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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Nissin Foods Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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Nissin Foods Company Limited

日清食品有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1475)

**REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
AND NOTICE OF THE
EXTRAORDINARY GENERAL MEETING**

**Independent Financial Advisor to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Optima Capital Limited, the Independent Financial Advisor, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 25 of this circular.

A notice convening the EGM of Nissin Foods Company Limited to be held at Grand Ballroom, 2/F., Courtyard By Marriott Hong Kong Sha Tin, 1 On Ping Street, Shatin, New Territories, Hong Kong on Friday, 5 June 2020 at 11:15 a.m. (or such time immediately following the conclusion (or adjournment) of the annual general meeting of the Company to be held on the same date and at the same place, whichever is later) is set out on pages 33 to 34 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

5 May 2020

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	13
Letter from Optima Capital	15
Appendix I — General Information	26
Appendix II — Precautionary Measures for Extraordinary General Meeting	31
Notice of EGM	33

DEFINITIONS

In this circular, the following expressions have the following meanings, unless the content requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Nissin Foods Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Revised Annual Caps for the three years ending 31 December 2020, 2021 and 2022 by way of ordinary resolution
“Existing Annual Caps”	the anticipated maximum annual value of the transactions contemplated under the Master Raw Materials and Products Procurement Agreement for the three years ending 31 December 2020, 2021 and 2022, as stated in the announcement of the Company dated 7 November 2019
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders as to voting at the EGM on, among other things, the resolution approving the Revised Annual Caps

DEFINITIONS

“Independent Financial Advisor” or “Optima Capital”	Optima Capital Limited, being a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, which is the independent financial advisor appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Revised Annual Caps in respect of the transactions contemplated under the Master Raw Materials and Products Procurement Agreement
“Independent Shareholders”	Shareholders other than Nissin Japan and its associates and any other Shareholder(s) who are considered as materially interested in the Master Raw Materials and Products Procurement Agreement and the transactions contemplated thereunder including the Revised Annual Caps
“Latest Practicable Date”	27 April 2020, being the latest practicable date of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Raw Materials and Products Procurement Agreement”	the master agreement in connection with the procurement of raw materials and products entered into between the Company and Nissin Japan on 21 November 2017 (as renewed on 7 November 2019)
“Nissin Japan”	Nissin Foods Holdings Co., Ltd., a company established under the law of Japan and the Company’s controlling shareholder whose shares are listed on the Tokyo Stock Exchange
“Nissin Japan Group”	Nissin Japan and its subsidiaries, excluding the Group
“Other Markets”	markets outside the PRC and Taiwan
“percentage ratios”	refer to the percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 29 November 2017

DEFINITIONS

“Revised Annual Cap(s)”	the revised anticipated maximum annual value of the transactions contemplated under the Master Raw Materials and Products Procurement Agreement for the three years ending 31 December 2020, 2021 and 2022, as stated in announcement of the Company dated 8 April 2020
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



Nissin Foods Company Limited

日清食品有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1475)

Executive Directors:

Mr. Kiyotaka Ando
Mr. Toshimichi Fujinawa
Mr. Shinji Tatsutani
Mr. Kazuo Kawasaki
Mr. Munehiko Ono

Registered Office:

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

Independent Non-executive Directors:

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

Headquarter and Principal Place of Business:

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

5 May 2020

To Shareholders

Dear Sir or Madam

**REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

References are made to (i) the Prospectus in relation to, among others, the Master Raw Materials and Products Procurement Agreement entered into between the Group and Nissin Japan; (ii) the announcement of the Company dated 7 November 2019 in relation to, among others, the Existing Annual Caps; and (iii) the announcement of the Company dated 8 April 2020 in relation to the Revised Annual Caps.

In view of continuing and anticipated strong market demands for instant food, it is expected that the demand of the Group for raw materials and finished goods from Nissin Japan Group will increase accordingly. As such, the Board anticipates that the transactions with Nissin Japan Group pursuant to the Master Raw Materials and Products Procurement Agreement will exceed the previous projection and that the Existing Annual Caps will not be sufficient to meet the Group's requirements for the three years ending 31 December 2020, 2021 and 2022. Accordingly, the Board proposes to revise the Existing Annual Caps to address its anticipating

LETTER FROM THE BOARD

business needs in view of expected material market changes. Save for the revision of the Existing Annual Caps, all terms and conditions of the Master Raw Materials and Products Procurement Agreement shall remain unchanged.

The purpose of this circular is to provide you with, among other things, (i) the principal terms of, and information relating to the Master Raw Materials and Products Procurement Agreement; (ii) information relating to the Revised Annual Caps; (iii) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Revised Annual Caps; (iv) a letter from Optima Capital, which sets out the opinions and recommendations of Optima Capital to the Independent Board Committee and Independent Shareholders in relation to the Revised Annual Caps; and (v) a notice to convene the EGM.

MASTER RAW MATERIALS AND PRODUCTS PROCUREMENT AGREEMENT

1. Background

The Company (for itself and on behalf of its subsidiaries) entered into the Master Raw Materials and Products Procurement Agreement with Nissin Japan (for itself and on behalf of its subsidiaries) on 21 November 2017 with a term of three years commencing from 1 January 2017. The Company has renewed the Master Raw Materials and Products Procurement Agreement on 7 November 2019 for a further term of three years commencing from 1 January 2020.

2. Principal Terms

The principal terms of the Master Raw Materials and Products Procurement Agreement are summarized below:

Date:	21 November 2017 (as renewed on 7 November 2019)
Parties:	(a) the Company (on behalf of the Group) (b) Nissin Japan (on behalf of Nissin Japan Group)
Duration:	A term of three years commencing from 1 January 2020, which will be automatically renewed for successive periods of three years upon its expiry unless otherwise agreed between the parties or until terminated by either party forthwith by written notice, subject to compliance of the Listing Rules.
Continuing transactions:	Members of the Group would purchase certain raw materials and finished goods from members of Nissin Japan Group.

