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

Opening a new chapter

Annual Report 2017

MIX
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Contents

The Group maintained its market leadership in the instant noodles market in Hong Kong with a balanced portfolio of products in different price range. Our flagship product brands, ***Demae Iccho*** *(出前一丁)* and ***CUP NOODLES*** *(合味道)*, continued to be a household name for the consumers in Hong Kong enjoying high market share given our strong product research & development and innovative mindset.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Kiyotaka Ando
Mr. Shinji Tatsutani
Mr. Munehiko Ono
Mr. Yoshihide Semimaru
Mr. Hijiri Fukuoka

Non-executive Director

Mr. Tong Ching Hsi

Independent Non-executive Directors

Dr. Sumio Matsumoto *(appointed on 21 November 2017)*
Mr. Junichi Honda *(appointed on 21 November 2017)*
Professor Lynne Yukie Nakano *(appointed on 21 November 2017)*

Company Secretary

Mr. Lo Tai On, *CPA*

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

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

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

CFN lawyers in association with Broad & Bright
Broad & Bright Law Firm
Anderson Mori & Tomotsune

Principal Bankers

Mizuho Bank, Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Share Registrar and Transfer Office

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

Website

www.nissingroup.com.hk

Investor Relations

E-mail: ir@nissinfoods.com.hk

Media Relations

E-mail: pr@nissinfoods.com.hk

Stock Code

1475

FINANCIAL HIGHLIGHTS

Key Highlights

	FY2017 HK$million	FY2016 HK$million	+/-%
Revenue	**2,902.3**	2,629.9	10.4%
Net Profit	**195.4**	90.8	115.2%
	6.7%	*3.5%*	
Segment Results	**242.6**	265.1	-8.5%
	8.4%	*10.1%*	
EBITDA	**374.8**	368.2	1.8%
	12.9%	*14.0%*	
Total Assets	**4,461.0**	3,435.3	29.9%
Net Assets	**3,439.2**	2,618.9	31.3%
Total Dividend per share (HK cents)	**7.30**	N/A	–
Earnings per share (HK cents)	**23.81**	11.29	110.9%
Dividend Payout Ratio (%)	**40%**	N/A	–
Net Asset per share (HK$)	**3.20**	N/A	–

2 CORE CORPORATE BRANDS

4 PLANTS IN HONG KONG

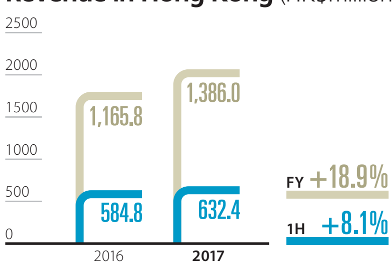
5 PLANTS IN CHINA

5 FLAGSHIP PRODUCT BRANDS

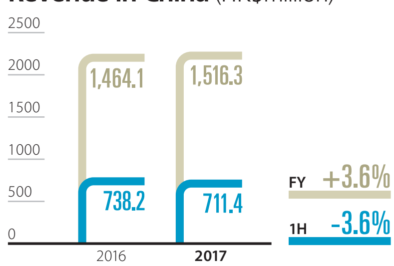
3,400 EMPLOYEES IN HONG KONG AND PRC OPERATIONS

TRACK RECORD

Revenue in Hong Kong (HK$million)

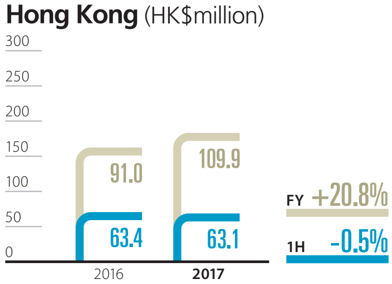


Revenue in China (HK$million)

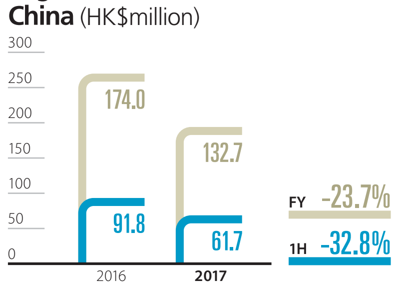


Proportion of Revenue by Geographical Region

Segment Results in Hong Kong (HK$million)



Segment Results in China (HK$million)



Proportion of Result by Geographical Region

Source: Segment Results

CHAIRMAN'S STATEMENT

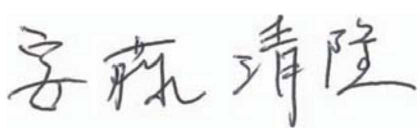
On behalf of the board of directors ("the Board") of Nissin Foods Company Limited (the "Company" together with its subsidiaries, the "Group"), I am delighted to present the annual report of the Group for the year ended 31 December 2017.

The Group had a remarkable year in 2017, as China is transforming progressively itself into one of the world's leading digitized countries through sweeping changes in Chinese consumer s' lifestyle. Under this circumstance, we successfully completed listing on the Main Board of the Stock Exchange of Hong Kong Limited in December 2017. I am as excited today this momentous transformation as I was 8 years ago about the chance to turn our flagship CUP NOODLES into ECO-CUP TYPE CUP NOODLES and created the premium instant noodles market across China. The listing has given us a perfect opportunity to execute our localisation strategies, and more actively adapt to the changing Chinese economy.

Kiyotaka Ando
Chairman

日清食品有限公司（"当社"）の董事会を代表して当社及び当社子会社（"グループ"）の2017年度年次報告書を謹んでお届け致します。2017年度の当社年次報告書を謹んでお届け致します。

2017年度は当社において重要な年となりました。中国消費者のライフスタイルが急速なデジタル化を進める中で当社は2017年12月に香港交易所主板へ上場を果たしました。私はこの社会変化を8年前に主力商品であるCUP NOODLESのEco Cup化を実現し、中国におけるプレミアム即席麺市場を作ったときと同じ興奮を覚えました。私共はこの両変化を積極的に取り入れ、事業の現地化を推進して参ります。



安藤清隆
董事長

How we want to change the society

We want to, with our comprehensive product range, capture the affluent consumers in Hong Kong and People's Republic of China ("PRC").

To meet the growing expectations and needs of consumers, we strive to keep up with the market pace and trends. Despite that the economy changes constantly, we always work steadily and thoroughly to deliver excellent food safety and high quality product offerings in order to overcome the anxiety and uncertainty. While at the same time, we create joyful delights and surprises that enrich consumers' lives. Only by delivering these core values through our products, our revenue and margin will grow continuously.

Action Plans

We expect 2018 to be another great year for us, as it will be the 60th years anniversary of the birth of instant noodles since Mr Momofuku Ando, the founder of Nissin Foods Holdings Co., Ltd. invented the world's first instant noodles in 1958. Also, it is the 50th years birthday Demae-Ramen, one of our flagship products. In this special year, we plan to put major effort in improving the performance of flagship products including the "Made-in-Hong Kong Demae Ramen", "CUP NOODLES" and "RAOH".

To do that, on top of placing utmost emphasis on food safety control and quality products will always be the key to success. At the same time, we will continue to enhance our product features and productivity with innovative sprit.

Furthermore, we will continue to develop our advanced distribution channel strategy to help us expand our customer base and improve our ability to reach more consumers.

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

1958年に日清食品グループ創業者安藤百福氏が即席麺を発明して60周年です。

そして弊社日清食品有限公司の主力商品である出前一丁も50周年を迎える重要な年です。この記念すべき2018年に主力商品である香港製造出前一丁、合味道及びラ王の販売を飛躍的に伸ばしていきたいと思います。

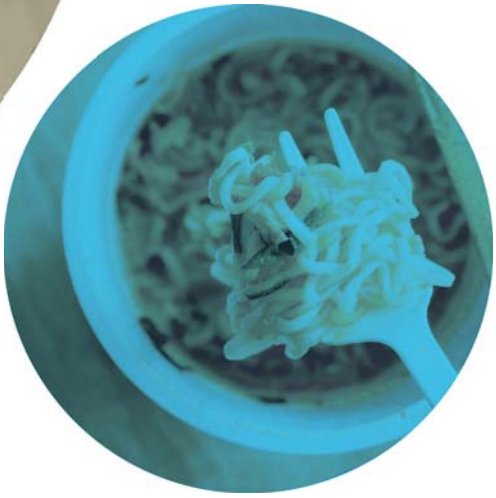
そのためには先ずはお客様にお届けする品質の強化が最重要です。

商品仕様の改善と生産体制の効率化で実現していきます。

そして消費者の皆様に効率的にお届けすべく、より広範な販売網の強化を効率的に実現して参ります。

As one of the renowned instant noodle manufacturers in the PRC and Hong Kong, it is important for us to keep abreast of the latest market trends, developments and consumers' tastes and preference and improve our production techniques and develop new products that are beloved by the consumers.

Charting new lands



MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the results for the full year ended 31 December 2017.

The shares of the Company became successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 December 2017 (the "Listing"). The Listing demonstrates our commitment to and the dedication to serving the PRC and Hong Kong market. During the period under review, the Group witnessed a significant increase in profit attributable to owners of the Company in this year.

Revenue to the Group increased by 10.4% from HK$2,629.9 million to HK$2,902.3 million with positive revenue growth in both Hong Kong and the PRC operations. Gross profit margin decreased by 4.0% to 35.6%, owing to the impact from the strategic acquisition of 51% interest in MC Marketing & Sales (Hong Kong) Limited ("MCMS") in March 2017 and the increase in costs of sales. At EBITDA level, which represents a better measure to the Group's performance, the Group grew slightly at 1.8% to HK$374.8 million (2016: HK$368.2 million). Profit attributable to Owners of the Company increased significantly by 115.2% from HK$90.8 million to HK$195.4 million, due to better operating performance for the Hong Kong operations as well as the one-off gain in disposal of assets for the production plant located at Songjiang District of Shanghai of the PRC, amounting to HK$35.3 million and the smaller impairment loss recognised this year, while offset by the subpar performance in the PRC operations throughout the year.

The Group's basic earnings per share was 23.81 HK cents for the year (2016: 11.29 HK cents). The Board has resolved to declare a final dividend of 7.30 HK cents per share, representing a dividend payout ratio of 40% for the year.

Business Review

Hong Kong Operations

In 2017, local retail market has been recovering slowly from the sluggish economy in 2016. According to the Census and Statistics Department of Hong Kong, retail sales value for the full year of 2017 increased slightly by 2.2%, representing a rebound from -8.1% in 2016 and a turnaround from the -3.2% in the first two months in Chinese New Year in 2017. We have witnessed a gradual improvement in market sentiment across most consumer sectors at the latter part of the year. According to the statistics information from the Hong Kong Tourism Board, tourism has also been recovering this year, with 2017 visitors statistics returned to positive by 3.2% to 58.5 million visitors, as opposed to a 4.5% drop in 2016. All in all, the retail environment in Hong Kong has been in positive trend but takes time for a material recovery.

For the year, revenue from Hong Kong operations increased by 18.9% from HK$1,165.8 million to HK$1,386.0 million, mainly attributable to the revenue increase contributed from MCMS distribution business since the acquisition in March 2017 despite a slight decrease in the sale of instant noodles. Currently, revenue from Hong Kong accounted for 47.8% of the Group's revenue. In terms of operating profit, the growth was minimal in the first half of the year while we saw year-on-year increase in the second half of the year, thanks to the stringent cost control through global procurement and the self-production of the packaging materials. Segment result recorded a healthy increase of 20.7% to HK$109.9 million in 2017 (2016: HK$91.0 million), thanks to the satisfactory performance of our Hong Kong operations as a market leader as well as the contribution from MCMS's operations, illustrating our strong positioning in the market.

During the twelve-month period ended 31 December 2017, the shift in Chinese New Year period and the transition of ***Demae Iccho*** distribution to our own distributor MCMS as disclosed in our prospectus had impacted on our instant noodles business in 2017, while we saw some momentum growth especially in the second half. All in all, the Group maintained its market leadership in the instant noodles market in Hong Kong with a balanced portfolio of products in different price range. Our flagship product brands, ***Demae Iccho*** (出前一丁) and ***CUP NOODLES*** (合味道), continued to be a household name for the consumers in Hong Kong enjoying high market share given our strong product research & development and innovative mindset. To cater for the health conscious customers, in addition to the current offerings of non-fried instant noodles product such as BAR RAMEN and organic products of *FROZEN SANUKI UDON*, the Group has also launched *CUP NOODLES LIGHT* in August, featuring non-fried instant noodles with less fat and calorie and the addition of dietary fibre. ***Doll Instant Noodles*** (公仔麵) and ***FUKU*** (福) are also well received in Hong Kong.

