HK$'000**	2017 HK$'000
Trade receivables — sales of goods	**451,292**	422,702
Less: allowance for credit losses	**(1,360)**	(2,076)
	449,932	420,626

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

Trade receivables *(continued)*

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

	2018 HK$'000	2017 HK$'000
0 to 30 days	**261,209**	227,965
31 to 90 days	**157,810**	166,031
91 to 180 days	**30,913**	26,630
	449,932	420,626

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$106,334,000 which are past due as at the reporting date. Out of the past due balances, HK$8,039,000 has been past due 90 days or more and is not considered as in default as the customers have good repayment history and the balances have been fully settled subsequently.

As at 31 December 2017, 80% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group. Since those debtors have no history of default and no overdue balances for the past two years, those debtors are considered as low risk under internal credit scoring system.

At 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amounts of HK$59,275,000 which are past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000
Overdue:	
1 to 30 days	44,116
31 to 60 days	4,336
Over 60 days	10,823
Total	59,275

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

Trade receivables *(continued)*

Movement in the allowance for doubtful debts

	2017 HK$'000
Balance at beginning of the year	2,212
Impairment losses recognised	319
Amounts written off as uncollectible	(626)
Exchange realignment	171
Balance at end of the year	2,076

At 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$2,076,000 which are in financial difficulties in repaying the outstanding balances. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in note 38(b).

Other receivables, prepayments and deposits

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

	2018 **HK$'000**	2017 HK$'000
Other receivables	**36,027**	27,221
Prepayments	**9,833**	8,183
Prepaid value added tax and other taxes	**22,383**	39,034
Rental deposits	**2,280**	2,428
Utilities and other deposits	**11,316**	12,638
	81,839	89,504

Details of impairment assessment of other receivables for the year ended 31 December 2018 are set out in note 38(b).

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

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

Amounts due from fellow subsidiaries:

	2018 **HK$'000**	2017 HK$'000
0 to 30 days	**8,727**	4,264
31 to 90 days	**238**	259
	8,965	4,523

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

At 31 December 2017, included in the Group's trade receivables with fellow subsidiaries are debtors with aggregate carrying amount of HK$259,000 which are past due as at the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

Ageing of amounts due from fellow subsidiaries which are past due but not impaired

	2017 HK$'000
Overdue:	
1 to 30 days	259

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

Amount due to ultimate holding company:

	2018 **HK$'000**	2017 HK$'000
0 to 30 days	**11,327**	7,306
31 to 90 days	**8,046**	7,590
91 to 180 days	**3,040**	2,811
Over 180 days	**1,548**	2,086
	23,961	19,793

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

Amounts due to fellow subsidiaries:

	2018 HK$'000	2017 HK$'000
0 to 30 days	**3,872**	4,021
31 to 90 days	**566**	30
	4,438	4,051

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

Details of impairment assessment of amounts due from ultimate holding company and fellow subsidiaries for the year ended 31 December 2018 are set out in note 38(b).

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

Bank balances carry interest at market rates which range from 0.01% to 4.80% (2017: 0.01% to 7.3%) per annum.

The time deposits over three months carry fixed interest rate ranging from 1.45% to 3.90% (2017: 0.91% to 3.35%) per annum.

Details of impairment assessment of time deposits over three months and bank balances for the year ended 31 December 2018 are set out in note 38(b).

29. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables

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

	2018 HK$'000	2017 HK$'000
0 to 30 days	**111,980**	146,953
31 to 90 days	**118,972**	100,239
91 to 180 days	**21,569**	20,414
Over 180 days	**19**	78
	252,540	267,684

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

29. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS *(continued)*

Other payables and accruals

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

	2018 HK$'000	2017 HK$'000 (restated)
Accruals for promotion and advertising expenses	**193,933**	189,077
Construction payables	**13,577**	10,309
Dividend payable	**17,200**	13,080
Staff costs and welfare payables	**95,401**	89,398
Value added tax and other tax payables	**6,344**	24,780
Refund liabilities (Note)	**102,581**	87,935
Other payables and accruals	**73,035**	110,478
	502,071	525,057

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

30. DEFERRED INCOME

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

	2018 HK$'000	2017 HK$'000
1 January	**19,137**	–
Government grant received in relation to acquisition of assets (Note)	**4,922**	19,268
Amortisation in the current year	**(1,980)**	(131)
Exchange realignment	**(979)**	–
31 December	**21,100**	19,137
Analysis as:		
Current	**1,274**	–
Non-current	**19,826**	19,137
31 December	**21,100**	19,137

Note: During the year ended 31 December 2018, the Group received government subsidy of HK$4,922,000 (2017: HK$19,268,000) for the acquisition of machinery in the PRC (2017: for the acquisition of leasehold land in the PRC). The amount has been treated as deferred income. The amount is amortised and transferred to income over the useful lives of the relevant asset.

31. SHARE CAPITAL

	Number of shares		Share capital	
	2018	2017	**2018**	2017
			HK$'000	HK$'000
Issued and fully paid:				
At beginning of the year	**1,074,319,480**	20,143,487	**2,941,441**	2,030,686
Shares subdivision (Note i)	**–**	785,595,993	**–**	–
Issue of new ordinary shares (Notes ii)	**–**	268,580,000	**–**	950,773
Transaction costs attributable to issue of new shares	**–**	–	**–**	(40,018)
At the end of the year	**1,074,319,480**	1,074,319,480	**2,941,441**	2,941,441

Notes:

i. The existing issued ordinary share in the share capital of the Company, comprising a total number of 20,143,487 shares with aggregate value of HK$2,030,686,000 be subdivided into 805,739,480 shares by dividing one share into 40 shares in the share capital of the Company, after an ordinary resolution was passed at the extraordinary general meeting of the Company held on 21 November 2017. Upon the Share Subdivision became effective, the issued ordinary shares of the Company became HK$2,030,686,000 divided into 805,739,480 subdivided shares. The other rights and terms of the shares remain unchanged upon completion of the Share Subdivision.

ii. In connection with the initial public offering of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, 268,580,000 new ordinary shares (including 80,574,000 new ordinary shares issued for Hong Kong Public Offer and 188,006,000 new ordinary shares issued for international placing) were issued at a price of HK$3.54 per new share for a total cash consideration of HK$950,773,200. Dealings in the shares of the Company on the Stock Exchange of Hong Kong Limited commenced on 11 December 2017.

iii. On 11 December 2017, the Company has granted to the sole global coordinator on behalf of the international underwriters for the over-allotment option which exercisable at any time from the listing date up to the date which is 30th day after the last day for lodging application under the Hong Kong Public Offering, to require the Company to issue and allot up to 40,287,000 additional shares at initial offer price of HK$3.54. The over-allotment option has not been exercised and lapsed in January 2018.

Details of the shares held under the share award scheme (Note 32) are set out below:

	Average purchase price	**No. of shares held**	**Value of shares**
	HK$		HK$'000
At 1 January 2017	155	13,200	2,046
Shares subdivision (Note i)	(151)	514,800	–
Shares vested under share award scheme	–	(232,160)	(900)
At 31 December 2017	4	295,840	1,146
Shares vested under share award scheme	–	(120,730)	(468)
At 31 December 2018	**4**	**175,110**	**678**

32. SHARE-BASED PAYMENT TRANSACTIONS

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

On 17 March 2016, 5,804 shares were awarded to certain selected employees according to the Share Award Scheme (the "2016 Awarded Shares"). All of the 2016 Awarded Shares shall be subject to lock up for a period of 6 months from the date of vesting, during which period a trustee shall hold the 2016 Awarded Shares as nominee of the selected employees and the selected employees shall not sell, transfer or otherwise dispose of or enter into agreement to sell, transfer or dispose of such awarded shares.