LETTER FROM THE BOARD

Pricing guideline

The purchase price of the raw materials and finished goods supplied by Nissin Japan Group and payable by the Group would be calculated with reference to the total cost of such raw materials and finished goods plus a profit margin agreed at arm's length negotiation between the parties.

For raw materials supplied by Nissin Japan Group, the profit margin charged to the Group is 1%, which is in line with industry practice. Having considered the proprietary characteristics of the raw materials supplied by Nissin Japan Group, the Group's order quantity, delivery requirements and the prices and availability of raw materials of similar nature in the market, the Company considers the profit margin of 1% charged by Nissin Japan Group in respect of the supply of raw materials is fair and reasonable and on normal commercial terms or better to the Group.

For finished goods supplied by Nissin Japan Group, the profit margin charged to the Group is 5%, which is in line with industry practice. In this connection, the Group has engaged an international renowned consulting firm which is associated with one of the largest international accounting firms to perform a benchmark analysis on the profit margins of certain comparable companies. Based on such benchmark analysis, the profit margin charged by Nissin Japan Group falls within the range of the 3-year weighted average of the upper quartile and lower quartile of the comparable companies. On this basis, the Company considers the profit margin of 5% charged by Nissin Japan Group in respect of the supply of finished goods is fair and reasonable and on normal commercial terms or better to the Group.

To ensure the transactions contemplated under the Master Raw Materials and Products Procurement Agreement are priced fairly and reasonably and in the interests of the Group and the Shareholders as a whole, the Group has adopted the following internal control measures:

- (a) in respect of the raw materials procured that can be sourced from independent suppliers:
- the Group will gather market information from time to time on the market prices offered by independent suppliers and the availability for comparable raw materials in the market;
 - the Group will compare the purchase price (together with related charges and expenses) charged by at least two suppliers (including Nissin Japan Group); and
 - if the price charged by independent suppliers is lower than that offered by Nissin Japan Group, the Group will purchase the raw materials from independent suppliers.

LETTER FROM THE BOARD

- (b) in respect of the raw materials procured from Nissin Japan Group that may not be directly available from independent suppliers due to their uniqueness (such as soup base and condiments):
- the Group will carry out due and careful enquiries with the management of Nissin Japan Group regularly to understand the cost of such raw materials; and
 - the Group will also use its best endeavours to obtain prices of raw materials of similar nature in the market to compare and evaluate the prices offered by Nissin Japan Group in relation to such raw materials.
- (c) in respect of finished goods procured solely from Nissin Japan Group due to their uniqueness:
- the Company will carry out due and careful enquiries with the management of Nissin Japan Group to understand the cost of producing such products and the raw materials involved; and
 - the Company will, from time to time, engage an international renowned consulting firm to perform benchmark analysis on the profit margins of certain comparable companies and compare such profit margin charged by Nissin Japan Group with such comparable companies.

Further, the Company will conduct regular checks on the transactions with Nissin Japan Group, closely monitor the amounts of transactions and conduct assessment and evaluation on the fairness of the transaction terms, in particular the pricing terms, under the Master Raw Materials and Products Procurement Agreement.

Historical transaction amounts

For the three years ended 31 December 2017, 2018 and 2019, the total transaction amounts for the purchase of raw materials and finished goods from Nissin Japan Group under the Master Raw Materials and Products Procurement Agreement were approximately HK\$83.2 million, HK\$115.1 million and HK\$118.8 million, respectively.

THE REVISED ANNUAL CAPS

The Company proposes to revise the Existing Annual Caps as follows:

	For the year ending 31 December		
	2020	2021	2022
		<i>(HK\$ million)</i>	
Existing Annual Caps	144.0	145.0	147.0
Revised Annual Caps	233.0	272.0	293.0

LETTER FROM THE BOARD

Basis for the Revised Annual Caps

The Revised Annual Caps for the transactions contemplated under the Master Raw Materials and Products Procurement Agreement were determined with reference to the following factors:

- (i) the historical transaction amounts under the Master Raw Materials and Products Procurement Agreement for the three years ended 31 December 2017, 2018 and 2019;
- (ii) the Revised Annual Caps allow the Group to maintain its effective supply chain management and ensure the Group's supply of raw materials and finished goods can readily respond to volatile market demands. As a renowned food company and a leading instant noodle brand in Hong Kong with over 30 years of operations in Hong Kong, the Group is familiar with and has solid knowledge in relation to the local market and is highly responsive to the rapid market developments.

Considering the material market changes that have occurred and may occur, such as the recent coronavirus disease outbreak that began in January 2020, leading to a drastic increasing population that are more inclined to stay home for meals to achieve social distancing and minimise the risk of infection in public places (stay home dining), there is a substantial increase in household consumption of instant noodles. As such, the Company is conscious of maintaining a stable supply of its products to meet the unexpected increasing market demands.

The above can be supported by the increase in actual transaction amounts of purchases by the Group from Nissin Japan Group under the Master Raw Materials and Products Procurement Agreement in 2020 so far, in particular, the actual transaction amounts for January and February 2020, in aggregate, recorded an increase of approximately 71% when compared to the transaction amounts for the same period in 2019. The actual transaction amounts with Nissin Japan Group in February 2020 have also exceeded the forecasted monthly transaction amount of HK\$12.0 million under the Existing Annual Caps.