With our unparalleled strength in marketing and advertising, the Group has participated in various marketing campaigns in order to cater the interests of our different target consumers and also to provide more fruitful brand experience, such as the sponsorship of the "動漫節 Cosplay 大賽" in July 2017 in Ani-Com & Games Hong Kong by ***CUP NOODLES*** and the participation in the Food Expo 2017 in August 2017.

While the Group has traditionally been focusing on instant noodles market, we have consistently been exploring innovative products to our beloved consumers to broaden our income stream. These include a series of non-instant noodles products such as potato chips, cornflake and granola, to mention a few, in order to further utilise our core and corporate brands to attract customers' purchase.

In March 2017, the Group acquired 51% equity interest in the MCMS, allowing the Group to further explore along the value chain and to vertically integrate into the distributor's business. As disclosed in the prospectus, not only does MCMS distribute beverage, processed food and sauce products in Hong Kong, it also helps to distribute the ***Demae Iccho*** products after the acquisition, so as to better control our channel mix and understand the dynamics in distribution business. Further, it provides the Group with a more diversified business with stable income stream as a distributor.

In terms of infrastructure, the Group manufactures its instant noodles and some of its frozen food products in Hong Kong with the four production plants located in Tai Po of Hong Kong. As our business and the sales volume continue to grow, the Group has continuously made improvement to its production plants. In 2017, the Company has expanded and upgraded our Nissin Plant (located on 21-23 Dai Shing Street of Tai Po of Hong Kong) in Hong Kong with increased design production capacity. We believe these production plants give us convenience to our major suppliers and sales markets in Hong Kong and the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

The PRC Operations

According to the National Bureau of Statistics of the People's Republic of the PRC, the economic growth in the PRC, as measured by gross domestic product (GDP), has been stable at 6.9% in 2017. The tertiary industry continued to gain its substance in the PRC, as reflected from the double digit increase in total retail sales of consumer goods in the PRC up to 10.2% in 2017 (2016: 10.9%). As per capita spending continued to improve over the years, we witnessed a trend to upscale towards the development of premium consumer products in various consumer sectors, including the instant noodles products. Consumption pattern has also been shifting to more premium international products as affordability and living standard continues to improve especially for the middle class and more focus being placed on food safety in the PRC. In terms of raw materials (e.g. wheat flour, palm oil, packaging materials), the prices continued to rise high during the year and will remain to be a pressure to most food manufacturer. All in all, while instant noodles market as a whole may have been stagnant, both international and national Chinese companies have been expanding quickly and aggressively in the premium instant noodles segment which helps to expand this segment as a whole.

In 2017, revenue from the PRC operations increased by 3.6% from HK$1,464.1 million to HK$1,516.3 million, turnaround from the negative growth of -3.6% in the first half of the year. Revenue growth can be attributed to the organic growth of instant noodles business in Renminbi term. Currently, revenue from the PRC accounted for 52.2% of the Group's revenue. With the commencement of operation of Xiamen production plant in 2016 and Pinghu production plant in 2017, operating profit has declined due to the surge in depreciation and the expenses related to the transition of Songjiang Production Plant to Pinghu Production Plant, which ultimately dampened the Group's operating profit level in 2017. We also observed a price increase of major raw materials in the PRC, which partly affected our profit in the PRC operations. Segment result was decreased by 23.7% to HK$132.7 million for 2017 (2016: HK$174.0 million).

We had anticipated a growing demand for the premium instant noodles products in the past few years. During the year under review, the Group continued to promote and develop our strategy in the premium instant noodles business. Progress has been made to the ***CUP NOODLES*** with new product offerings focusing on the seafood flavour. A more premium brand ***RAOH (拉王)***, featuring "Tonkotsu" or pork bone soup flavour, was also launched in July 2017 to target different clientele. The well reception of this prestigious quality product further strengthen our confidence in the PRC market as we continue to expand in the PRC.

To grow together with the mounting expectations of consumers, we strive to keep up with the market pace and trends. In order to better engage with our consumers, various animation and gaming (ACG) elements have been incorporated into our communication campaigns this year, for instance, the crossover with the Chinese Fleet Collection (Battleship Girl R) as well as Japanese animation "Gin Tama" to highlight our flagship products. We believe bringing higher quality, creativity and convenience to our consumers is the best way to enhance customers' loyalty.

For non-instant noodles segment, the Group began to produce the potato chips under ***Karamucho***, ***CUP NOODLES*** and ***Demae Iccho*** brands in one of the production lines in Shunde for both Hong Kong and the PRC and began to sell potato chips products in the PRC since June 2017. We anticipate the potato chip's business would be a bright market in the years to come.

Currently, we have five production plants in southern and eastern the PRC to support our business growth in the PRC. As disclosed in prospectus, we closed down the production plant located at Songjiang District of Shanghai of the PRC in October 2016. Subsequently, we have completed the construction of the new Pinghu Production Plant with instant noodle production lines and have commenced operation in May 2017. While the transition had some immediate impact to the 2017 operating performance, we are confident that this transition will benefit us in the long run with more advanced production machinery and equipment. We may consider to add production plants in future to catch up with our business expansion.

Corporate Development

Research and Development and Food Safety

As one of the renowned instant noodle manufacturers in the PRC and Hong Kong, it is important for us to keep abreast of the latest market trends, developments and consumers' tastes and preference and improve our production techniques and develop new products that are beloved by the consumers. The Company regularly exchange ideas with the Nissin Global Innovation Center and the Nissin Global Food Safety Institute in Japan to facilitate our development capabilities.

In terms of quality control, all of our existing operational production plants in the PRC and Hong Kong, except for our Pinghu Production Plant and our Dongguan Packaging Plant, have been accredited with ISO 22000. Our Production Plant for frozen food product in Hong Kong has also been accredited with HKQAA — HACCP (Hazard Analysis and Critical Control Points). Food Safety Evaluation & Research Institute Co., Ltd. (日清(上海)食品安全研究開發有限公司), which we owns 5% stake, is accredited by the PRC National Accreditation Service for Conformity Assessment with ISO/IEC 17025. This helps us to prevent food contamination and ensure quality and safety of raw materials and finished goods.

Material Acquisition and Disposal

As disclosed in the prospectus, the Group has acquired 51% of the MCMS in March 2017 at the consideration of approximately HK$42.5 million, to better prepare the Company in future expansion in Hong Kong and the PRC.

In late December 2017, to make better allocation on the Group's resource, the Group has disposed the production plants located at Songjiang District of Shanghai of the PRC which was closed down since October 2016. The realised gain on disposal is HK$35.3 million under the Other Gains and Losses in the Profit or Loss Statement. Except the above-mentioned, the Group had no material acquisitions or disposals during the year.

Financial Review

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2017, total assets of the Group amounted to HK$4,461.0 million (2016: HK$3,435.3 million) and the total equity was HK$3,551.1 million (2016: HK$2,703.4 million). The Group's working capital was HK$2,071.6 million (2016: HK$1,330.9 million), represented by the difference between the total current assets of HK$2,928.5 million (2016: HK$2,035.3 million) and the total current liabilities of HK$856.9 million (2016: HK$704.4 million). The current ratio was 3.4 in 2017 (2016: 2.9).

The financial position of the Group remained healthy with net cash of approximately HK$2,109.2 million and HK$180.8 million in available banking facilities for the year under review. The Group has no external borrowing and the gearing ratio is nil for the year (2016: nil).

Capital expenditure

The Group's capital expenditure was HK$259.7 million during the year under review (2016: HK$467.6 million), which was mainly due to the commencement of operation of the production plant in Pinghu in Zhejiang, the PRC and the Nissin Plant in Hong Kong.

Capital commitment

The Group had capital commitment in respect of acquisition of property, plant and equipment contracted for but not provided in consolidated financial statements with amount HK$202.7 million as at 31 December 2017 (2016: HK$246.9 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 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

The litigation disclosed in the prospectus (for more details, please refer to the prospectus section headed "Business — Legal proceedings and regulatory compliance — Particulars of claims against our Company as at the Latest Practicable Date") issued on 29 November 2017 has no material changes up to 31 December 2017.

Other than litigation that the Company is engaged into as mentioned above, there is no material contingent liability that the Company would require to disclose as of 31 December 2017.

Use of Proceeds from Global Offering

The Shares were listed on 11 December 2017 on the Main Board of the Stock Exchange. The total net proceeds from the Listing involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK$950.8 million. During the period between the Listing Date and 31 December 2017, the net proceeds from the Listing had not been utilised given the short duration in between the Listing Date and the financial year end. The proposed applications of the Use of Proceeds have been set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 November 2017 ("Prospectus"). Currently, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

Future Prospect

Instant noodle's origin traces back to the invention in 1958 where the founder of our major shareholder, Nissin Foods Holdings Co., Ltd. ("Nissin Japan"), first innovated this product. As a spin-off from the major shareholder, our Company continues to inherit such innovative spirit when expanding our geographical presence and product portfolio. Leveraging the research and development expertise of Nissin Japan on its pioneer position in the industry, as well as the constant dialogue and experience sharing with the Nissin Global Innovation Center and the Nissin Global Food Safety Institute, the Company is able to introduce new and innovative products that suit the local taste in Hong Kong and the PRC.

Going forward, we would continue to maintain our dominant presence in Hong Kong with wider spectrum of new products to the consumers. In the PRC, the Company would focus on the expansion and promotion of premium instant noodles in the southern and eastern the PRC while continue to expand our geographical presence in the northern and western with greater coverage ratio. The Company will also explore inorganic by seeking any potential opportunities arising in order to better adjust to our business operations along the value chain.

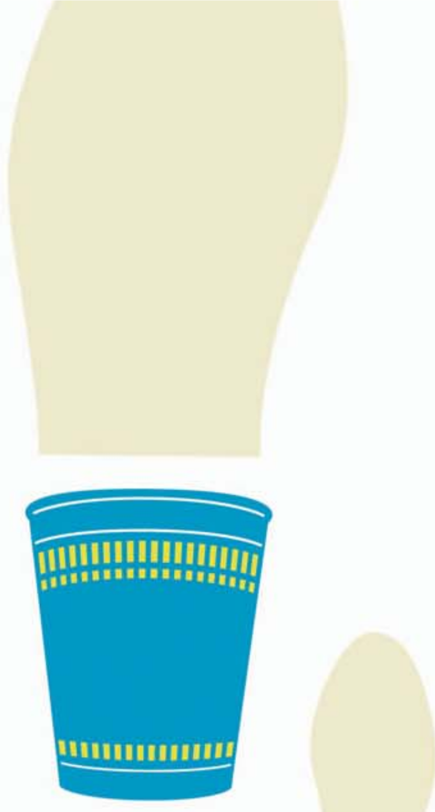
All in all, as a business operator, sustainability and long term commitment is of utmost importance to the shareholders' value. We will continue to monitor and act proactively to the change in market sentiment and customers' preference and create value to all stakeholders in the community.

Employment and Remuneration Policy

As at 31 December 2017, the total number of staff of the Group was approximately 3,400 with staff costs (excluding directors' remuneration) amounting to HK$496.1 million. Remuneration package is determined with reference to the individual performance, qualification and experience of employees concerned and prevailing industry practice.

To meet the growing expectations and needs of consumers, we strive to keep up with the market pace and trends. Despite constant economic changes, we work steadily and thoroughly to deliver excellent food safety and high quality product offerings in order to overcome the anxiety and uncertainty.

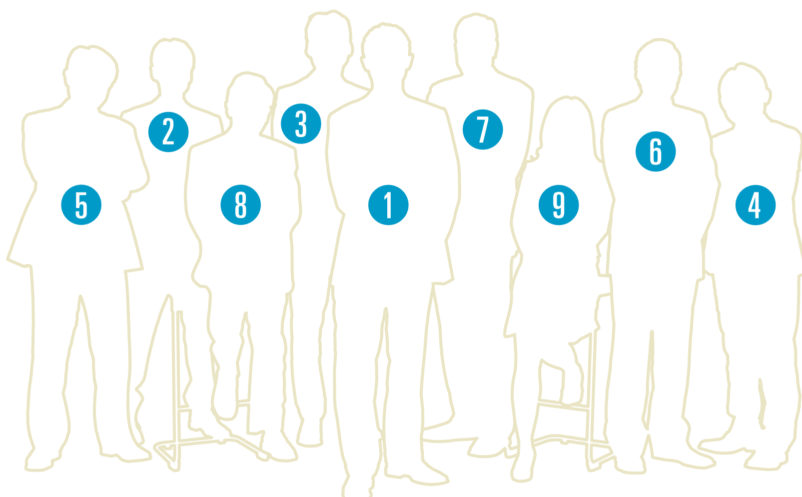
Climbing new hills



BOARD OF DIRECTORS and SENIOR MANAGEMENT

Board of Directors

1. **Mr. Kiyotaka Ando**
   Executive Director, Chairman of the Board, Chief Executive Officer
2. **Mr. Shinji Tatsutani**
   Executive Director
3. **Mr. Munehiko Ono**
   Executive Director
4. **Mr. Yoshihide Semimaru**
   Executive Director
5. **Mr. Hijiri Fukuoka**
   Executive Director
6. **Mr. Tong Ching Hsi**
   Non-executive Director
7. **Dr. Sumio Matsumoto**
   Independent Non-executive Director
8. **Mr. Junichi Honda**
   Independent Non-executive Director
9. **Professor Lynne Yukie Nakano**
   Independent Non-executive Director



Board of Directors

Mr. Kiyotaka Ando, aged 38, is Executive Director, Chairman of the Board and Chief Executive Officer of the Group. Mr. Ando is the grandson of Mr. Momofuku Ando, who was the founder of Nissin Foods Holdings Co., Ltd. ("Nissin Japan"). Mr. Ando 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 one subsidiary 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. Shinji Tatsutani, aged 53, 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 26 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. Munehiko Ono, aged 50, 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.