The 2016 Award Shares shall vest upon the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Vesting Date") and the selected employees must remain a director or an employee of the Company or its subsidiaries as at the Vesting Date.

On 11 December 2017, the Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited and the vesting condition of the 2016 Awarded Shares has been met. As a result, all the 2016 Awarded Shares have been vested accordingly.

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

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

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

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

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

Category of grantees	Date of grant	Vesting date	Number of shares awarded: Balance as at 1 January 2017	Share subdivision	Vested during the year	Balance as at 31 December 2017
Directors	17 March 2016	Immediately upon completion of initial public offering of the share of the Company on the Stock Exchange of Hong Kong	5,804	226,356	(232,160)	–

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

The Group recognised the total expense of HK$809,000 for the year ended 31 December 2018 (2017: HK$900,000) in relation to share award granted by the Company.

33. OPERATING LEASE

At the end of the reporting period, the commitments for future minimum lease payments under non-cancellable operating leases for rented premises fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**5,582**	4,323
In the second to fifth year inclusive	**135**	–
	5,717	4,323

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated for an average term of 2 years (2017: 2 years) and rentals are fixed over the terms of the leases.

34. CAPITAL COMMITMENTS

	2018 **HK$'000**	2017 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**116,015**	202,700

35. RETIREMENT BENEFITS SCHEME

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

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

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

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

The total expense recognised in profit or loss of HK$49,878,000 (2017: HK$47,885,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

At 31 December 2018 and 2017, there were no forfeited contributions which arose upon employees leaving the retirements plan and which are available to reduce the contributions payable in the future years.

36. ACQUISITION OF A SUBSIDIARY

On 15 March 2017, the Group acquired 51% of the issued share capital of MC Marketing & Sales (Hong Kong) Limited from independent third parties for cash consideration of HK$42,459,000. The amount of goodwill arising as a result of the acquisition was HK$31,668,000. MC Marketing & Sales (Hong Kong) Limited is engaged in importation and distribution of beverages, processed food and sauce products of a number of brands in Hong Kong and Macau. MC Marketing & Sales (Hong Kong) Limited was acquired so as to extend marketing network as well as product portfolio in Hong Kong and Macau.

Acquisition-related costs relating to the above acquisition are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

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

	HK$'000
Net assets recognised:	
Property, plant and equipment	186
Inventories	52,341
Trade and other receivables	55,856
Prepayments and deposits	1,322
Amount due from a former director	90
Tax recoverable	78
Bank balances and cash	21,183
Trade and other payables	(29,989)
Dividend payable	(4,310)
Amount due to a former fellow subsidiary	(75,467)
Amount due to a former ultimate holding company	(133)
	21,157

The trade and other receivables and amount due from a former director acquired with an aggregate fair value of HK$55,946,000 represents the gross contractual amounts at the date of acquisition.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	42,459
Plus: non-controlling interest (49% in MC Marketing & Sales (Hong Kong) Limited	10,366
Less: recognised amounts of net assets acquired	(21,157)
Goodwill arising on acquisition	31,668

36. ACQUISITION OF A SUBSIDIARY *(continued)*

Goodwill arising on acquisition: *(continued)*

The non-controlling interest recognised at the date of acquisition were measured by reference to the proportionate share of the recognised fair value of the net identifiable assets of MC Marketing & Sales (Hong Kong) Limited at the date of acquisition and amounted to HK$10,366,000.

Goodwill arose in the acquisition of MC Marketing & Sales (Hong Kong) Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of MC Marketing & Sales (Hong Kong) Limited. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deducted for tax purposes.