Based on the views of health care experts and global leaders from public sources, it is uncertain when the coronavirus outbreak will be put to an end and seasonal revival of the infections may be possible. In order to ensure the Group can maintain stable supply of the Group's products in the midst of unexpected increase in market demands, the Company expects there will be increases in purchases of raw materials and finished goods by the Group from Nissin Japan Group for the three years ending 31 December 2020, 2021 and 2022;

- (iii) the Group contemplates to enlarge its business operation in Hong Kong and the PRC. The Revised Annual Caps would provide more flexibility for the Group to expand its overall product supply to the market as well as its production volume, and in turn would assist with the expansion of the Group's business in Hong Kong and the PRC; and

LETTER FROM THE BOARD

- (iv) the Company expects the demand for instant noodles products to continue to grow with the change in consumers' lifestyle which favours convenient and quickly-cooked foods to meet the pace of modern life. In particular, the Company believes that with the busy lifestyle of the consumers, they tend to prefer quality food products that can offer convenience for home-cooking. Moreover, with the diversified product range and premium products offered by the Group, together with consumers' loyalty to the Group's long-established brand, the Company anticipates that the market demand for the Group's products will continue to increase. Accordingly, the Company expects that growing household consumption of instant noodle products will be a continuous trend and it is anticipated that the market demand for instant noodles products will increase for the three years ending 31 December 2020, 2021 and 2022.

REASONS FOR AND BENEFITS OF REVISING THE EXISTING ANNUAL CAPS

In view of continuing and anticipated strong market demands for instant food, it is expected that the demand of the Group for raw materials and finished goods from Nissin Japan Group will increase accordingly. As such, the Board anticipates that the transactions with Nissin Japan Group pursuant to the Master Raw Materials and Products Procurement Agreement will exceed the previous projection and that the Existing Annuals Caps will not be sufficient to meet the Group's requirements for the three years ending 31 December 2020, 2021 and 2022. Accordingly, the Board proposes to revise the Existing Annual Caps to address its anticipating business needs in view of expected material market changes. Save for the revision of the Existing Annual Caps, all terms and conditions of the Master Raw Materials and Products Procurement Agreement shall remain unchanged.

The Directors (including the independent non-executive Directors) are of the view that the Revised Annual Caps in respect of the transactions contemplated under the Master Raw Materials and Products Procurement Agreement are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Group is a renowned food company in Hong Kong and the PRC with a diversified portfolio of well-known and highly popular brands, primarily focusing on the premium instant noodle segment. In addition, the Group also engages in the manufacture and sales of high-quality frozen food products, including frozen dim sum and frozen noodles, and sales of other food and beverage products, including retort pouch, snack food, vegetable fruit juice, mineral water and sauce products.

INFORMATION OF NISSIN JAPAN GROUP

Nissin Japan, being the controlling shareholder of the Company, is a company listed on the Tokyo Stock Exchange (Stock Code: 2897) and is one of the largest manufacturers and sellers of instant noodles in the world. Apart from instant noodles, Nissin Japan also engages in the manufacture and sale of other products including chilled and frozen food, snack, confectionery and beverage products.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Nissin Japan holds approximately 70.00% of the total issued Shares and is therefore the controlling shareholder and a connected person of the Company. Accordingly, the transactions contemplated under the Master Raw Materials and Products Procurement Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps is 5% or above, the Revised Annual Caps are subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Master Raw Materials and Products Procurement Agreement and the transactions contemplated thereunder, including the Revised Annual Caps. As such, none of the Directors have abstained from voting on the relevant Board resolutions approving the Revised Annual Caps.

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, among other things, to approve the Revised Annual Caps by way of ordinary resolution.

As at the Latest Practicable Date, Nissin Japan and its associates controlled, and were entitled to exercise control, over the voting rights in respect of 752,024,000 Shares, representing approximately 70.00% of the issued share capital of the Company. Nissin Japan and its associates shall, therefore, abstain from voting on the resolution for approving the Revised Annual Caps. To the best of the Directors' knowledge and information after having made all reasonable enquiries, other than Nissin Japan and its associates, no other Shareholder is required to abstain from voting at the EGM for the proposed resolution approving, among other things, the Revised Annual Caps.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To safeguard the health and safety of Shareholders who may attend the EGM in person and in compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 (COVID-19), the Company will implement certain precautionary measures at the EGM, all Shareholders are advised to read Appendix II to this circular for details of precautionary measures. Shareholders may consider appointing the chairman of the EGM as their proxy to vote on the relevant resolution(s) as an alternative to attending the EGM in person.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed herein. Such form of proxy is also published on the websites of The Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.nissingroup.com.hk). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM, or any adjourned meeting, should they so wish and in such event, the proxy form shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both day inclusive) during which period no transfer of Share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfer of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s), either overleaf or separately, must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020. Shareholders whose names appear on the register of members of the Company on Tuesday, 2 June 2020 will be entitled to attend and vote at the EGM.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee of this circular which contains its recommendation to the Independent Shareholders, and to the letter of advice from Optima Capital of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

The Directors believe that the proposed resolution mentioned in this circular, including, among other things, the proposal to revise the Existing Annual Caps, are in the best interests of the Company as well as its Shareholders. Accordingly, the Board recommends that all the Shareholders should vote in favour of all the relevant resolution to be proposed at the EGM to give effect to them.

The Independent Board Committee, having taken into account the advice of Optima Capital, considers that the terms of the Master Raw Materials and Products Procurement Agreement and the transactions contemplated thereunder, including the Revised Annual Caps, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve, among other things, the Revised Annual Caps.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular and the notice of the EGM set out in this circular.

Yours faithfully
For and on behalf of the Board
Kiyotaka Ando
Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



5 May 2020

To the Independent Shareholders

Dear Sir or Madam

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 5 May 2020 (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been authorised by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Revised Annual Caps are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Optima Capital set out on pages 15 to 25 of the Circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

Having considered the Revised Annual Caps, and the factors and reasons considered by, and the advice of Optima Capital in relation thereto as set out on pages 15 to 25 of the Circular, we are of the opinion that the terms of the Master Raw Materials and Products Procurement Agreement and the transactions contemplated thereunder, including the Revised Annual Caps, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve, among other things, the Revised Annual Caps.