Mr. Yoshihide Semimaru, aged 50, is Executive Director and Chief Research Officer of the Group. Mr. Semimaru is responsible for overseeing and managing overall research and development functions of the Group. Mr. Semimaru joined the Group since April 2010 and has been a director of certain subsidiaries of the Company. Mr. Semimaru obtained a Bachelor of Engineering degree in Applied Chemistry from Kansai University in Japan in March 1990 and a Master of Engineering degree in Applied Chemistry from the same University in March 1992. Before joining the Group, Mr. Semimaru joined Nissin Japan and worked in the food development division since April 1992. He has nearly 26 years of experience in research and development related to food products.

Mr. Hijiri Fukuoka, aged 51, is Executive Director and 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 a 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 26 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong Ching Hsi, aged 82, 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 51 years.

Mr. Tong is currently the director-general of Abico Group, the chairman of the board of directors of Ability Investment Co., Ltd., the chairman of the board of directors of Ability I Venture Capital Corporation, a director of Ability Venture Management Co., Ltd., a director of Nang Lu Development Co., Ltd., a director of Ting Lu Development Co., Ltd., a director of Taiwan Daiohs Co., Ltd., a director of Ability Enterprise Co., Ltd. (listed on Taiwan Stock Exchange; stock code 2374) and a director of AVY Precision Technology Inc. (listed on Taipei Exchange; stock code 5392). Other than the aforesaid, Mr. Tong was also a director of 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 currently the Vice-President of the Taiwan Japan Association for Business Communication, a director of Taiwan-Japanese Economic and Trade Foundation, a council member of Association of East Asia Relations, a supervisor of The Third Wednesday Club. Mr. Tong is the father-in-law of Mr. Kiyotaka Ando, Executive Director, Chairman of the Board and Chief Executive Officer of the Group.

Dr. Sumio Matsumoto, aged 70, 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 71, 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 35 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 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 53, 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. Taiji Matsumura, aged 68, 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 20 years of experience in international business strategy and procurement. He is currently the head of international packaging development division of Nissin Japan.

Mr. Kazuhito Kusumoto, aged 59, joined the Group since April 2015 and was appointed as the managing director of Winner Food, responsible for overseeing and managing the business of Winner Food. Mr. Kusumoto obtained a Bachelor of Science degree from Nagasaki University in Japan in March 1981. From April 1981 to April 2015, Mr. Kusumoto worked in the Nissin Japan Group with his last position being the chief resourcing officer of purchasing control division responsible for operations. Mr. Kusumoto has nearly 37 years of experience in management and international finance.

Mr. Satoshi Niibe, aged 52, joined the Group since December 2013. He is a director of Nissin Management 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 29 years of experience in legal affairs.

Mr. Xi Xiaotong, aged 49, joined the Group since December 2013 and was appointed as senior executive officer for sales in northern China of the Group, responsible for overseeing and managing overall sales in northern 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 between 2001 and 2004 and between 2008 and 2009.

Mr. Takeshi Shigemi, aged 55, joined the Group since March 2014 and was 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. After April 2017, Mr. Shigemi became 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. Mr. Shigemi graduated from the Chinese language curriculum of Kyoto Sangyo University in Japan in March 1985. He has nearly 26 years of experience in sales and marketing. From April 1985 to August 2013, Mr. Shigemi worked in Panasonic Corporation (previously known as Matsushita Electric Industrial Co., Ltd), with his last position being head of the marketing division. From August 2013 to March 2014, Mr. Shigemi was the manager of the marketing division of Nissin Japan.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Gen Matsunobu, aged 47, joined the Group since March 2010 and was appointed as a senior executive officer for sales in western China of the Group, responsible for overseeing and managing overall sales in western China 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 42, joined the Group since March 2012 and was appointed as a 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. Hiroshi Ono, aged 45, joined the Group since March 2009 and was appointed as a deputy managing director of MCMS in March 2017, responsible for overseeing the sales functions of MCMS. Mr. Ono obtained a Bachelor of Economics degree from Tokyo Keizai University in Japan in March 1997. From April 1997 to February 2002, Mr. Ono worked in Mitsubishi Corporation RtM Japan Ltd. (previously known as Kinsho Mataichi Corporation or Kinsho Corporation), with his last position being vice-representative of Beijing office. Mr. Ono joined Nissin Japan in April 2002 and was assigned to Shanghai Nissin from April 2006 to October 2008. Before joining the Group, Mr. Ono was a supervisor of the international corporate strategy division of Nissin Japan. Mr. Ono has over 21 years of experience in sales and marketing.

Mr. Chow Siu Tat, aged 62, joined the Group since June 1987 and was appointed as senior executive officer for human resources and administration of the Group in June 2003, responsible for overseeing and managing overall human resources, administration and compliance matter of the Group. Mr. Chow obtained a Diploma in Accounting from Hong Kong Baptist University (previously known as Hong Kong Baptist College) in June 1979. He has nearly 23 years of experience in human resources and administration.

Mr. Tse Chi Ping Roy, aged 57, 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 31 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 58, joined the Group since April 2012 and was appointed as the 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, assistant manager and senior executive officer of the sales and management department of Zhuhai Winner.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is presented for the period from 11 December 2017 (the "Listing Date"), being the date the shares of the Company commenced trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to 31 December 2017 (the "Relevant Period"). 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Board is of the opinion that 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 Relevant Period. 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. Shinji Tatsutani
Mr. Munehiko Ono
Mr. Yoshihide Semimaru
Mr. Hijiri Fukuoka

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 on pages 16 to 20 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 Relevant Period, 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 Directors 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 Directors and Independent Non-executive Directors bring in independent judgment, extensive experience and valuable contribution to the Board. The Board believes that the balance among Executive Directors, Non-executive Director and Independent Non-executive Director is reasonable and adequate to provide sufficient balances that protect the interests of the shareholders and the Group.

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 include: (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 satisfy with the corporate governance requirements of the Group with regard to the balance of expertise, skills and experience as well as the ongoing development and management of its business activities.

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. During the Relevant Period, no board meeting was held. However, subsequent to the end of the report period and up to the date of the report, a Board Meeting of the Company was held on 22 March 2018 to approve, amongst other things, the Group's final results for the year ended 31 December 2017.

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 leaset 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 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.

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 in the Board Meeting, he or she will abstain from voting. The Independent non-executive Directors with no conflict of interest will be present at meetings 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 senior management by band for the year ended 31 December 2017 is set out below:

Emoluments	**Number of Personnel**
Nil to HK$1,500,000	19
HK$1,500,001 to HK$2,500,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 to the consolidated financial statements of this annual report.

Appointment and Re-Election of Directors

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date. 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 an initial term of three years commencing on the Listing Date.

In compliance with the 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 of the Company (the "Articles of Association"), the Directors may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed as the maximum number of directors. A director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at the meeting. All directors are subject to retirement by rotation at least once every three years.

Pursuant to Article 107 of the Articles of Association, at each annual general meeting, one-third of the directors (including the managing director) or, if their number is not three or a multiple of three, the number which is nearest to and is at least one-third, shall retire from office by rotation. A retiring director shall be eligible for re-election. Accordingly, Mr. Kiyotaka Ando, Mr. Shinji Tatsutani, Mr. Munehiko Ono 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 and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. During the year, the Company organized training on duties and responsibilities of directors and seminar on updated laws and regulations for the Directors. Pursuant to Code Provision A.6.5 of the CG Code, the Company has also provided reading materials to the Directors to develop and refresh their professional knowledge.

Furthermore, the Company has arranged site visit for the Directors to enhance their understanding and knowledge of the Group's business operation.

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 Relevant Period, no Nomination Committee meeting was held. However, subsequent to the end of the report period and up to the date of this annual report, a Nomination Committee Meeting was held on 22 March 2018 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 Director.

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 Relevant Period, no Remuneration Committee meeting was held. However, subsequent to the end of the report period and up to the date of this annual report, a Remuneration Committee meeting was held on 22 March 2018 to review and make recommendations to the Board on the remuneration packages of the Directors.

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, the 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, Professor Lynne Yukie Nakano and Mr. Junichi Honda. Mr. Junichi Honda is the chairman of the Audit Committee.

During the Relevant Period, no Audit Committee Meeting was held. However, subsequent to the end of the report period and up to the date of this annual report, an Audit committee meeting was held on 22 March 2018 to review the Group's final results for the year ended 31 December 2017 before their submission to the Board and monitored the integrity of such financial statements.

Accountability and Audit

The Board, supported by the finance functions of the Group is responsible for overseeing the preparation of financial statements for the year ended 31 December 2017 which gives a true and fair view of the state of affairs of the Group, and of the Group's results and cash flows.

The management has provided sufficient explanation and information to the Board as are necessary to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. 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 working scope and reporting responsibilities of Deloitte Touche Tohmatsu, the Company' external auditor, are set out on pages 47 and 48 of the Independent Auditor's Report.

Auditor's Remuneration

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

Services rendered	**Fee paid/payable** HK$'000
Audit services	4,686
Non-audit services	902
Total	5,588

Risk Management & Internal Control

The Board has overall responsibility for maintaining a sound and effective risk management and internal control systems of the Group in compliance with applicable laws, regulations or requirements.

The Board is responsible for performing the risk management function, including establishing and approving the overall strategies of the Group from time to time, overseeing risk management framework structure, reviewing key risks and mitigation strategies and ensuring risk management and internal control system effectiveness periodically or at least once a year by the Board.

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 shareholder's investment as well as to ensure that proper accounting records are maintained and applicable laws, regulations and legislations are duly complied with.

Each department is responsible for identifying, assessing and managing risk within its business, ensuring that appropriate internal control for effective risk management are implemented. The Audit Committee assists 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.

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 authority of the Board and the guidance of Audit Committee. It is a combination of independent assurance and consulting 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 information regarding all 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 system is designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure in the Group's operational system and in the achievement of the Group's business objectives. External independent professional consultants will be engaged if the Board considers appropriate.

The management is responsible for ensuring that sufficient resources are allocated to maintain the adequacy and effectiveness of risk management and internal control systems within the Group in order to reduce the risks or potential risks to acceptable levels when achieving the Group's objectives. The management identifies and evaluates the risks across the Group, implements risk mitigation plans and reviews its effectiveness and conducts of an annual review on the risk management and internal control systems.

Risk Management

Since the Listing Date, a risk management system has been established by the Group to pursue sustainable development in order to achieve the Group's strategic objectives and fulfill the social responsibilities.

The main features of the risk management processes comprise 5 core stages: risk identification, risk assessment and prioritization, risk response, risk monitoring the 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 also considers major investigation findings on risk management and internal control audit and management's responses to those findings.

With reference to the report submitted to the Board by internal audit team based on discussions with management and external professional consultant which covered food safety, financial operation, statutory compliance and risk management of the Group at all levels and functions, taking into account of manpower cost-effectiveness, the Board had conducted assessment and reviewed the effectiveness of the Group's risk management and internal control systems as required by Code Provision C.2 of the CG Code and considered the risk management and internal control systems of the Group effective and adequate.

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 Security and Future Ordinance (Chapter 571 of the Laws of Hong Kong)), 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 Securities Future Ordinance. 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 25 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 2017.

Mr. Chow Siu Tat, senior executive officer for human resources and administration of the Company, who is responsible for overseeing and managing overall human resources, administration and compliance matter 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 to 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 may 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 make timely update on the financial and business performance and recent development of the Company. Investors are welcome to direct their enquiries to the Company's Investor Relations Department at ir@nissinfoods.com.hk. A dedicated Investor Relations section is also available on the Company's website (www.nissingroup.com.hk.) Information on the website is updated on a regular basis.