Net cash outflow on acquisition of MC Marketing & Sales (Hong Kong) Limited

	HK$'000
Cash consideration paid	(42,459)
Less: cash and cash equivalents acquired	21,183
Net cash outflow on acquisition for the year ended 31 December 2017	(21,276)

37. CAPITAL RISK MANAGEMENT

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

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

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

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at FVTPL	**120,357**	–
Financial assets at amortised cost	**2,503,921**	–
Loans and receivables (including cash and cash equivalents)	**–**	2,584,050
Available-for-sale financial assets	**–**	30,445
Financial liabilities		
Amortised cost	**672,495**	791,805

(b) Financial risk management objectives and policies

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

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

Market risk

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

(i) Currency risk

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

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

	Assets		Liabilities	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
United States Dollar ("US$")	**334,861**	173,909	**18,405**	26,236
HK$	**10,487**	15,058	**–**	–
Japanese Yen ("JPY")	**2,391**	344	**13,458**	9,339
Renminbi ("RMB")	**329,575**	283,136	**73,530**	91,688

38. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(i) Currency risk (continued)

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

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the relevant foreign currencies against the functional currencies of the relevant group entities. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. A positive number below indicates an increase in profit for the year where the relevant foreign currencies strengthen 5% against the relevant functional currencies of the relevant group entities. For a 5% weakening of the relevant foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

	Profit for the year	
	2018	2017
	HK$'000	HK$'000
JPY against HK$	**(462)**	(375)
RMB against HK$	**10,690**	7,993

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

(ii) Interest rate risk

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

The directors of the Company consider that the overall interest rate risk for bank balances is not significant as bank balances are all short term and interest rates are currently at low level with no significant changes are expected for the foreseeable future, accordingly. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on HIBOR arising from the Group's other financial asset. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

38. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk (continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	2018 HK$'000	2017 HK$'000
Other income		
Financial assets at amortised cost	**37,257**	–
Loan and receivables (including cash and cash equivalents)	**–**	23,910
Total interest income	**37,257**	23,910

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate other financial asset is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2018 would increase/decrease by HK$1,556,000 (2017: HK$998,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVTPL (2017: available-for-sale investments). The Group is also exposed to certain price risks in relation to unquoted equity securities for investees for long term strategic purposes which had been designed as FVTPL (2017: available-for-sale investments measured at cost less impairment). The Group has monitored the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date excluding available-for-sale investment measured at cost less impairment for the year ended 31 December 2017. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 38(c).

If the prices of the respective equity instruments had been 35% (2017: 35%) lower, the profit for the year would decrease by HK$4,212,000 (2017: HK$3,790,000) for the Group as a result of the changes in fair value of investments at FVTPL (2017: available-for-sale investments).

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

38. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment

As at 31 December 2018, the carrying amounts of trade receivables, amounts due from fellow subsidiaries which are in trade nature, other receivables, loan receivable, amount due from ultimate holding company, bank balances, pledged bank deposits and other financial assets best represent the maximum exposure to credit risk. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivable is mitigated because it is secured over the guarantee provided by the shareholders of the debtor.

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

(i) Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually for customers with significant balances and others based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 25% (31 December 2017: 27%) and 78% (31 December 2017: 64%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

The balances with fellow subsidiaries are considered as low credit risk since those fellow subsidiaries are with good repayment history and strong financial capacity to meet its contractual cash flow obligations in the near term. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on amounts due from fellow subsidiaries which are in trade nature individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The management performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on the other receivables, loan receivable, amount due from ultimate holding company, bank balances, time deposits over three months and other financial assets individually. The management takes into account the counterparties' financial position, past repayment history and other factors.

Other receivables and amount due from ultimate holding company are considered as 'low risk' since those debtors have financial capacity to repay with no history of default in payment. The credit terms for the loan receivable are made in accordance with the agreement and there is no overdue debts as at the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

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

The Group's other financial assets represent certificates of deposits issued by the financial institutions with high credit rating assigned by international credit rating agencies. The credit ratings of the other financial assets are closely monitored by the management for any credit deterioration.