Yours faithfully
For and on behalf of
Independent Board Committee
Dr. Sumio Matsumoto
Mr. Junichi Honda
Professor Lynne Yukie Nakano
Mr. Toshiaki Sakai
Independent Non-executive Directors

LETTER FROM OPTIMA CAPITAL

The following is the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

5 May 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the adoption of new annual caps for the transactions under the Master Raw Materials and Products Procurement Agreement (the “Transactions”). Details of the Master Raw Materials and Products Procurement Agreement are set out in the letter from the Board contained in the circular of the Company dated 5 May 2020 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

We also refer to the announcement of the Company dated 8 April 2020 in respect of, among other things, the revision of the Existing Annual Caps of the Master Raw Materials and Products Procurement Agreement. As the Company expects that the Existing Annual Caps will not be sufficient for the transaction amounts to be incurred under the Master Raw Materials and Products Procurement Agreement due to the potential increase in demand for the Group’s products, it proposes to adopt the Revised Annual Caps to accommodate a greater demand for the raw materials and products to be procured from Nissin Japan Group under the Master Raw Materials and Products Procurement Agreement.

Nissin Japan holds approximately 70% of all the issued Shares and is therefore the controlling shareholder and a connected person of the Company. With reference to the letter from the Board, the Transactions constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders’ approval of the Revised Annual Caps at the EGM. The voting at the EGM will be conducted by way of poll. Nissin Japan and its associates shall abstain from voting on the resolution approving the Revised Annual Caps at

LETTER FROM OPTIMA CAPITAL

the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, save as disclosed above, no other Shareholder is required to abstain from voting at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether (i) the terms of the Master Raw Materials and Products Procurement Agreement and the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Revised Annual Caps are fair and reasonable; and (iii) the Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to give a recommendation to the Independent Shareholders in respect of the voting on the resolution to be proposed at the EGM to approve the Revised Annual Caps. We, Optima Capital, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, neither Optima Capital nor persons stipulated under Rule 13.84(4) of the Listing Rules had any current business relationship with the Company, Nissin Japan, or a director, subsidiary, holding company or substantial shareholder of the Company or Nissin Japan, which would be reasonably considered to affect our independence in performing the duties as set out in the Listing Rules, or might reasonably give rise to a perception that our independence would be so affected.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company (together, the "Management") and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof and will continue to be so as at the date of the EGM. We have assumed that all the opinions or representations of the Management have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Master Raw Materials and Products Procurement Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and whether the Revised Annual Caps are fair and reasonable and the Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

1. Principal businesses of the Group and Nissin Japan

The Group is a renowned food company in Hong Kong and the PRC with a diversified portfolio of well-known and highly popular brands, focusing primarily on the premium instant noodle segment. It is also engaged in the manufacture and sale of high-quality frozen food products, including frozen dim sum and frozen noodles, and sale of other food and beverage products, including retort pouch, snack food, vegetable fruit juice, mineral water and sauce products.

Nissin Japan, a company listed on the Tokyo Stock Exchange (stock code: 2897), is one of the largest manufacturers and sellers of instant noodles in the world. Apart from instant noodles, Nissin Japan is also engaged in the manufacture and sale of other products including chilled and frozen food, snack, confectionery and beverage products.

In carrying out the Group's food manufacture and sale business, it sources certain raw materials, such as soup base and condiments, and certain finished goods, such as instant noodles and snacks, from Nissin Japan. Also, the Group supplies certain raw materials and finished goods to Nissin Japan.

Having considered the respective principal activities of the Group and Nissin Japan as described above, we are of the view that the Master Raw Materials and Products Procurement Agreement is entered into in the ordinary and usual course of business of the Group.

2. Background of the Master Raw Materials and Products Procurement Agreement

The Group is principally engaged in manufacturing and sales of noodles, retort foods, frozen foods, beverage products and snacks in Hong Kong, the PRC, Macau and Taiwan. For its business operations, the Group has been sourcing raw materials and finished goods from Nissin Japan Group. As this arrangement constituted a continuing connected transaction, the Company (for itself and on behalf of its subsidiaries) entered into the Master Raw Materials and Products Procurement Agreement with Nissin Japan (for itself and on behalf of its subsidiaries) on 21 November 2017 with a term of three years commencing from 1 January 2017 which is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules. Pursuant to the Master Raw Materials and Products Procurement Agreement, the Group agreed to procure certain raw materials and finished goods from Nissin Japan Group for its business operations.

The Master Raw Materials and Products Procurement Agreement and the relevant annual caps expired on 31 December 2019. The Master Raw Materials and Products Procurement Agreement was renewed on 7 November 2019 for a further term of three years commencing from 1 January 2020 with the adoption of the Existing Annual Caps, whilst other material terms remain unchanged.

The Company considers that sourcing raw materials from Nissin Japan Group would allow the Group to gain access to the suppliers in Japan more efficiently through Nissin Japan and benefit from the lower procurement costs as the purchases made by Nissin

LETTER FROM OPTIMA CAPITAL

Japan are at a larger volume. Further, the Company considers that it is beneficial for the Group to source certain finished goods from Nissin Japan Group for onward sale to its distributors in Hong Kong, Macau, Taiwan and the PRC so that the Group can better manage its production capacity and efficiency.

3. Principal terms of the Master Raw Materials and Products Procurement Agreement

Subject matter

Pursuant to the Master Raw Materials and Products Procurement Agreement, members of the Group would procure certain raw materials and finished goods from members of Nissin Japan Group. The raw materials procured under the Master Raw Materials and Products Procurement Agreement include seasonings, oils and additives which are used in manufacturing the Group's products such as instant noodles and granola. The finished goods procured under the Master Raw Materials and Products Procurement Agreement mainly include Japanese noodles products and confectionery products.

Pricing basis

The purchase prices of the finished goods and the raw materials from Nissin Japan would be calculated with reference to the total production costs of such finished goods and raw materials (as the case may be) plus a profit margin agreed between the parties on an arm's length basis.