Investors and analysts briefings and one-on-one meetings, 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.

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 Relevant Period, 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 2017.

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 2017 is set out in note 35 to the consolidate financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2017 and the state of affairs are set out in the consolidated statement of profit or loss and other comprehensive income on page 49.

Dividend

The Board recommends the payment of a final dividend of 7.30 HK cents per share for the year ended 31 December 2017, such final dividend 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 21 June 2018 and the final dividend will be distributed on 20 July 2018 to the shareholders whose names appear on the register of members of the Company on 3 July 2018.

Business Review

Detailed business review of the Group during the year as required by Schedule 5 to Companies Ordinance of Hong Kong, 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

The Group's business depends heavily on the strength of its brands and reputation, and consumers' recognition and their trust in its products may be materially and adversely affected if the Group fails to maintain and enhance its brands and reputation. The Group will continue to communicate with its customers and conduct comprehensive research on the tastes and preferences of the local consumers so that the Group can enhance the eating experiences of its existing consumers, which in turn, increase their loyalties to Nissin Group and its products. The Group will further enhance its brand recognition and awareness, in particular, among younger generation by devoting more resources in the promotional and marketing and advertising activities with multi-faceted marketing strategies, including traditional advertising channels such as print and television media and in-store promotional campaigns, as well as social network activities and event sponsorships targeting younger generation.

Further, the sales of the Group's products are subject to changes in consumer tastes, preferences and perceptions. The Group's success will depend in part on its ability to anticipate, identify or react to these changes in consumer tastes, preferences, perceptions and to offer, on a timely basis, new products that appeal to consumers' changing tastes and preferences, consumers' income, perception, lifestyle and health awareness, and its ability to continue to distinguish its products from its competitors' ones. The Group plans to invest in and strengthen its market-oriented product development effort to continuously provide new and innovative products and to further strengthen its research and development capabilities to improve its packaging materials to enhance the eating experience of its consumers and improve the production efficiency of its production machinery and equipment.

The Group has been relying on third-party distributors which on-sell its products to sub-distributors, retailers and other customers, and failure to maintain relationship with its existing distributors, attract new distributors or effectively manage its distributors may materially and adversely affect its business, results of operations and financial condition. The Group adopts strict guidelines to select, assess and continuously monitor the performance its distributors. The Group has been continuously exploring strategic partnerships and/or acquisitions as part of its business development in Hong Kong and China to achieve both horizontal and vertical business integrations.

Relationships with key stakeholders

(i) Relationship with customers

The Group places strong emphasis on establishing and maintaining strong and stable business relationship with its customers, and committed to offer safe, tasty, differentiated and trendy products to customers and consumers, and also stays connected with customers to keep abreast of the changing consumer preference through various channels like the company's website, promotion and marketing materials or incentives and social media.

(ii) Relationship with distributors

The Group's established distribution network is one of the competitive strengths and valuable assets to maintain its advantage position in the market. In order to maintain a long term and stable cooperative relationship with its distributors, the Group enters into distribution agreements with its major distributors under which its distributors place purchase orders from time to time that typically set out the types, prices and quantities of its products to be ordered.

(iii) Relationship with suppliers

The Group procures a majority of raw materials from independent third-party domestic and overseas suppliers, and typically have different suppliers for each type of key raw materials in both Hong Kong and the PRC to reduce dependence on any single supplier, and also procures a portion of raw materials, such as soup base, seasoning and condiments, from the Nissin Japan Group and believed 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 and competitiveness, stability of supply, quality control measures, reasonableness of price as well as logistics arrangements, and also closely communicates with and monitor 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 2017, the Group had a total of approximately 3,400 employees in Hong Kong and the PRC. In view of the huge market opportunities for food and beverages products in Hong Kong and the PRC, the Group is continuously recruiting talented professionals and provides continuing education and training programs to employees to improve their skills and develop their potential. The Group believes that the working environment and the support and benefits provided to employees have contributed to maintaining good working relationships.

Use of Proceeds from Global Offering

The total net proceeds from the Listing involving the issue of 268,580,000 ordinary shares of the Company amounted to approximately HK$950.80 million. During the Relevant Period, the net proceeds from the Listing had not been utilised given the short duration in between the Listing Date and the financial year end. The proposed applications of the Use of Proceeds have been set out in the section headed "Future Plans and Use of Proceeds in the Prospectus of the Company dated 29 November 2017. Currently, the Group held the unutilised net proceeds as deposit with licensed institutions in Hong Kong.

Major Customers and Suppliers

For the year ended 31 December 2017, the Group's sales to its five largest customers accounted for 66.0% (2016: 63.7%) of the Group's total revenue and the largest customer accounted for 28.4% (2016: 29.5%) of the Group's total revenue. The Group's five largest suppliers accounted for 23.3% (2016: 23.4%) of the Group's total purchases and the largest supplier accounted for 6.7% (2016: 7.9%) 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$259.70 million, and property, plant and equipment with carrying values of HK$297.0 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 13 to the consolidated financial statements.

Retirement Benefits Scheme

Details of the Group's retirement benefit schemes are set out in note 30 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 26 to the consolidated financial statements.

Reserves

Details of movement in the reserves of the Group and the Company as at 31 December 2017 are set out on page 52 to the consolidated statement of changes in equity.

Directors

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

Executive Directors

Mr. Kiyotaka Ando
Mr. Shinji Tatsutani
Mr. Munehiko Ono
Mr. Yoshihide Semimaru
Mr. Hijiri Fukuoka

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. Kiyotaka Ando, Mr. Shinji Tatsutani and Mr. Munehiko Ono will retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

For the year ended 31 December 2017, 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 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, were required to be notified to the Company and the Stock Exchange 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 (Note 1)	1.06%
		164,160 (Note 2)	0.01%
Shinji Tatsutani	Beneficial Owner	21,920 (Note 2)	0.00%
Munehiko Ono	Beneficial Owner	16,400 (Note 2)	0.00%
Yoshihide Semimaru	Beneficial Owner	7,760 (Note 2)	0.00%
Hijiri Fukuoka	Beneficial Owner	21,920 (Note 2)	0.00%

Notes:

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

2. These Shares are the Shares granted by the Company pursuant to the Share Award Scheme as set out in note 27 to the consolidated financial statements.

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	27,028 (Note 1)	0.02%
Shinji Tatsutani	Nissin Japan	Beneficial owner	1,624 (Note 2)	0.00%
Munehiko Ono	Nissin Japan	Beneficial owner	2,977 (Note 2)	0.00%
Yoshihide Semimaru	Nissin Japan	Beneficial owner	516 (Note 2)	0.00%
Hijiri Fukuoka	Nissin Japan	Beneficial owner	534 (Note 2)	0.00%

Notes:

1. Among the 27,028 shares of Nissin Japan held by Mr. Kiyotaka Ando, 27,000 shares were held directly by Mr. Kiyotaka Ando and 28 shares were held by a director share ownership association, namely 日清食品役員持株會, as a nominee of Mr. Kiyotaka Ando.

2. These shares were held by an employee share ownership association, namely 日清食品從業員持株會, as a nominee of the respective Director.

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 2017, so far as is known to the Directors, the following persons (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:

Name of Shareholder	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Nissin Japan	Beneficial owner	793,858,000 (L)	73.89%
Nomura Holdings Inc	Interest of controlled corporation (Note)	87,581,000 (L)	8.15%
		40,287,000 (S)	3.75%
Nomura International (Hong Kong) Limited	Beneficial owner (Note)	64,593,000 (L)	6.01%
		40,287,000 (S)	3.75%

Remark: (L) — Long position and (S) — Short position

Note: Nomura International (Hong Kong) Limited held (through itself and its 100% controlled corporations) an aggregate of 64,593,000 shares. Nomura International (Hong Kong) Limited was a wholly-owned subsidiary of Nomura Asia Holding N.V. which was a wholly-owned subsidiary of Nomura Asia Pacific Holdings Co., Ltd which was a wholly-owned subsidiary of Nomura Holdings Inc.

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 of the Company 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 2017 and up to the date of this report, the Company have 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 operation are regulated by the food safety and environmental protection laws and regulations in Hong Kong and the PRC. During the Relevant Period 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 27 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)) were 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 ("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 Relevant Period.

Directors of Subsidiaries

The following Directors have served on the Board in subsidiaries of the Company during the year ended 31 December 2017:

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 Shinji Tatsutani Munehiko Ono Yoshihide Semimaru Taiji Matsumura Kazuhito Kusumoto Satoshi Niibe Motoyoshi Tachibana Chow Siu Tat
Nissin Koikeya Foods (China & HK) Co., Limited ("Nissin Koikeya Foods")	Hong Kong	Kiyotaka Ando Takashi Koike Kazunori Takemura Teppei Ito Takeshi Kikunaga Hiromichi Kimura
Winner Food Products Limited	Hong Kong	Kazuhito Kusumoto Kiyotaka Ando Shinji Tatsutani Munehiko Ono Akifumi Aiba Chow Siu Tat

Name of the Subsidiaries	Place/Country of Incorporation	Name of Directors
MC Marketing & Sales (Hong Kong) Limited	Hong Kong	Kiyotaka Ando Kano Tachibana Hiroshi Ono Shinji Tatsutani Takeshi Kikunaga Wataru Kato Katsuhiro Ito
Nissin Foods (China) Holding Co., Limited	PRC	Kiyotaka Ando Hijiri Fukuoka Shinji Tatsutani Xi Xiaotong Takeshi Shigemi Gen Matsunobu Akifumi Aiba Ying Li Feng
Zhejiang Nissin Foods Company Limited	PRC	Kiyotaka Ando Masashi Imazu Munehiko Ono Shinji Tatsutani Takeshi Shigemi
Guangdong Shunde Nissin Foods Co. Ltd.	PRC	Kiyotaka Ando Munehiko Ono Hijiri Fukuoka Toshinari Hirata Hirofumi Inoue
Zhuhai Golden Coast Winner Food Products Limited	PRC	Akifumi Aiba Ho Ming Dong Kiyotaka Ando Shinji Tatsutani Kazuhito Kusumoto Yutaka Hayashi Munehiko Ono Yoshihide Semimaru Liang Jin Ting Quan Shi Bin
Gangyongnan Food Products (Shenzhen) Co. Ltd.	PRC	Kazuhito Kusumoto Liu Yemo Shinji Tatsutani Munehiko Ono Hirokazu Nakao

Name of the Subsidiaries	Place/Country of Incorporation	Name of Directors
Dongguan Nissin Packaging Co. Ltd.	PRC	Toshimichi Fujinawa Atsushi Matsuura Kiyotaka Ando Munehiko Ono Taiji Matsumura
Fujian Nissin Foods Co. Ltd.	PRC	Kiyotaka Ando Gao Chongguo Munehiko Ono Shinji Tatsutani Hijiri Fukuoka
Shanghai Nissin Foods Co. Ltd.	PRC	Kiyotaka Ando Masahi Imazu Hijiri Fukuoka Toshinari Hirata Munehiko Ono

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 Hong Kong Companies Ordinance. Such permitted indemnity provision was in force during the year ended 31 December 2017 and remains in force at the date of this report.

Emolument Policy

The emolument policy of the directors of the Company is decided by the Remuneration Committee, having regard to the Company's individual 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 since the Listing Date 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

Environmental policy of the Group has been in place to promote environmental protection, the Group engages in corporate activities to preserve natural environment, in order to reduce environment impacts at every stage of business activities, the Group adopts a wide range of policies to control pollutant emissions, such as encouraging recycle of office supplies, saving electricity and using water-saving facilities, to ensure compliance with the environment-related laws and regulations both in Hong Kong and China region.

Environmental, social and governance report will be published to respective websites of the Company and the Stock Exchange in the manner as required by Appendix 27 of the Listing Rules in July 2018.

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 2017. At the Listing, the Company had applied for and the Stock Exchange had granted a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirements under the Listing Rules for these continuing connected transactions.

Transaction Agreement	Connected parties involved	Nature of Relationship	Annual caps (HK$million)	Transaction amount in 2017 (HK$million)
Technology and Trademark Licencing Agreement (Note 1)	Nissin Japan	Controlling Shareholder	28.3	13.7
Snacks Outsourcing Agreement (Note 2)	Taiwan Koikeya Company Limited	Associate of Controlling Shareholder	8.7	2.6
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 our Controlling Shareholder	6.3	3.5
Snacks and Confectionery Purchase Agreement (Note 4)	Nissin Koikeya Foods	Non-wholly owned subsidiary owned as to 34.0% by KOIKE-YA, Inc. which is in turn owned as to approximately 34.53% by Controlling Shareholder	29.4	20.10

Transaction Agreement	Connected parties involved	Nature of Relationship	Annual caps (HK$million)	Transaction amount in 2017 (HK$million)
Master Raw Materials and Products Procurement Agreement (Note 5)	Nissin Japan	Controlling Shareholder	121.4	83.20
Master Equipment and Parts Purchase Agreement (Note 6)	Nissin Japan	Controlling Shareholder	10.0	6.9
Master Raw Materials and Products Sale Agreement (Note 7)	Nissin Japan	Controlling Shareholder	33.3	26.10
Master Quality Control Support Service Agreement (Note 8)	Food Safety Evaluation & Research Institute Co., Ltd.	Subsidiary of Controlling Shareholder	12.6	4.9

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. 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 source 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 Foods to terminate the agreement during its term. The company mainly source 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.