The credit risks on bank balances and time deposits over three months are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Impairment assessment

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

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

38. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Impairment assessment (continued)

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

2018	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount	
				HK$'000	HK$'000
Financial assets at amortised costs					
Loan receivable	N/A	Low risk (Note 1)	12m ECL		3,010
Amounts due from fellow subsidiaries	N/A	Note 2	Lifetime ECL (not credit impaired)		8,965
Amount due from ultimate holding company	N/A	Low risk (Note 1)	12m ECL		1,666
Other financial assets	A	N/A	12m ECL		313,260
Time deposits over three months	A1–Baa	N/A	12m ECL		292,758
Bank balances	A1–Baa	N/A	12m ECL		1,384,443
Other receivables	N/A	Low risk (Note 1)	12m ECL		49,623
Trade receivables	N/A	Low risk (Note 2)	Lifetime ECL (provision matrix)	101,213	
		Low risk	Lifetime ECL (not credit-impaired)	348,719	
		Loss	Credit-impaired	1,360	451,292

Notes:

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

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

38. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Impairment assessment (continued)

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

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

As at 31 December 2018, the Group has provided HK$1,360,000 impairment allowance for credit-impaired trade receivables. No impairment allowance was made on debtors with significant balances and debtors based on provision matrix.

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

	Lifetime ECL (credit-impaired) HK$'000
As 31 December 2017 — HKAS 39 and at 1 January 2018 — HKFRS 9	2,076
Impairment losses reversed	(645)
Exchange adjustments	(71)
As at 31 December 2018	**1,360**

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

38. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk

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

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

Liquidity risk table

31 December 2018

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

31 December 2017

	On demand or within 3 months HK$'000	4 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade payables	267,076	608	–	267,684	267,684
Other payables and accruals	500,277	–	–	500,277	500,277
Amount due to ultimate holding company	19,793	–	–	19,793	19,793
Amounts due to fellow subsidiaries	4,051	–	–	4,051	4,051
	791,197	608	–	791,805	791,805

38. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments

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

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

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

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

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

Financial assets	Fair value as at 2018 HK$'000	Fair value as at 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity investment (2018: financial assets at FVTPL; 2017: available-for-sale investments at fair value)	**12,035**	10,831	Level 1	Quoted prices in an active market
Club debenture (2018: financial assets at FVTPL; 2017: available-for-sale investments at fair value)	**272**	100	Level 2	Quoted prices in a secondary market for identical assets
Unlisted equity investments (2018: financial assets at FVTPL)	**19,514**	N/A	Level 3	Price to earning ratio adjusted for marketability (Note 1)
Structured notes (2018: financial assets at FVTPL)	**88,536**	–	Level 2	Quoted prices in secondary market for identical assets

Note 1: An increase in the price to earning ratio would result in an increase in the fair value measurement of the unlisted equity securities, and vice versa.

No movement of the level 3 unlisted equity investment is noted during the year.

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

38. FINANCIAL INSTRUMENTS *(continued)*

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

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

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

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

39. RELATED PARTY DISCLOSURES

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

	2018 **HK$'000**	2017 HK$'000
Ultimate holding company		
Management fee received	**(261)**	(221)
Outsourcing manufacturing and procurement of finished goods	**30,796**	12,990
Purchase of raw materials	**32,494**	34,760
Purchase of equipment and parts	**1,004**	6,864
Rental income received	**(18)**	(18)
Royalty charges paid (Note)	**15,153**	13,740
Sales of raw materials and finished goods	**(42)**	(835)
Purchase of SAP license	**534**	526
Recruitment service fee	**–**	43
Provision of publicity services	**(14,042)**	–
Market service fee	**19**	–
Miscellaneous expense	**65**	–

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

	2018 **HK$'000**	2017 HK$'000
Fellow subsidiaries		
Food testing fee	**5,257**	4,943
Outsourcing manufacturing and procurement of finished goods	**48,372**	32,466
Purchase of raw materials	**3,296**	2,981
Sales of raw materials and finished goods	**(46,070)**	(26,068)