For finished goods

Nissin Japan Group charges the Group a profit margin of 5%, which is based on the current trading practice of the industry, on the finished goods supplied to the Group.

As advised by the Management, the Group sources certain finished goods solely from Nissin Japan Group because of its product uniqueness. The products purchased from Nissin Japan Group will then be distributed mainly in Hong Kong and the PRC.

For the profit margin charged by Nissin Japan Group, the Group has engaged an internationally reputable consulting firm (the "Consulting Firm"), which is associated with one of the largest international accounting firms, to perform a benchmark analysis on the profit margins of certain comparable companies. We have reviewed the benchmark analysis and noted that there were eight comparable companies (the "Comparable Companies") engaging in similar business (such as manufacturing of processed foods, instant food and noodles, pre-cooked foods and etc.) across the PRC, Japan, Korea and Malaysia. The Comparable Companies are shortlisted from a pool of 435 companies in the food-related business. In arriving at the list of the Comparable Companies, the Consulting Firm had excluded (i) companies which incurred operating losses for three consecutive years; (ii) companies with dissimilar product offerings; and (iii) companies with different business functions. Based on the abovementioned selection criteria, we are of the view that the Comparable Companies are fair and representative samples. According to the

LETTER FROM OPTIMA CAPITAL

benchmark analysis, the profit margin of 5% charged by Nissin Japan Group falls within the range of the 3-year weighted average of the upper quartile of 5.46% and lower quartile of 3.97% of those of the Comparable Companies.

We also note from the Group's audited annual results for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 that the Group recorded a net profit margin of 7.3%, 6.9% and 8.1% respectively. Given that both the Group and Nissin Japan Group are principally engaged in the manufacture and sale of instant noodles, despite in different geographical regions, the Group's net profit margin may also serve as a meaningful reference for the reasonableness of the margin charged on the finished goods supplied to the Group by Nissin Japan Group.

Having considered that the profit margin charged by Nissin Japan Group falls within the range presented by the Comparable Companies and is not higher than the Group's net profit margin, we consider that the profit margin of 5% charged by Nissin Japan Group is reasonable.

For raw materials

Nissin Japan charges the Group a profit margin of 1%, which is based on the trading practice of the industry, on the raw materials supplied to the Group.

As advised by the Management, certain raw materials (such as soup base and condiments) purchased from Nissin Japan Group are not available from independent suppliers due to their uniqueness in flavours, quality, order quantity and timing of delivery. As these products possess proprietary characteristics, we were unable to compare the pricing terms offered by Nissin Japan Group with any independent sources. However, having considered that (i) such raw materials are essential in manufacturing the Group's noodle products; and (ii) the Group's net profit margin of 8.1% for the year ended 31 December 2019, which had taken into account the costs of raw materials purchased from Nissin Japan Group, was higher than those of the Comparable Companies and Nissin Japan Group's net profit margin of 4.4% for the year ended 31 March 2019, we consider that the 1% mark-up charged by Nissin Japan Group is commercially justifiable.

For the raw materials which can be sourced from independent suppliers, the Group will compare the purchase price charged by at least two suppliers (including Nissin Japan Group). If the price charged by independent suppliers is lower than that offered by Nissin Japan Group, the Group will purchase the raw materials from independent suppliers. As advised by the Management, a majority of the Group's raw materials were sourced from independent suppliers.

We have reviewed samples of quotations provided to the Group by independent suppliers and Nissin Japan Group and noted that the Group purchased the relevant raw materials from whoever offered a lower price. In view of the Group's policy of price comparison as described above, we consider that the 1% markup charged by Nissin Japan Group is fair and reasonable.

LETTER FROM OPTIMA CAPITAL

Payment term

The time and manner of payment for the raw materials and finished goods shall be governed by the terms and conditions contained in the respective purchase orders.

In assessing whether the payment term offered by Nissin Japan Group is fair and reasonable, we have compared it against the credit period offered by independent suppliers. We note that the independent suppliers normally grant a credit period of 30 days to 60 days from the invoice date while Nissin Japan Group normally grants a longer credit period or similar credit period for certain purchases as compared with the independent suppliers. Based on the above, we consider that the payment term in relation to the purchases from Nissin Japan Group is on normal commercial term or better to the Group than those available from independent suppliers.

4. The Revised Annual Caps

The table below sets out the annual cap for the year ended 31 December 2019 and the Existing Annual Caps and the Revised Annual Caps for the three years ending 31 December 2022:

	For the year ended 31 December			
	2019	2020	2021	2022
	<i>(HK\$ million)</i>			
Existing Annual Caps	142.0	144.0	145.0	147.0
Revised Annual Caps	N.A.	233.0	272.0	293.0
Approximate % of increase in the Revised Annual Caps as compared to the annual cap in the preceding year	N.A.	64.1%	16.7%	7.7%

Based on our discussions with the Management, we understand that the Revised Annual Caps were determined with reference to the Group's revised forecast of purchases from Nissin Japan Group in the three years ending 31 December 2020, 2021 and 2022 (the "Revised Purchase Forecast"), the basis of which has taken into consideration (i) the historical transaction amounts under the Master Raw Materials and Products Procurement Agreement for the three years ended 31 December 2017, 2018 and 2019; (ii) the need to maintain the Group's effective supply chain management and ensure that the Group's supply of raw materials and finished goods can readily respond to volatile market demands; (iii) the intended expansion of the Group's operations in Hong Kong and the PRC; (iv) the growing market demand for instant noodle products taking into account the sharp increase in household consumption since the recent coronavirus outbreak that began in early January 2020; and (v) an additional buffer of 10% on top of the forecast purchases from Nissin Japan Group.