During the year ended 31 December 2017, the Group had been procuring certain finished goods and raw materials from, and supplying the instant noodle and rice vermicelli products and potato chips to Mitsubishi Corporation (Hong Kong) Limited ("MCHK"), which is a wholly owned subsidiary of Mitsubishi Corporation ("Mitsubishi") . With the acquisition by the Company of 51% interest in MC Marketing & Sales (Hong Kong) Limited ("MCMS") in March 2017, MCMS became a subsidiary of the Company and Mitsubishi became a substantial shareholder of MCMS. However, at the time of the listing, MCMS qualified an insignificant subsidiary of the Company with reference to the then latest financial information by virtue of Rule 14A.09 of the Listing Rules and thus Mitsubishi was exempted as a connected person of the Company, and the transactions between the Company and MCHK, being an associate of Mitsubishi, would not constitute or be counted as continuing connected transactions during the year ended 31 December 2017. Nonetheless, as at the date of this annual report, MCMS no longer falls within the ambit of insignificant subsidiary under Rule 14A.09(1) of the Listing Rules based on the latest relevant financial information of MCMS and the Company available as at the date hereof. Accordingly, Mitsubishi becomes a connected person of the Company at its subsidiary level and MCHK, being an associate of Mitsubishi, is a connected person of the Company. The transactions between MCHK and the Company would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the Company shall comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirements under Rules 14A.101 of the Listing Rules, details of which was set out in the announcement of the Company dated 22 March 2018.

DIRECTORS' REPORT

To the extent of related party transactions set out in note 34 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 their unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the group on pages 40 to page 43 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 Director 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, 22 March 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF NISSIN FOODS COMPANY LIMITED

(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 49 to 115, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 spread over different locations. The Group's revenue for the year ended 31 December 2017 amounted to approximately HK$2,902,271,000 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 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 trade terms agreed with them, and comparing the Group's accounting policy on revenue recognition with the applicable accounting standards; • Performing monthly analysis for the past years to assess whether there is any unusual revenue trend over the current year; and • Testing sales transactions recorded during the financial reporting period, 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Revenue	5	**2,902,271**	2,629,905
Cost of sales		**(1,867,706)**	(1,588,722)
Gross profit		**1,034,565**	1,041,183
Other income	6	**38,458**	31,583
Selling and distribution costs		**(603,709)**	(607,088)
Administrative expenses		**(163,294)**	(143,724)
Other expenses		**(40,212)**	(82,431)
Other gains and losses	7	**24,200**	(71,854)
Profit before taxation		**290,008**	167,669
Income tax expense	8	**(69,548)**	(60,517)
Profit for the year	9	**220,460**	107,152
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**119,859**	(110,532)
Share of translation reserve of an associate		**–**	(3)
Fair value loss on available-for-sale investments		**(8,224)**	(6,111)
Reclassification adjustment upon impairment of available-for-sale investments		**8,224**	6,111
		119,859	(110,535)
Total comprehensive income (expense) for the year		**340,319**	(3,383)
Profit for the year attributable to:			
Owners of the Company		**195,363**	90,762
Non-controlling interests		**25,097**	16,390
		220,460	107,152
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**308,695**	(13,917)
Non-controlling interests		**31,624**	10,534
		340,319	(3,383)
Earnings per share	12		
— Basic (HK cents)		**23.81**	11.29
— Diluted (HK cents)		**23.81**	11.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current Assets			
Property, plant and equipment	13	**1,295,386**	1,159,297
Prepaid lease payments for leasehold land	14	**83,750**	83,456
Goodwill	15	**40,082**	8,414
Trademark	16	**31,502**	34,733
Interest in an associate	17	**116**	116
Available-for-sale investments	18	**30,445**	38,669
Deferred tax assets	19	**29,295**	20,229
Loan receivable	20	**3,010**	3,557
Deposits paid for acquisition of property, plant and equipment		**18,875**	51,576
		1,532,461	1,400,047
Current Assets			
Prepaid lease payments for leasehold land	14	**2,201**	1,582
Inventories	21	**290,728**	215,131
Trade receivables	22	**420,626**	296,371
Other receivables, prepayments and deposits	22	**89,504**	72,041
Loan receivable	20	**547**	547
Amount due from ultimate holding company	23	**3,929**	3,447
Amounts due from fellow subsidiaries	23	**4,523**	541
Amount due from a non-controlling shareholder of a subsidiary	23	**–**	225
Tax recoverable		**7,343**	2,851
Time deposits over three months	24	**415,669**	346,221
Bank balances and cash	24	**1,693,459**	1,096,300
		2,928,529	2,035,257
Current Liabilities			
Trade payables	25	**267,684**	153,848
Other payables and accruals	25	**525,057**	502,618
Amount due to ultimate holding company	23	**19,793**	17,001
Amounts due to fellow subsidiaries	23	**4,051**	4,474
Tax liabilities		**40,363**	26,483
		856,948	704,424
Net Current Assets		**2,071,581**	1,330,833
Total Assets less Current Liabilities		**3,604,042**	2,730,880

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and Reserves			
Share capital	26	**2,941,441**	2,030,686
Reserves		**497,755**	588,169
Equity attributable to owners of the Company		**3,439,196**	2,618,855
Non-controlling interests		**111,878**	84,566
Total Equity		**3,551,074**	2,703,421
Non-current Liabilities			
Deferred tax liabilities	19	**33,831**	27,459
Deferred income	25	**19,137**	–
		52,968	27,459
		3,604,042	2,730,880

The consolidated financial statements on pages 49 to 115 were approved and authorised for issue by the Board of Directors on 22 March 2018 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 2017

	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)	Share award reserve HK$'000	Shares held for share award scheme HK$'000	Other reserve HK$'000 (Note 3)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	1,984,645	33,298	1,099	–	23,626	(238,168)	–	–	14,403	1,309,874	3,128,777	83,943	3,212,720
Profit for the year	–	–	–	–	–	–	–	–	–	90,762	90,762	16,390	107,152
Exchange differences arising on translation of foreign operations	–	–	–	–	(104,676)	–	–	–	–	–	(104,676)	(5,856)	(110,532)
Share of translation reserve of an associate	–	–	–	–	(3)	–	–	–	–	–	(3)	–	(3)
Fair value loss on available-for-sale investments	–	–	–	(6,111)	–	–	–	–	–	–	(6,111)	–	(6,111)
Reclassification adjustment upon impairment of available-for-sale investments	–	–	–	6,111	–	–	–	–	–	–	6,111	–	6,111
Total comprehensive (expense) income for the year	–	–	–	–	(104,679)	–	–	–	–	90,762	(13,917)	10,534	(3,383)
Issue of shares (note 26)	43,995	–	–	–	–	–	–	–	–	–	43,995	–	43,995
Issue of shares under share award scheme	2,046	–	–	–	–	–	–	(2,046)	–	–	–	–	–
Transfer of reserves	–	8,621	–	–	–	–	–	–	–	(8,621)	–	–	–
Dividend recognised as distribution to the owners of the Company (note 11)	–	–	–	–	–	–	–	–	–	(540,000)	(540,000)	–	(540,000)
Dividend recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(9,911)	(9,911)
At 31 December 2016	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 26)	**950,773**	–	–	–	–	–	–	–	–	–	**950,773**	–	**950,773**
Transaction costs attributable to issue of new shares (note 26)	**(40,018)**	–	–	–	–	–	–	–	–	–	**(40,018)**	–	**(40,018)**
Acquisition of a non-wholly owned subsidiary (note 31)	–	–	–	–	–	–	–	–	–	–	–	**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 11)	–	–	–	–	–	–	–	–	–	**(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**

Notes:

1. According to the articles of association and board resolution of subsidiaries of the Company in the 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 profits of Winner Food, net of non-controlling interests, prior to the original acquisition of Winner Food by Nissin Foods Holdings Co., Ltd., the Company's immediate and ultimate holding company, in 1989, arising from 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 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**290,008**	167,669
Adjustments for:		
Allowance for doubtful debts	**319**	1,462
Amortisation of prepaid lease payments for leasehold land	**3,468**	9,101
Amortisation of trademark	**3,231**	3,231
Depreciation of property, plant and equipment	**16,645**	12,517
Dividend income	**(206)**	(199)
Equity-settled share-based payment expense	**900**	–
Exchange loss	**–**	3,925
(Gain) loss on disposal of property, plant and equipment	**(46,228)**	4,853
Government grant related to acquisition of land in the PRC	**(131)**	–
Government grant related to expenses recognised	**(3,468)**	–
Impairment loss recognised on available-for-sale investments	**8,224**	6,111
Impairment loss recognised on property, plant and equipment	**13,010**	42,886
Interest income from bank deposits	**(23,910)**	(27,619)
Write-down of inventories	**–**	7,580
Operating cash flows before movement in working capital	**261,862**	231,517
Decrease in inventories	**94,018**	19,409
(Increase) decrease in trade receivables	**(85,156)**	18,833
Decrease (increase) in other receivables, prepayments and deposits	**11,962**	(20,985)
(Increase) decrease in amounts due from fellow subsidiaries	**(3,982)**	2,817
Increase in trade payables	**76,002**	16,334
(Decrease) increase in other payables and accruals	**(85,679)**	15,949
Increase (decrease) in amount due to ultimate holding company	**2,903**	(544)
(Decrease) increase in amounts due to fellow subsidiaries	**(422)**	3,394
Government grant related to expenses received	**3,468**	–
Cash generated from operation	**274,976**	286,724
Income taxes paid	**(60,125)**	(75,265)
NET CASH FROM OPERATING ACTIVITIES	**214,851**	211,459

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	**2017 HK$'000**	2016 HK$'000
INVESTING ACTIVITIES			
Net cash outflow on acquisition of a subsidiary	31	**(21,276)**	–
Interest received		**24,354**	28,171
Dividend received		**206**	199
Purchase of property, plant and equipment		**(214,827)**	(421,874)
Government grant in related to acquisition of land in the PRC received		**19,268**	–
Proceeds from disposal of property, plant and equipment		**88,672**	30,726
Payment for prepaid lease payments for leasehold land		**–**	(3,241)
Purchase of available-for-sale investments		**–**	(12,966)
Proceeds from disposal of available-for-sale investments		**–**	536,315
Loan repaid		**547**	410
Advance to ultimate holding company		**(3,929)**	(3,447)
Repayment from ultimate holding company		**3,558**	4,391
Advance to a non-controlling shareholder of a subsidiary		**–**	(225)
Repayment from a non-controlling shareholder of a subsidiary		**225**	188
Placement of time deposits with original maturity of more than three months		**(648,189)**	(259,336)
Withdrawal of time deposits with original maturity of more than three months		**578,741**	67,554
NET CASH USED IN INVESTING ACTIVITIES		**(172,650)**	(33,135)
FINANCING ACTIVITIES			
Proceeds from issue of new shares		**950,773**	43,995
Expenses incurred in connection with issue of new shares		**(40,018)**	–
Dividend paid to owners of the Company		**(400,009)**	(540,000)
Dividend paid to non-controlling interests		**(11,509)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**499,237**	(496,005)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**541,438**	(317,681)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**55,721**	(57,730)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,096,300**	1,471,711
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,693,459**	1,096,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 is principally engaged in the manufacturing and sales of noodles, retort foods, beverage products and snacks, and investment holdings. The principal activities of its subsidiaries and an associate are set out in notes 35 and 17 respectively.

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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the 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, but resulted in additional disclosures, as set out in these consolidated financial statements, as described below.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require changes from financing cash flows to be disclosed.