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

40. PARTICULARS OF THE SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation/ registration	Date of incorporation/ registration	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
				2018	2017	
東莞日清包裝有限公司 Dongguan Nissin Packaging Co., Ltd.*	PRC	17 October 2013	RMB147,000,000	**100%**	100%	Manufacturing of packaging materials of instant noodles products
可果美日清食品(香港)有限公司 Kagome Nissin Foods (H.K.) Co., Ltd.	Hong Kong	27 April 2018	HK$5,000,000	**70%**	–	Import, purchase and sale of beverage products in Hong Kong, Macau and PRC
福建日清食品有限公司 Fujian Nissin Foods Co., Ltd.*	PRC	19 February 2014	RMB235,000,000	**100%**	100%	Manufacturing of instant noodles products
港永南食品(深圳)有限公司 Gangyongnan Food Products (Shenzhen) Co., Ltd.* (Note 1)	PRC	3 March 1999	HK$11,000,000	**100%**	100%	Trading and sales of frozen foods
廣東順德日清食品有限公司 Guangdong Shunde Nissin Foods Co., Ltd.*	PRC	13 November 1994	HK$130,000,000	**100%**	100%	Manufacturing and sales of instant noodles products
日清食品(中國)投資有限公司 Nissin Foods (China) Holding Co., Ltd.* (Note 2)	PRC	29 October 2001	RMB1,443,797,800	**100%**	100%	Investment holding in the PRC and purchase and sale of instant noodles products
日清食品(香港)有限公司 Nissin Foods (H.K.) Company Limited (Note 2)	Hong Kong	25 August 2015	HK$10,000,000	**100%**	100%	Sales and distribution of noodles, retort foods, frozen foods, beverage products and snacks in Hong Kong and Macau
日清食品(香港)管理有限公司 Nissin Foods (H.K.) Management Company Limited (Note 2)	Hong Kong	6 July 2001	HK$200	**100%**	100%	Provision of administrative and human resources to group companies

40. PARTICULARS OF THE SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation/ registration	Date of incorporation/ registration	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company 2018	2017	Principal activities
日清湖池屋(中國・香港)有限公司 Nissin Koikeya Foods (China & HK) Co., Limited (Note 2)	Hong Kong	27 September 2013	HK$10,000,000	**66%**	66%	Purchase and sales of snacks
上海日清食品有限公司 Shanghai Nissin Foods Co., Ltd.* (Note 4)	PRC	28 February 1995	US$44,000,000	**100%**	100%	Manufacturing and sales of instant noodles products and frozen foods (Dormant since 2017)
永南食品有限公司 Winner Food Products Limited (Note 2)	Hong Kong	11 April 1969	HK$29,975,000	**100%**	100%	Manufacturing and sales of instant noodles products and frozen foods
MC Marketing & Sales (Hong Kong) Limited (Notes 2 and 6)	Hong Kong	17 January 1978	HK$1,000	**51%**	51%	Importation and distribution of beverages and food products
珠海市金海岸永南食品有限公司 Zhuhai Golden Coast Winner Food Products Limited (Note 1)	PRC	3 July 1993	HK$84,000,000	**70.45%**	70.45%	Manufacturing and sales of instant noodles
浙江日清食品有限公司 Zhejiang Nissin Foods Co., Ltd.* (Note 3)	PRC	25 November 2014	RMB350,000,000	**100%**	100%	Manufacturing of instant noodles products

* English translated name is for identification only.