LETTER FROM OPTIMA CAPITAL

Revised Purchase Forecast

Historical amounts of the Transactions

We set out below the amounts of the Transactions for the three years ended 31 December 2019:

	For the year ended 31 December		
	2017	2018	2019
		(HK\$ million)	
Annual caps as set out in the Prospectus or the Company's announcement dated 7 November 2019	121.4	122.0	142.0
Actual purchases	83.2	115.1	118.8
Approximate % of the relevant annual caps utilised	68.5%	94.3%	83.7%

As shown in the table above, the actual purchases from Nissin Japan Group increased steadily from approximately HK\$83.2 million for the year ended 31 December 2017 to approximately HK\$118.8 million for the year ended 31 December 2019, representing an average annual increase of approximately 21.4%. We understand from the Management that the above increases in purchases were mainly due to an increase in demand for the Group's products and the increase in the Group's product offerings (including additional flavors under the signature Cup Noodles and Demae Iccho brands) over the period. Based on the audited annual results of the Company for the year ended 31 December 2019, the Group's revenue increased from HK\$2,688.5 million for the year ended 31 December 2017 to HK\$3,087.8 million for the year ended 31 December 2019, representing an average annual increase of 7.4%. We note that both the Group's revenue and purchases from Nissin Japan Group were in an upward trend during the three years ended 31 December 2019. We also note that the actual amounts of the purchases during the three years ended 31 December 2019 represented approximately 68.5%, 94.3% and 83.7% of the relevant annual caps respectively, with an average of 82.2%, which shows a rather high utilisation of the relevant annual caps.

Ensuring stable supply of raw materials and finished goods

Since the outbreak of the coronavirus in January 2020, the Management observed that there may be a change of consumers' dining habits. The general public in Hong Kong is more inclined to stay home for meals to achieve social distancing instead of dining out in order to minimise the chance of contracting the coronavirus from public areas. This tendency has resulted and would likely continue to result in an increase for the demand for the Group's instant noodle products. As such, the Group is conscious of maintaining a stable supply of products to meet the increasing market demands. Based on the information provided by the Group, the actual amount of the Transactions for the two months ended 28 February 2020, in aggregate, represents an increase of approximately

LETTER FROM OPTIMA CAPITAL

71.0% as compared with the transaction amount for the corresponding period in 2019, and the actual amount of the Transactions for February 2020 alone already exceeded the forecast monthly transaction amount of HK\$12.0 million under the Existing Annual Caps. We note that the 71.0% increase as referred to above is higher than the 64.1% increase in the Revised Annual Cap for the year ending 31 December 2020 of HK\$233 million as compared with the annual cap for the year ended 31 December 2019 of HK\$142.0 million.

Based on the views of healthcare experts and global leaders from public sources, it is uncertain as to when the coronavirus outbreak will be put to an end and seasonal revival of the coronavirus may be possible. The potential recurrence of the coronavirus outbreak may likely have an impact on people's lifestyle, resulting in people becoming more accustomed to eating at home, which will in turn increase the household consumption of instant noodles. The Revised Annual Caps will ensure a stable supply of raw materials and finished goods for the Group to readily respond to any increases in market demands.

Enlarging the Group's operations in Hong Kong and the PRC

The Group contemplates to expand its business operations in Hong Kong and the PRC. Therefore, the Revised Annual Caps would provide more flexibility for the Group to expand its overall product supply to the market as well as its production volume. We understand from the Management that the Group has been actively looking for opportunities of mergers and acquisitions to enlarge its business operation. As disclosed in the announcement of the Company dated 23 January 2020, the Group entered into a joint venture arrangement with Ms. Liu Feng, a third party independent of the Company, to expand the Group's distribution network for the Japanese brand food and beverage products in the PRC. As advised by the Management, the Group may consider other opportunities for merger, acquisition and/or business cooperation with third parties when suitable ones arise. In view of the Group's business intention as mentioned above, we share the Management's view that the Revised Annual Caps would provide the Group with more flexibility to increase its overall product supplies in order to materialise the Group's business intention.

Change in consumer behaviour

The Company also expects the demand for instant noodles to continue to grow as people with busy lifestyles tend to favour good quality convenient and quickly-cooked food that offer convenience for home-cooking to meet the pace of modern life. Moreover, with the diversified product range and premium products offered by the Group, together with consumers' loyalty to the Group's long-established brand, the Company anticipates that the market demand for the Group's products will continue to increase. According to a report of Nielsen Holdings plc (NYSE: NLSN), a global measurement and data analytics company, 53% of global consumers look for products that make their lifestyle easier and convenient to use. A report of World Business Council for Sustainable Development also commented that convenience will be a major driver for food consumption in cities since time is a scarce resource. As such, we share the Company's expectation that growing household consumption of instant noodle products would be a continuous trend and

LETTER FROM OPTIMA CAPITAL

coupled with the impact brought by the change of dining habits, it is anticipated that the market demand for the Group's instant noodle products will increase for the three years ending 31 December 2020, 2021 and 2022.

Additional 10% buffer on the forecast purchases

We are advised by the Management that the Revised Annual Caps have incorporated a buffer of 10% to provide sufficient room for potential increase in purchases from Nissin Japan Group due to unforeseeable changes in the market environment. Having considered that a buffer of 10% is moderate and it allows some extent of flexibility to the Group to promptly cope with any unanticipated increase in demand and fluctuations in prices and foreign exchange rates in respect of raw materials or finished products to be purchased from Nissin Japan Group without the need of re-complying with the relevant Listing Rules, we consider that the 10% buffer is reasonable.

Based on the above analysis, we considered the Revised Annual Caps are fair and reasonable.