A reconciliation between the opening and closing balances of these items is provided in note 36. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 36, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs and Interpretations in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

New and revised HKFRSs and Interpretations in issue but not yet effective *(continued)*

HKFRS 9 Financial Instruments *(continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate that the following potential impact on initial application of HKFRS 9:

Classification and measurement:

Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 18: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

Unlisted equity securities classified as available-for-sale investments carried at cost less impairment, if any, as disclosed in note 18: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, the fair value gains, representing the difference between (i) the carrying amounts of these securities at cost less any impairment and (ii) the fair values (net of deferred tax impact, if any) relating to these securities, would be adjusted to retained profits as at 1 January 2018.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

The directors of the Company anticipate that it is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing financial instruments as at 31 December 2017.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

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

New and revised HKFRSs and Interpretations in issue but not yet effective *(continued)*

HKFRS 15 Revenue from Contracts with Customers (continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- 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 obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in a decrease in the amount of revenue recognised and a decrease in selling expenses in respect to payments to the distributors, and more disclosures relating to revenue is required. It is also anticipated that the adoption of HKFRS 15 in the future is unlikely to have other material impact as revenue recognition based on the existing business model of the Group as at 31 December 2017.

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. 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 while 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.

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

New and revised HKFRSs and Interpretations in issue but not yet effective *(continued)*

HKFRS 16 Leases (continued)

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.

In contrast to lessee accounting, 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 2017, the Group has non-cancellable operating lease commitments of HK$4,323,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. 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$2,428,000 as rights and obligations 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 and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as disclosed in above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs and Interpretations will have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements in the foreseeable future.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the 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*.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. 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.

Leasehold land and building

When the Group make 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 lease 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 a finance lease.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

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, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

Intangible assets acquired separately

Trademark

Trademark is an intangible asset with finite useful life that is acquired separately.

It is carried at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill below). 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in an associate *(continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) 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.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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 those 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. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When it is not possible to estimate the recoverable amount of an asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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, fellow subsidiaries and a non-controlling shareholder of a subsidiary, time deposits over three months, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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 fair value through profit or loss, (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. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. 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. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

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 (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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 asset 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. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at amortised cost

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

Derecognition

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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 paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers return, discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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.

Leasing

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 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)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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' as reported in the consolidated statement of profit or loss and other comprehensive income 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 base 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 (other than in a business combination) 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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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 rates (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.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

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

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.

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

Amortisation of trademark

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

As at 31 December 2017, the carrying amounts of trademark of the Group is HK$31,502,000 (2016: HK$34,733,000) (net of accumulated amortisation and impairment loss of HK$41,917,000 (2016: HK$38,686,000)). Details of the trademark are disclosed in note 16.

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 advise. Any excess of value in use over the carrying amount will be recognised as impairment loss immediately.

As at 31 December 2017, the carrying amount of goodwill is HK$40,082,000 (31 December 2016: HK$8,414,000). Details of the recoverable amount calculation are disclosed in note 15.

5. REVENUE AND SEGMENT INFORMATION

Revenue mainly represents the amount received and receivable for goods sold during the year, net of discount and sales related tax.

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

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

Segment revenue and results

For the year ended 31 December 2017

	HK Operations HK$'000	PRC Operations HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
Segment revenue from external customers	1,386,011	1,516,260	2,902,271	–	2,902,271
Inter-segment revenue	99,657	137,274	236,931	(236,931)	–
Segment revenue	1,485,668	1,653,534	3,139,202	(236,931)	2,902,271
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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2016

	HK Operations HK$'000	PRC Operations HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
Segment revenue from external customers	1,165,812	1,464,093	2,629,905	–	2,629,905
Inter-segment revenue	68,409	128,589	196,998	(196,998)	–
Segment revenue	1,234,221	1,592,682	2,826,903	(196,998)	2,629,905
Result					
Segment results	91,025	174,048	265,073	–	265,073
Unallocated income					3,964
Unallocated expenses and other losses					(67,557)
Interest income					27,619
Impairment loss recognised on available-for-sale investments					(6,111)
Impairment loss recognised on property, plant and equipment					(42,886)
Loss on disposal of property, plant and equipment					(4,853)
Write-down of inventories					(7,580)
Consolidated profit before taxation					167,669

Inter-segment revenue are charged at prevailing market rates.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of certain other expenses and other losses, certain other income, net exchange gain or loss, interest income, impairment losses recognised on available-for-sale investments and property, plant and equipment, gain (loss) on disposal of property, plant and equipment, and write-down of inventories. This is measure reported to the chief operating decision makers 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.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

Amounts included in the measure of segment results:

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

For the year ended 31 December 2016

	HK Operations HK$'000	PRC Operations HK$'000	Total HK$'000
Amortisation of prepaid lease payments for leasehold land	–	9,101	9,101
Amortisation of trademark	3,231	–	3,231
Depreciation of property, plant and equipment	5,433	7,084	12,517

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.

	2017 HK$'000	2016 HK$'000
External revenue:		
Hong Kong	1,287,422	1,049,593
PRC	1,525,944	1,489,468
Others (Canada, Australia, the United States of America, Taiwan, Macau, etc)	88,905	90,844
	2,902,271	2,629,905

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

	2017 HK$'000	2016 HK$'000
Non-current assets (Note):		
Hong Kong	**475,849**	436,337
PRC	**993,862**	901,255
	1,469,711	1,337,592

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

Information about major customers

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

	2017 HK$'000	2016 HK$'000
Customer A[1]	**824,578**	775,921
Customer B[2]	**373,992**	383,381
Customer C[2]	**335,726**	339,130

1 From the PRC operations

2 From both HK and the PRC operations

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Dividend income from available-for-sale investments	**206**	199
Government grant related to acquisition of land in the PRC	**131**	–
Government grant related to expenses recognised	**3,468**	–
Interest income from bank deposits	**23,910**	27,619
Miscellaneous income	**3,732**	1,488
Other material and scrap sales	**7,011**	2,277
	38,458	31,583

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Exchange loss, net	**(794)**	(10,424)
Impairment loss recognised on available-for-sale investments	**(8,224)**	(6,111)
Impairment loss recognised on property, plant and equipment (note 13)	**(13,010)**	(42,886)
Gain (loss) on disposal of property, plant and equipment	**46,228**	(4,853)
Write-down of inventories (Note)	**–**	(7,580)
	24,200	(71,854)

Note: Amount being write-off of inventories held by Shanghai Nissin Foods Co., Ltd. which was in the process of deregistration during the year ended 31 December 2016. The directors of the Company have estimated the net realisable value of certain outdated printed packaging materials to be insignificant, as a result, the relevant inventories have been fully written off.

8. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong Profits Tax	**17,989**	15,946
PRC Enterprise Income Tax	**48,435**	42,434
PRC Withholding tax	**1,501**	1,269
	67,925	59,649
Under(over)provision in prior years:		
Hong Kong Profits Tax	**2,147**	(2,567)
PRC Enterprise Income Tax	**991**	1,425
	3,138	(1,142)
	71,063	58,507
Deferred tax (note 19)	**(1,515)**	2,010
	69,548	60,517

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

8. 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%.

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:

	2017 **HK$'000**	2016 HK$'000
Profit before taxation	**290,008**	167,669
Tax at the domestic income tax rate of 16.5%	**47,851**	27,665
Tax effect of expenses not deductible for tax purpose	**5,408**	13,660
Tax effect of income not taxable for tax purpose	**(1,709)**	(3,720)
Tax effect of tax losses not recognised	**3,287**	3,327
Utilisation of tax losses previously not recognised	**(2,040)**	(169)
Tax effect of other temporary differences not recognised	**346**	6,308
Utilisation of other temporary differences previously not recognised	**(6,206)**	–
Effect of different tax rates of subsidiaries operating in the PRC	**13,444**	12,087
Under(over)provision in prior years	**3,138**	(1,142)
Withholding tax attributable to undistributed profits of the PRC subsidiaries	**5,787**	1,594
Others	**242**	907
Income tax expense for the year	**69,548**	60,517

9. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Allowance for doubtful debts	**319**	1,462
Amortisation of prepaid lease payments for leasehold land	**3,468**	9,101
Amortisation of trademark	**3,231**	3,231
Auditor's remuneration	**4,686**	3,523
Cost of inventories recognised as expense	**1,867,706**	1,596,302
Depreciation of property, plant and equipment	**125,577**	90,780
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(108,932)**	(78,263)
	16,645	12,517
Expenses relating to the closure of the production plant of Shanghai Nissin Foods Co., Ltd. (Note iii)	**–**	36,048
Listing expenses	**15,208**	21,085
Minimum lease payments paid under operating leases in respect of rented premises	**7,708**	7,190
Research and development expenditure	**25,004**	25,298
Staff costs (Note i)		
Directors' emoluments		
— fees (note 10)	**266**	158
— other emoluments	**6,016**	4,632
	6,282	4,790
Other staff costs excluding directors' emoluments (Notes i, ii)	**496,147**	444,921
Total staff costs	**502,429**	449,711
Less: Amount capitalised in inventories and included in cost of sales upon sales	**(255,784)**	(236,779)
Less: Amount included as research and development expenditure as shown in above	**(11,780)**	(12,572)
	234,865	200,360

Notes:

i. Operating lease rentals in respect of staff quarters for the year ended 31 December 2017 amounting to HK$968,000 (2016: HK$1,214,000) 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 2017 amounted to HK$47,885,000 (2016: HK$39,573,000).

iii. Compensation to terminated employees amounted to HK$22,454,000 was included in the expenses relating to the closure of the production plant of Shanghai Nissin Foods Co., Ltd., which was under deregistration process as at 31 December 2016. The deregistration is still under process as at 31 December 2017.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2017 HK$'000	2016 HK$'000
Directors' fee (Note i)	**266**	158
Other emoluments: (Note ii)		
Basis salaries and allowances	**5,116**	4,632
Discretionary bonus	**900**	–
Retirement benefits scheme contributions	**–**	–
	6,282	4,790

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 2017

	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Other emoluments 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 (appointed on 21 November 2017)	22	–	–	–	22
Mr. Junichi Honda (appointed on 21 November 2017)	22	–	–	–	22
Professor Lynne Yukie Nakano (appointed on 21 November 2017)	22	–	–	–	22
	266	5,116	900	–	6,282

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

For the year ended 31 December 2016

	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Other emoluments discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS					
Mr. Kiyotaka Ando (Note)	–	1,347	–	–	1,347
Mr. Munehiko Ono	–	1,192	–	–	1,192
Mr. Shinji Tatsutani	–	920	–	–	920
Mr. Yoshihide Semimaru	–	920	–	–	920
Mr. Hijiri Fukuoka	–	253	–	–	253
B) NON-EXECUTIVE DIRECTOR					
Mr. Tong Ching Hsi	158	–	–	–	158
	158	4,632	–	–	4,790

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.

The five highest paid employees of the Group during the year included three directors (2016: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Basis salaries and allowances	**2,077**	2,934
Discretionary bonus	**–**	–
Retirement benefits scheme contributions	**–**	–
	2,077	2,934

The emoluments of these employees were individually from HK$1,000,001 to HK$1,500,000 for the year ended 31 December 2017 (2016: less than HK$1,000,000).

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.

11. DIVIDEND

	2017 **HK$'000**	2016 HK$'000
Dividends recognised as distribution during the year:		
2017 interim — HK$19.86 (2016: 2016 interim dividend HK$27.21) per share	**400,009**	540,000

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK$7.30 cents per ordinary share, in an aggregate amount of HK$78,425,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. 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:

	2017	2016
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basis and diluted earnings per share (HK$'000)	**195,363**	90,762
Number of shares		
Weighted average number of ordinary shares for the purpose of		
— basic earnings per share	**820,677,385**	803,691,478
— diluted earnings per share	**820,677,385**	803,691,478

Notes:

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 arrived after deducting 528,000 (2016: 528,000) shares held by a share award scheme trust as set out in note 26, taking into account of Share Subdivision and adjusted to reflect the number of shares of 232,000 (2016: nil) vested during the year.