Notes:

1. Gangyongnan Food Products (Shenzhen) Co., Ltd. and Zhuhai Golden Coast Winner Food Products Limited are indirectly held by the Company through Winner Food Products Limited.
2. These companies are directly held by the Company.
3. Zhejiang Nissin Foods Co., Ltd. is indirectly held by the Company through Nissin Foods (China) Holding Co., Ltd..
4. Shanghai Nissin Foods Co., Ltd. is under deregistration process as at 31 December 2018.
5. Except for Zhuhai Golden Coast Winner Food Products Limited which is a sino-foreign equity joint venture in the PRC, all other PRC subsidiaries are wholly foreign-owned enterprises registered in the PRC.
6. During the year ended 31 December 2017, the Group acquired equity interest of 51% in MC Marketing & Sales (Hong Kong) Limited. Details are set out in note 36.
7. No debt securities have been issued by its subsidiaries as at 31 December 2018 and 2017.

40. PARTICULARS OF THE SUBSIDIARIES *(continued)*

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

	Proportion of equity interest held by non-controlling shareholders		Profit allocated to non-controlling shareholders		Accumulated non-controlling interests	
	2018	2017	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Name of subsidiaries						
Zhuhai Golden Coast Winner Food Products Limited	**29.55%**	29.55%	**20,058**	21,337	**94,781**	97,050
Other subsidiaries with individual non-controlling interests which is not material			**5,076**	3,760	**19,856**	14,828
			25,134	25,097	**114,637**	111,878

40. PARTICULARS OF THE SUBSIDIARIES *(continued)*

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

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

Zhuhai Golden Coast Winner Food Products Limited

	2018 HK$'000	2017 HK$'000
Non-current assets	**182,516**	146,215
Current assets	**272,732**	289,808
Current liabilities	**(131,749)**	(107,597)
Non-current liabilities	**(2,752)**	–
	320,747	328,426
Equity attributable to owners of the Company	**225,966**	231,376
Equity attributable to non-controlling interests	**94,781**	97,050
	320,747	328,426
Revenue	**529,957**	480,941
Profit for the year	**67,877**	72,206
Other comprehensive (expense) income for the year	**(17,351)**	22,082
Total comprehensive income for the year	**50,526**	94,288
Profit for the year attributable to:		
— owners of the Company	**47,819**	50,869
— non-controlling interests	**20,058**	21,337
	67,877	72,206
Total comprehensive income for the year attributable to:		
— owners of the Company	**35,596**	66,426
— non-controlling interests	**14,930**	27,862
	50,526	94,288
Dividend recognised as distribution to non-controlling interests	**17,200**	13,080
Net cash from operating activities	**108,869**	93,669
Net cash used in investing activities	**(82,200)**	(51,402)
Net cash used in financing activities	**(58,205)**	(44,263)
Net cash outflow	**(31,536)**	(1,996)

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$'000
At 1 January 2017	9,911
Financing cash flows	(411,518)
Dividend declared	414,687
At 31 December 2017	**13,080**
Financing cash flows	**(93,054)**
Dividend declared	**97,174**
At 31 December 2018	**17,200**

42. COMPANY'S FINANCIAL INFORMATION

The following are the statement of financial position of the Company as at 31 December 2018:

	2018 **HK$'000**	2017 HK$'000
Non-current assets		
Property, plant and equipment	**364,507**	318,484
Trademark	**28,271**	31,502
Investments in subsidiaries	**2,062,303**	2,058,803
Available-for-sale investments	**–**	24,905
Financial assets of FVTPL	**26,280**	–
Deposits paid for acquisition of property, plant and equipment	**889**	2,020
	2,482,250	2,435,714