5. Internal control and corporate governance measures

To ensure the transactions under the Master Raw Materials and Products Procurement Agreement are priced fairly and reasonably and in the interests of the Group and the Shareholders as a whole, the Group has adopted the following internal control procedures:

- (a) in respect of finished goods procured solely from Nissin Japan Group due to their uniqueness:
 - (i) the Company will carry out due and careful enquiries with the management of Nissin Japan Group to understand the cost of producing such products and the raw materials involved; and
 - (ii) the Company will, from time to time, engage an international renowned consulting firm to perform benchmark analysis on the profit margins of certain comparable companies and compare the profit margin charged by Nissin Japan Group with such comparable companies.
- (b) in respect of the raw materials that can be sourced from independent suppliers:
 - (i) the Group will gather market information from time to time on the market prices offered by independent suppliers and the availability for comparable raw materials in the market;
 - (ii) the Group will compare the purchase price (together with related charges and expenses) charged by at least two suppliers (including Nissin Japan Group); and
 - (iii) if the price charged by independent suppliers is lower than that offered by Nissin Japan Group, the Group will purchase the raw materials from independent suppliers.

LETTER FROM OPTIMA CAPITAL

- (c) in respect of the raw materials procured from Nissin Japan Group that may not be directly available from independent suppliers due to their uniqueness (such as soup base and condiments):
 - (i) the Group will carry out due and careful enquiries with the management of Nissin Japan Group regularly to understand the cost of such raw materials; and
 - (ii) the Group will also use its best endeavours to obtain prices of raw materials of similar nature in the market to compare and evaluate the prices offered by Nissin Japan Group in relation to such raw materials.

Further, the Company will conduct regular checks on the transactions with Nissin Japan Group, closely monitor the amounts of transactions and conduct assessment and evaluation on the fairness of the transaction terms, in particular the pricing terms, under the Master Raw Materials and Products Procurement Agreement.

In addition to the internal control policies on raw material and product purchases, the Company has the following corporate governance measures in place to ensure that the Transactions will be conducted on normal commercial terms:

- (i) the Director(s) and/or Shareholder(s) with an interest in the Transactions shall abstain from voting in respect of the resolution at the Board meeting and at the EGM;
- (ii) the Group shall comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Transactions;
- (iii) the Group will engage the Company's auditor to report on the Transactions every year in accordance with Rule 14A.56 of the Listing Rules;
- (iv) the independent non-executive Directors will review the Transactions to ensure that the Transactions are entered into in the ordinary and usual course of business, on normal commercial terms or better and according to the Master Raw Materials and Products Procurement Agreement on terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and
- (v) the Group will duly disclose the Transactions in the Company's annual reports and accounts during each of the financial period, together with the conclusions drawn by the independent non-executive Directors.

We have reviewed the internal policies and procedures manual governing the Group's transactions with Nissin Japan Group and considered that the measures in place provide reasonable assurance that the conduct of the Transactions would be governed by approval(s) from relevant management level and in compliance with the terms and conditions as stated in the Master Raw Materials and Products Procurement Agreement. Further, we noted from the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 that the auditor of the Company has reported on the

LETTER FROM OPTIMA CAPITAL

continuing connected transactions of the Group (including the Transactions) in accordance with Rule 14A.56 of the Listing Rules and the independent non-executive Directors have also reviewed and confirmed that (i) each of the continuing connected transactions of the Group (including the Transactions) during the relevant periods has been (a) negotiated on arm's length basis, entered into in the ordinary and usual course of the Company's business; and (b) conducted on normal commercial terms or better and in accordance with the Company's pricing policies; and (ii) 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.

In light of the above, we are of the view that appropriate measures are in place to ensure that the Transactions will be conducted on normal commercial terms and to safeguard the interests of the Independent Shareholders and the Company as a whole.

OPINION

Having considered the abovementioned principal factors and reasons, we consider that (i) the terms of the Master Raw Materials and Products Procurement Agreement and the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Revised Annual Caps are fair and reasonable; and (iii) the Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Revised Annual Caps.

Yours faithfully
for and on behalf of
OPTIMA CAPITAL LIMITED

Beatrice Lung
Managing Director, Corporate Finance

Melinda Wong
Director, Corporate Finance

Ms. Beatrice Lung is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Ms. Lung has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Ms. Melinda Wong is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. Ms. Wong has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, 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 its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares and the underlying shares of the Company

Name	Position	Capacity	Number of Shares held	Percentage of shareholding
Kiyotaka Ando	Chairman and Executive Director	Beneficial owner	18,109,480 ¹	1.69%
			164,160 ²	0.01%
Shinji Tatsutani	Executive Director	Beneficial Owner	21,920 ²	0.00%
Munehiko Ono	Executive Director	Beneficial Owner	16,400 ²	0.00%

Long position in the shares and the underlying shares of the associated corporation of the Company (within the meaning of Part XV of the SFO) — Nissin Japan

Name	Position	Capacity	Number of Shares held	Percentage of shareholding
Kiyotaka Ando ³	Chairman and Executive Director	Beneficial owner	10,029	0.01%
Toshimichi Fujinawa ⁴	Executive Director	Beneficial owner	1,262	0.00%
Shinji Tatsutani ⁴	Executive Director	Beneficial owner	1,741	0.00%
Kazuo Kawasaka ⁵	Executive Director	Beneficial owner	4,225	0.00%
Munehiko Ono ⁴	Executive Director	Beneficial owner	3,561	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 adopted by the Company on 7 March 2016.
3. Among 10,029 shares of Nissin Japan held by Mr. Kiyotaka Ando, 10,000 shares were held directly by him and 29 shares were held by a director share ownership association, namely 日清食品役員持株會, as a nominee of Mr. Kiyotaka Ando.
4. These shares were held by an employee share ownership association, namely 日清食品従業員持株會, as a nominee of the respective Director.
5. Among 4,225 shares of Nissin Japan held by Mr. Kazuo Kawasaka, 1,900 shares were held directly by him and 2,325 shares were held by an employee share ownership association, namely 日清食品従業員持株會, as a nominee of Mr. Kazuo Kawasaka.