The computation of diluted earnings per share does not assure the exercise of the over-allotment option in initial public offering because the exercise price is higher than the average market price. In addition, the computation of diluted earnings per share for the years ended 31 December 2017 and 2016 have not considered the impact in respect of the outstanding share awards since the directors of the Company considered the impact to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. 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 2016	31,470	550,495	16,558	609,394	77,699	14,943	290,788	1,591,347
Additions	–	7,086	–	70,643	14,956	3,463	371,424	467,572
Disposals	–	–	(127)	(64,027)	(7,191)	(1,555)	–	(72,900)
Reclassification	–	120,404	–	57,533	545	–	(178,482)	–
Exchange realignment	–	(29,512)	–	(26,546)	(3,266)	(454)	(11,141)	(70,919)
At 31 December 2016	**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 31)	**–**	**–**	**–**	**–**	**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**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2016	22,085	286,800	9,168	314,495	41,059	10,241	–	683,848
Provided for the year	298	16,774	2,435	58,076	11,032	2,165	–	90,780
Impairment loss recognised (Note i)	–	1,356	–	41,247	87	196	–	42,886
Eliminated upon disposals	–	–	(127)	(31,217)	(4,515)	(1,462)	–	(37,321)
Exchange realignment	–	(11,046)	–	(11,728)	(1,337)	(279)	–	(24,390)
At 31 December 2016	**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 ii)	**–**	**–**	**–**	**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**
CARRYING VALUES								
At 31 December 2017	**8,789**	**703,736**	**5,351**	**470,588**	**51,842**	**6,576**	**48,504**	**1,295,386**
At 31 December 2016	9,087	354,589	4,955	276,124	36,417	5,536	472,589	1,159,297

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

Notes:

i. During the year ended 31 December 2016, the directors of the Company conducted a review of the Group's machinery and equipment and determined that certain items were impaired since certain production lines do not meet their respective target production capacity. Accordingly, impairment losses of HK$13,573,000 have been recognised on those assets. The recoverable amounts of the relevant assets amounted to HK$13,306,000 have been determined on the basis of their value in use. The discount rate used in determining the value in use was 6.82%. In addition, due to the closure of the production plant of Shanghai Nissin Foods Co., Ltd., which was in the process of deregistration commenced during the year ended 31 December 2016, the directors of the Company identified those related assets to be impaired. Accordingly, full impairment loss of HK$29,313,000 on these assets has been recognised in the profit or loss.

ii. During the year ended 31 December 2017, 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$13,010,000 on those assets have been recognised in the profit or loss.

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 lands	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 lands of the Group are situated in Hong Kong.

14. PREPAID LEASE PAYMENTS FOR LEASEHOLD LAND

	2017 **HK$'000**	2016 HK$'000
Prepaid lease payments for leasehold land in the PRC	**85,951**	85,038
Analysed for reporting purposes as:		
Non-current assets	**83,750**	83,456
Current assets	**2,201**	1,582
	85,951	85,038

15. GOODWILL

	2017 **HK$'000**	2016 HK$'000
AT COST		
At 1 January	**8,414**	8,414
Arising on acquisition of a subsidiary (note 31)	**31,668**	–
At 31 December	**40,082**	8,414

15. 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 as at 31 December 2017 and 2016 allocated to these CGUs are as follows:

	2017 HK$'000	2016 HK$'000
Guangdong Shunde Nissin Foods Co., Ltd.	**8,414**	8,414
MC Marketing & Sales (Hong Kong) Limited	**31,668**	–
	40,082	8,414

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 amounts 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 7.1% (2016: 6.8%). The cash flows beyond five years are extrapolated using a 1% (2016: 1%) 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

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 (note 31). 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 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 the marketing network as well as product portfolio in Hong Kong and Macau.

The recoverable amount of this CGU has been determined based on a value in use calculation. At 31 December 2017, 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 5 years and a pre-tax discount rate of 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 5-years period are extrapolated using a steady 3% 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.

16. TRADEMARK

	HK$'000
COST	
At 1 January 2016, 31 December 2016 and 31 December 2017	73,419
AMORTISATION AND IMPAIRMENT	
At 1 January 2016	35,455
Amortisation for the year	3,231
At 31 December 2016	38,686
Amortisation for the year	3,231
At 31 December 2017	**41,917**
CARRYING VALUES	
At 31 December 2017	**31,502**
At 31 December 2016	34,733

The carrying amounts 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. As at 31 December 2017, accumulated impairment losses recognised in respect of such trademark amounted to HK$21,197,000 (2016: HK$21,197,000).

17. INTEREST IN AN ASSOCIATE

	2017 **HK$'000**	2016 HK$'000
Unlisted shares, at cost	**120**	120
Exchange realignment	**(4)**	(4)
	116	116

17. INTEREST IN AN ASSOCIATE *(continued)*

Particulars of the associate of the Group are as follows:

Name of associate	Place of incorporation	Proportion of ownership interest held by the Group 2017	2016	Principal activities
北京正本廣告有限公司	PRC	**25%**	25%	Designing, producing an publishing advertisements

The followings are the summarised financial information of the associate:

	2017 HK$'000	2016 HK$'000
The Group's share of profit	**–**	–
The Group's share of other comprehensive expense	**–**	(3)
The Group's share of total comprehensive expense	**–**	(3)
Aggregate carrying amount of the Group's interest in an associate	**116**	116

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
At fair values:		
Club debenture	**100**	100
Listed equity investments in Hong Kong	**10,831**	19,055
	10,931	19,155
At cost:		
Unlisted equity investments	**19,514**	19,514
	30,445	38,669

18. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

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

Listed equity investments are measured at fair value at the end of the reporting period based on quoted market bid prices.

Unlisted equity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

As at 31 December 2017, the Group's unlisted equity investments include an amount of HK$3,905,000 (2016: HK$3,905,000) which represents investments in 5% unlisted equity securities issued by private entities established in the PRC. These investments are engaged in the manufacturing and sales of instant foods (with remaining interests held by another independent third party). The remaining HK$15,609,000 (2016: HK$15,609,000) as at 31 December 2017 represents investments in unlisted equity securities issued by a private entity in India, which engaged in processing and export of freeze-dried seafood, spices and herbs.

19. 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:

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	**(29,295)**	(20,229)
Deferred tax liabilities	**33,831**	27,459
	4,536	7,230

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the year:

	Accelerated tax depreciation	**Tax losses**	**Undistributed earnings of the PRC subsidiaries**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 1)	(Note 2)	(Note 3)	
At 1 January 2016	20,209	(117)	7,036	(21,908)	5,220
Charged (credited) to profit or loss	378	(894)	325	2,201	2,010
At 31 December 2016	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**

19. DEFERRED TAXATION *(continued)*

Notes:

1. At the end of the reporting period, the Group has unused tax losses of approximately HK$146,786,000 (2016: HK$40,383,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$126,169,000 (2016: HK$5,888,000) of such losses. No deferred tax asset in respect of the remaining tax losses of approximately HK$20,617,000 (2016: HK$34,495,000) has been recognised due to the unpredictability of future profit streams.

   Included in unrecognised tax losses as at 31 December 2017 are losses of HK$20,617,000 (2016: HK$31,255,000) that will expire as follows:

	2017 HK$'000	2016 HK$'000
2018	–	1,612
2019	–	416
2020	–	9,613
2021	–	19,614
2022	**20,617**	–
	20,617	31,255

   As at 31 December 2016, other losses of approximately HK$3,240,000 may be carried forward indefinitely.

2. Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of all temporary differences attributable to undistributed profits of the PRC subsidiaries amounting to approximately HK$233,000,000 (2016: HK$147,000,000).

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$110,484,000 (2016: HK$100,301,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$109,136,000 (2016: HK$78,828,000) of such deductible temporary differences. No deferred tax assets in respect of the remaining temporary differences of approximately HK$1,348,000 (2016: HK$21,473,000) has been recognised due to unpredictability of future profits stream.

20. 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.

21. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**100,067**	88,642
Work in progress	**22,767**	16,879
Finished goods	**167,894**	109,610
	290,728	215,131

22. TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2017 HK$'000	2016 HK$'000
Trade receivables	**422,702**	298,583
Less: allowance for doubtful debts	**(2,076)**	(2,212)
	420,626	296,371

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

	2017 HK$'000	2016 HK$'000
0 to 30 days	**227,965**	186,473
31 to 90 days	**166,031**	104,111
91 to 180 days	**26,630**	5,787
	420,626	296,371

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. Most of the trade receivables that are neither past due nor impaired have the best credit quality as determined by the Group.

Trade receivables which are neither past due nor impaired are considered recoverable as the balances related to a number of independent customers that have a good repayment record with the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amounts of HK$59,275,000 (2016: HK$26,282,000) 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.

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

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
Overdue:		
1 to 30 days	**44,116**	19,371
31 to 60 days	**4,336**	246
Over 60 days	**10,823**	6,665
Total	**59,275**	26,282

Movement in the allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**2,212**	1,237
Impairment losses recognised	**319**	1,462
Amounts written off as uncollectible	**(626)**	(414)
Exchange realignment	**171**	(73)
Balance at end of the year	**2,076**	2,212

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$2,076,000 (2016: HK$2,212,000) which are in financial difficulties in repaying the outstanding balances. The Group does not hold any collateral over these balances.

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

	2017 HK$'000	2016 HK$'000
Other receivables	**27,221**	9,469
Prepayments	**8,183**	9,387
Prepaid value added tax and other taxes	**39,034**	38,768
Rental deposits	**2,428**	2,634
Utilities and other deposits	**12,638**	11,783
	89,504	72,041

23. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

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:

	2017 **HK$'000**	2016 HK$'000
0 to 30 days	**4,264**	538
31 to 90 days	**259**	2
91 to 180 days	**–**	1
	4,523	541

Included in the Group's trade receivables from fellow subsidiaries are debtors with aggregate carrying amounts of HK$259,000 (2016: HK$3,000) 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 amounts due from fellow subsidiaries which are past due but not impaired

	2017 **HK$'000**	2016 HK$'000
Overdue:		
1 to 30 days	**259**	2
31 to 60 days	**–**	1
	259	3

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:

23. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY *(continued)*

Amount due to ultimate holding company:

	2017 **HK$'000**	2016 HK$'000
0 to 30 days	**7,306**	5,189
31 to 90 days	**7,590**	8,069
91 to 180 days	**2,811**	2,718
Over 180 days	**2,086**	1,025
	19,793	17,001

Amounts due to fellow subsidiaries:

	2017 **HK$'000**	2016 HK$'000
0 to 30 days	**4,021**	4,399
31 to 90 days	**30**	75
	4,051	4,474

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

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

Bank balances carry interest at market rates which range from 0.01% to 7.30% per annum for both years ended 31 December 2017 and 2016.

The time deposits over three months carry fixed interest rate ranging from 0.91% to 3.35% per annum for both years ended 31 December 2017 and 2016.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS, AND DEFERRED INCOME

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

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

	2017 **HK$'000**	2016 HK$'000
0 to 30 days	**146,953**	98,679
31 to 90 days	**100,239**	51,000
91 to 180 days	**20,414**	1,181
Over 180 days	**78**	2,988
	267,684	153,848

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

	2017 **HK$'000**	2016 HK$'000
Accruals for promotion and advertising expenses	**277,012**	278,632
Construction payables	**10,309**	53,230
Dividend payable	**13,080**	9,911
Staff costs and welfare payables	**89,398**	76,134
Value added tax and other tax payables	**24,780**	11,406
Other payables and accruals	**110,478**	73,305
	525,057	502,618

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

	2017 **HK$'000**	2016 HK$'000
1 January	**–**	–
Government grant received in related to acquisition of land in the PRC	**19,268**	–
Amortisation in the current year	**(131)**	–
31 December	**19,137**	–

During the year ended 31 December 2017, the Group received government grant of HK$19,268,000 (2016: nil) as subsidy for the acquisition of the land in the PRC. Accordingly, the amount is recognised as income over the useful lives of the related asset and HK$131,000 (2016: nil) in respect of such grant has been recognised as other income in the profit or loss.

In addition, government grant of HK$3,468,000 (2016: nil) has been received in the current year as subsidy for electricity expenses incurred by the factory in the PRC. The amount has been recognised as other income in the profit or loss.

26. SHARE CAPITAL

	Number of shares		Share capital	
	2017	2016	**2017**	2016
			HK$'000	HK$'000
Issued and fully paid:				
At beginning of the year	**20,143,487**	19,846,450	**2,030,686**	1,984,645
Shares subdivision (Note iii)	**785,595,993**	–	**–**	–
Issue of new ordinary shares (Notes i & iv)	**268,580,000**	283,837	**950,773**	43,995
Issue of new ordinary shares under share award scheme (Note ii)	**–**	13,200	**–**	2,046
Transaction costs attributable to issue of new shares	**–**	–	**(40,018)**	–
At the end of the year	**1,074,319,480**	20,143,487	**2,941,441**	2,030,686

Notes:

i. On 19 February 2016, the Company issued 283,837 shares with no par value to Mr. Kiyotaka Ando for a consideration of HK$43,995,000.

ii. On 7 March 2016, 13,200 shares ("Scheme Shares") are allotted at HK$2,046,000 in aggregate and held by a trust for a share award scheme (the "Share Award Scheme"). The estimated total fair value of the Scheme Shares is determined with reference to the consideration of the shares allotted to Mr. Kiyotaka Ando on 19 February 2016 as mentioned in note i.

iii. 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.

iv. 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.

v. 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.

26. SHARE CAPITAL *(continued)*

Details of the shares held under the share award scheme note 27 are set out below:

	Average purchase price HK$	No. of shares held	Value of shares HK$'000
At 1 January 2016	–	–	–
Shares allotted during the year	155	13,200	2,046
At 31 December 2016	155	13,200	2,046
Shares subdivision (Note iii)	(151)	514,800	–
Shares vested under share award scheme	–	(232,160)	(900)
At 31 December 2017	**4**	**295,840**	**1,146**

27. SHARE-BASED PAYMENT TRANSACTIONS

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

For awarded shares granted on 17 March 2016 according to the Share Award Scheme, all of the 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 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.