42. COMPANY'S FINANCIAL INFORMATION *(continued)*

	2018 HK$'000	2017 HK$'000
Current Assets		
Inventories	**59,616**	58,244
Trade receivables	**2,655**	2,464
Other receivables, prepayments and deposits	**17,290**	13,287
Amount due from ultimate holding company	**155**	329
Amounts due from subsidiaries	**80,299**	64,000
Amounts due from fellow subsidiaries	**6,896**	3,897
Loans to subsidiaries	**61,000**	30,000
Tax recoverable	**–**	6,576
Financial asset at FVTPL	**88,536**	–
Other financial assets	**313,260**	–
Bank balances and cash	**508,938**	969,344
	1,138,645	1,148,141
Current Liabilities		
Trade payables	**26,072**	26,262
Other payables and accruals	**92,508**	112,211
Amount due to ultimate holding company	**17,488**	14,214
Amounts due to subsidiaries	**14,928**	12,883
Amounts due to fellow subsidiaries	**2,923**	1,893
	153,919	167,463
Net Current Assets	**984,726**	980,678
Total Assets less Current Liabilities	**3,466,976**	3,416,392
Capital and Reserves		
Share capital	**2,941,441**	2,941,441
Reserves	**508,161**	464,463
Total Equity	**3,449,602**	3,405,904
Non-current Liability		
Deferred tax liabilities	**17,374**	10,488
	3,466,976	3,416,392

The Company's statement of financial position was approved and authorised for issue by the board of directors on 21 March 2019 and are signed on its behalf of:

KIYOTAKA ANDO	**SHINJI TATSUTANI**
DIRECTOR	*DIRECTOR*

42. COMPANY'S FINANCIAL INFORMATION *(continued)*

The followings are the movements in the Company's reserves:

	Investment revaluation reserve HK$'000	Shares held for Share Award Scheme HK$'000	Share award reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	–	(2,046)	–	744,652	742,606
Profit for the year	–	–	–	120,966	120,966
Fair value loss on available-for-sale investments	(8,224)	–	–	–	(8,224)
Reclassification adjustment upon impairment of available-for-sale investments	8,224	–	–	–	8,224
Total comprehensive income for the year	–	–	–	120,966	120,966
Recognition of equity-settled share-based payment	–	–	900	–	900
Shares vested under share award scheme	–	900	(900)	–	–
Dividend recognised as distribution (note 13)	–	–	–	(400,009)	(400,009)
At 31 December 2017	**–**	**(1,146)**	**–**	**465,609**	**464,463**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**121,314**	**121,314**
Recognition of equity-settled share-based payment	**–**	**–**	**809**	**–**	**809**
Shares vested under share award scheme	**–**	**468**	**(557)**	**89**	**–**
Dividend recognised as distribution (note 13)	**–**	**–**	**–**	**(78,425)**	**(78,425)**
At 31 December 2018	**–**	**(678)**	**252**	**508,587**	**508,161**

FIVE-YEAR FINANCIAL SUMMARY

	2018 HK$'000	2017 HK$'000 (restated)	2016* HK$'000	2015* HK$'000	2014* HK$'000
Results					
Revenue	**2,998,828**	2,688,530	2,629,905	2,628,663	2,535,984
Profit before taxation	**300,008**	290,008	167,669	182,575	231,140
Income tax expense	**(69,426)**	(69,548)	(60,517)	(66,397)	(58,380)
Profit for the year	**230,582**	220,460	107,152	116,178	172,760
Attributable to:					
Owners of the Company	**205,448**	195,363	90,762	101,268	149,487
Non-controlling interest	**25,134**	25,097	16,390	14,910	23,273
Total	**230,582**	220,460	107,152	116,178	172,760

	2018 HK$'000	2017 HK$'000 (restated)	2016* HK$'000	2015* HK$'000	2014* HK$'000
Total Assets	**4,444,372**	4,460,990	3,435,304	3,859,699	3,435,343
Total Liabilities	**(849,199)**	(909,916)	(731,883)	(646,979)	(541,531)
Total equity	**3,595,173**	3,551,074	2,703,421	3,212,720	2,893,812
Net current Assets	**2,126,650**	2,071,581	1,330,833	2,087,120	1,513,962

* Comparative figures of the results for the year ended 31 December 2014, 2015 and 2016 and assets and liabilities as at 31 December 2014, 2015 and 2016 have not been restated to reflect the impacts of the adoption of HKFRS 15, HKFRS 16 and HKFRS 9 as the directors are of the consider that it is costs over benefits to do so.