Save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which 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 interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDER

Substantial shareholder's interests or short positions in the shares and underlying shares of the Company

As at the Latest Practicable Date, so far as any of the Directors or chief executive of the Company are aware, the following entity had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which will have to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 2 and 3 of Part XV of the SFO or which ought to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in the Shares

Name of substantial shareholder	Capacity	Number of Shares held	Percentage of Shares issued
Nissin Japan	Beneficial owner	752,024,000 ¹	70.00% ²

Notes:

1. The 752,024,000 Shares were beneficially owned by Nissin Japan.
2. The percentage of issued Shares is calculated on the basis of 1,074,319,480 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

4. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined in the Listing Rules) has any competing interests directly or indirectly in the business of the Group which would be required to be disclosed pursuant to the Listing Rules.

5. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had (i) any direct or indirect interests in any assets which have been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there was no material adverse change in the financial or trading positions of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice for inclusion in this circular:

Independent Financial Advisor

Qualification

Optima Capital Limited

a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Optima Capital (i) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) had no direct or indirect interests in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Company were made up).

9. GENERAL

- (a) The Company's registered office is at 21–23 Dai Shing Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.
- (b) The company secretary of the Company is Mr. Lo Tai On. 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.

- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company’s principal place of business in Hong Kong at 11–13 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Master Raw Materials and Products Procurement Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (c) the letter from Optima Capital, the text of which is set out on pages 15 to 25 of this circular; and
- (d) the letter of consent from Optima Capital referred to in the paragraph headed “EXPERT AND CONSENT” in this appendix.

In compliance with the Hong Kong Government directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of Department of Health (the “CHP”) on the prevention of coronavirus disease 2019 (COVID-19), the Company will implement the following precautionary measures at the EGM which include without limitation:

- (1) No tasting or refreshment will be served at the EGM venue.
- (2) In the interest of all Shareholders’ health and safety and consistent with recent COVID-19 guidelines for prevention and control, Shareholders may consider appointing the chairman of the EGM as their proxy to vote on the resolution, instead of attending in person. While Shareholders are reminded that they should complete and sign their form of proxy in accordance with instructions set out therein and return the completed and signed form of proxy as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM, in order for the form of proxy to be valid. However, for the purpose of facilitating the meeting arrangement at the EGM, Shareholders are encouraged to return their form of proxy to the Company’s share registrar in Hong Kong on or before 18 May 2020 so as to allow the Company to make appropriate seating arrangement at the EGM venue in line with the guideline and directive from the Hong Kong Government. The Company appreciates all Shareholders for their understanding and co-operation.
- (3) All attendees are required to wear surgical face masks inside the EGM venue at all times and they are advised to maintain appropriate social distance between each other.
- (4) There will be compulsory body temperature check for all attendees before entering the EGM venue. Any attendees with a fever (body temperature over 37 degrees Celsius) or flu-like symptoms may be denied entry into the EGM venue or be required to leave the EGM venue immediately.
- (5) All attendees are required to fill in a health declaration form for the purpose of preventing the occurrence or spread of an infectious disease. Anyone who has travelled outside of Hong Kong within the 14-day period immediately before the EGM, or has close contact with any person with recent travel history under the Hong Kong Government prescribed quarantine will be denied entry into the EGM venue.
- (6) All attendees are reminded to observe good personal hygiene at all times.
- (7) Appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained at the EGM venue. As such, the Company may limit the number of attendees at the EGM in order to avoid over-crowding (*as case may be*).
- (8) To the extent permitted under the law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of all attendees at the EGM.

- (9) Shareholders are advised to read this appendix of precautionary measures carefully, and monitor the development of COVID-19. As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to shareholders and other participants attending the EGM.
- (10) Health education materials and updates of infection situation on COVID-19 can be found on the respective websites of the CHP (www.chp.gov.hk) and the Hong Kong Government on COVID-19 (www.coronavirus.gov.hk).
- (11) If Shareholders have any questions relating to the EGM, please contact the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Tel: 852 2862 8555).

NOTICE OF EGM



Nissin Foods Company Limited

日清食品有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1475)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Nissin Foods Company Limited (the “Company”) will be held at Grand Ballroom, 2/F., Courtyard By Marriott Hong Kong Sha Tin, 1 On Ping Street, Shatin, New Territories, Hong Kong on Friday, 5 June 2020 at 11:15 a.m. (or such time immediately following the conclusion (or adjournment) of the annual general meeting of the Company to be held on the same date and at the same place, whichever is later) for the purpose of considering and, if thought fit, with or without amendment, passing the following resolution:

ORDINARY RESOLUTION

“THAT:

- (i) the proposed annual cap amounts for the three years ending 31 December 2020, 2021 and 2022 as set out in the Company’s circular dated 5 May 2020 (the “Circular”) in respect of the transactions contemplated under the master agreement in connection with the procurement of raw materials and products entered into between the Company and Nissin Foods Holdings Co., Ltd. on 21 November 2017 (the “Revised Annual Caps”) be and are hereby approved, confirmed and ratified; and
- (ii) any one director of the Company be and is hereby authorised to do all acts and things, take such necessary actions and to approve, execute and deliver all deeds, agreements and documents in relation to the Revised Annual Caps on behalf of the Company which he/ she (or his/her properly appointed attorney) may consider necessary.”

By order of the Board

Kiyotaka Ando

Chief Executive Officer and Executive Director

Hong Kong, 5 May 2020

Notes:

1. The register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both day inclusive) during which period not transfer of Share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfer of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s), either overleaf or separately, must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020. Shareholders whose names appear on the register of members of the Company on Tuesday, 2 June 2020 will be entitled to attend and vote at the EGM.

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2. A form of proxy for use at the EGM is enclosed in the circular to the shareholders of the Company dated 5 May 2020.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
4. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxies to attend and vote in his or her stead. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
5. In order to be valid, the form of proxy must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
6. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting convened by the above notice or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
7. The Chinese translation of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

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