During the year ended 31 December 2016, a total of 5,804 award 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. No shares have been awarded to selected employees during the year ended 31 December 2017.

The 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 share awarded in 2016 has been met. As a result, all awarded shares have been vested accordingly.

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

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

Category of grantees	**Date of grant**	**Vesting period**	**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)**	**–**
Exercisable at the end of the year						**–**

Category of grantees	Date of grant	Vesting period	Number of shares awarded Balance as at 1 January 2016	Awarded the year	Balance as at 31 December 2016
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	5,804
Exercisable at the end of the year					–

The aggregate fair value of the award shares determined at the date of grant amounting to HK$900,000 (2016: nil) was recognised as an expense in profit or loss for the year ended 31 December 2017 upon the shares granted under share award scheme as vested.

28. OPERATING LEASE COMMITMENTS

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:

	2017 **HK$'000**	2016 HK$'000
Within one year	**4,323**	5,287
In the second to fifth year inclusive	–	55
	4,323	5,342

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years (2016: 2 years) and rentals are fixed over the terms of the leases.

29. CAPITAL COMMITMENTS

	2017 **HK$'000**	2016 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**202,700**	246,916

30. RETIREMENT BENEFITS SCHEME

The Group participates in both defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund 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$47,885,000 (2016: HK$39,573,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

At 31 December 2017 and 2016, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

31. 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

31. ACQUISITION OF A SUBSIDIARY *(continued)*

Goodwill arising on acquisition: *(continued)*

The non-controlling interests 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	**(21,276)**

Included in the profit for the year is HK$6,770,000 attributable to the additional business generated by MC Marketing & Sales (Hong Kong) Limited. Revenue for the year includes HK$378,322,000 generated from MC Marketing & Sales (Hong Kong) Limited.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been HK$2,935,220,000, and profit for the year would have been HK$221,121,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

32. 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.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,584,051**	1,771,095
Available-for-sale financial assets	**30,445**	38,669
Financial liabilities		
Amortised cost	**791,804**	666,535

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sales investments, trade and other receivables, loan receivable, amounts due from ultimate holding company, fellow subsidiaries and a non-controlling shareholder of a subsidiary, time deposits with maturity over three months, bank balances and cash, trade and other payables, amounts due to ultimate holding company and fellow subsidiaries. Details of the 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	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
United States Dollar ("US$")	**173,909**	79,980	**26,236**	18,370
HK$	**15,058**	5,426	**–**	1
Japanese Yen ("JPY")	**344**	902	**9,339**	7,588
Renminbi ("RMB")	**283,136**	300,552	**91,688**	102,637
Singapore Dollar ("SGD")	**–**	–	**–**	934

33. 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% (2016: 5%) increase and decrease in the relevant foreign currencies against the functional currencies of the relevant group entities. 5% (2016: 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% (2016: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) 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.

	Profit for the year	
	2017	2016
	HK$'000	HK$'000
JPY against HK$	**(375)**	(279)
RMB against HK$	**7,993**	8,263

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 cash flow interest rate risk due to the fluctuation of prevailing market interest rate on bank deposits. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank deposits. 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 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, no sensitivity analysis is prepared in the consolidated financial statements.

33. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk (continued)

(iii) Other price risk

The Group is mainly exposed to equity price risk through its investments in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 35% (2016: 20%) lower, the profit for the year would decrease by HK$3,790,000 (2016: HK$3,811,000) for the Group as a result of the changes in fair value of available-for-sale investments.

The management does not anticipate a significant increase in market bid price on the available-for-sale 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.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the failure by the counterparties to discharge an obligation arises from the carrying amounts of the respective financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

The Group has no other significant concentration of credit risk, which exposure spread over a number of counterparties and customers.

33. 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 remaining contractual maturity for its non-derivative 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

For the year ended 31 December 2017

	Weighted average effective interest rate %	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	–	500,276	–	–	500,276	500,276
Amount due to ultimate holding company	–	19,793	–	–	19,793	19,793
Amounts due to fellow subsidiaries	–	4,051	–	–	4,051	4,051
		791,196	608	–	791,804	791,804

For the year ended 31 December 2016

	Weighted average effective interest rate %	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	–	153,672	176	–	153,848	153,848
Other payables and accruals	–	491,212	–	–	491,212	491,212
Amount due to ultimate holding company	–	17,001	–	–	17,001	17,001
Amounts due to fellow subsidiaries	–	4,474	–	–	4,474	4,474
		666,359	176	–	666,535	666,535

33. 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.

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

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

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

Financial assets	Fair value as at 2017 HK$'000	Fair value as at 2016 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as available-for-sale investments	**10,831**	19,055	Level 1	Quoted prices in an active market
Club debenture classified as available-for-sale investments	**100**	100	Level 2	Quoted prices in a secondary market for identical assets

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

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

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

34. 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:

	2017	2016
	HK$'000	HK$'000
Ultimate holding company		
Management fee received	**221**	207
Outsourcing manufacturing and procurement of finished goods	**12,990**	2,098
Purchase of raw materials	**34,760**	32,262
Purchase of equipment and parts	**6,864**	3,570
Rental income received	**18**	19
Royalty charges paid (Note)	**13,740**	14,333
Sales of raw materials	**835**	–
Purchase of SAP license	**526**	–
Recruitment service fee	**43**	–

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.

	2017	2016
	HK$'000	HK$'000
Fellow subsidiaries		
Food testing fee	**4,943**	5,000
Outsourcing manufacturing and procurement of finished goods	**32,466**	30,786
Purchase of raw materials	**2,981**	3,068
Sales of raw materials and finished goods	**26,068**	12,366

The compensation to key management personnel consist mainly of directors' emoluments as disclosed in note 10.

35. 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 2017	2016	Principal activities
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
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

35. 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 2017	2016	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
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%**	–	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	RMB245,000,000	**100%**	100%	Manufacturing of instant noodles products

* English translated name is for identification only.

35. PARTICULARS OF THE SUBSIDIARIES *(continued)*

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 2017.

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 31.

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**	
	2017	2016	**2017**	2016	**2017**	2016
			HK$'000	HK$'000	**HK$'000**	HK$'000
Name of subsidiaries						
Zhuhai Golden Coast Winner Food Products Limited	**29.55%**	29.55%	**21,337**	16,325	**97,050**	82,267
Nissin Koikeya Foods (China & HK) Co., Limited	**34%**	34%	**443**	65	**2,742**	2,299
MC Marketing & Sales (Hong Kong) Limited	**49%**	–	**3,317**	–	**12,086**	–
			25,097	16,390	111,878	84,566

35. 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

	2017 **HK$'000**	2016 HK$'000
Non-current assets	**146,215**	93,789
Current assets	**289,808**	286,161
Current liabilities	**(107,597)**	(101,550)
	328,426	278,400
Equity attributable to owners of the Company	**231,376**	196,133
Equity attributable to non-controlling interests	**97,050**	82,267
	328,426	278,400
Revenue	**480,941**	454,300
Profit for the year	**72,206**	55,243
Other comprehensive income (expense) for the year	**22,082**	(19,818)
Total comprehensive income for the year	**94,288**	35,425
Profit for the year attributable to:		
— owners of the Company	**50,869**	38,918
— non-controlling interests	**21,337**	16,325
	72,206	55,243
Total comprehensive income for the year attributable to:		
— owners of the Company	**66,426**	24,957
— non-controlling interests	**27,862**	10,468
	94,288	35,425
Dividend paid to non-controlling interests	**13,080**	9,911
Net cash from operating activities	**93,669**	48,866
Net cash used in investing activities	**(51,402)**	(15,639)
Net cash used in financing activities	**(44,263)**	(33,538)
Net cash outflow	**(1,996)**	(311)

35. PARTICULARS OF THE SUBSIDIARIES *(continued)*

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

MC Marketing & Sales (Hong Kong) Limited (Note)

	2017 HK$'000
Non-current assets	111
Current assets	204,194
Current liabilities	(179,639)
	24,666
Equity attributable to owners of the Company	12,580
Equity attributable to non-controlling interests	12,086
	24,666
Revenue	378,332
Profit and total comprehensive income for the period	6,770
Profit and total comprehensive income for the period attributable to:	
— owners of the Company	3,453
— non-controlling interests	3,317
	6,770
Dividend paid to non-controlling interests	1,598
Net cash from operating activities	2,779
Net cash used in investing activities	(54)
Net cash used in financing activities	(4,310)
Net cash inflow	(1,585)

Note: On 15 March 2017, the Group has acquired 51% of MC Marketing & Sales (Hong Kong) Limited. Therefore the result represented the post-acquisition profits.

36. 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**

37. COMPANY'S FINANCIAL INFORMATION

The following are the statement of financial position of the Company as at 31 December 2017:

	2017 HK$'000	2016 HK$'000
Non-current Assets		
Property, plant and equipment	**318,484**	318,356
Trademark	**31,502**	34,733
Investments in subsidiaries	**2,058,803**	2,016,344
Available-for-sale investments	**24,905**	33,128
Deposits paid for acquisition of property, plant and equipment	**2,020**	3,727
	2,435,714	2,406,288

37. COMPANY'S FINANCIAL INFORMATION *(continued)*

	2017 HK$'000	2016 HK$'000
Current Assets		
Inventories	**58,244**	46,631
Trade receivables	**2,464**	2,688
Other receivables, prepayments and deposits	**13,287**	15,045
Amount due from ultimate holding company	**329**	635
Amounts due from subsidiaries	**64,000**	53,178
Amounts due from fellow subsidiaries	**3,897**	1
Loan to a subsidiary	**30,000**	10,000
Tax recoverable	**6,576**	–
Time deposits over three months	**–**	227,221
Bank balances and cash	**969,344**	225,384
	1,148,141	580,783
Current Liabilities		
Trade payables	**26,262**	26,218
Other payables and accruals	**112,211**	142,343
Amount due to ultimate holding company	**14,214**	12,079
Amounts due to subsidiaries	**12,883**	13,951
Amounts due to fellow subsidiaries	**1,893**	2,577
Tax liabilities	**–**	6,765
	167,463	203,933
Net Current Assets	**980,678**	376,850
Total Assets less Current Liabilities	**3,416,392**	2,783,138
Capital and Reserves		
Share capital	**2,941,441**	2,030,686
Reserves	**464,463**	742,606
Total Equity	**3,405,904**	2,773,292
Non-current Liability		
Deferred tax liabilities	**10,488**	9,846
	3,416,392	2,783,138

The Company's statement of financial position was approved and authorised for issue by the board of directors on 22 March 2018 and are signed on its behalf of:

KIYOTAKA ANDO
DIRECTOR

SHINJI TATSUTANI
DIRECTOR

37. 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 2016	–	–	–	1,216,868	1,216,868
Profit for the year	–	–	–	67,784	67,784
Fair value loss on available-for-sale investments	(6,111)	–	–	–	(6,111)
Reclassification adjustment upon impairment of available-for-sale investments	6,111	–	–	–	6,111
Total comprehensive income for the year	–	–	–	67,784	67,784
Issue of shares for Share Award Scheme	–	(2,046)	–	–	(2,046)
Dividend recognised as distribution (note 11)	–	–	–	(540,000)	(540,000)
At 31 December 2016	**–**	**(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 11)	**–**	**–**	**–**	**(400,009)**	**(400,009)**
At 31 December 2017	**–**	**(1,146)**	**–**	**465,609**	**464,463**

FIVE-YEAR FINANCIAL SUMMARY

		Year ended 31 December			
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**2,902,271**	2,629,905	2,628,663	2,535,984	2,401,818
Profit before taxation	**290,008**	167,669	182,575	231,140	23,184
Income tax expense	**(69,548)**	(60,517)	(66,397)	(58,380)	(56,097)
Profit for the year	**220,460**	107,152	116,178	172,760	(32,913)
Attributable to:					
Owners of the Company	**195,363**	90,762	101,268	149,487	(50,470)
Non-controlling interests	**25,097**	16,390	14,910	23,273	17,557
Total	**220,460**	107,152	116,178	172,760	32,913

		As at 31 December			
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,460,990**	3,435,304	3,859,699	3,435,344	2,880,275
Total liabilities	**(909,916)**	(731,883)	(646,979)	(541,532)	(556,912)
Total equity	**3,551,074**	2,703,421	3,212,720	2,893,812	2,323,463
Net current Assets	**2,071,581**	1,330,833	2,087,120	1,513,962	1,005,641