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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)

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to (i) the 7 November 2019 Announcement, the 19 March 2020 Announcement, the 8 April 2020 Announcement and the 31 August 2020 Announcement and (ii) the 5 May 2020 Circular in relation to, among others, the Existing Continuing Connected Transactions entered into between the Group and its connected persons and the Existing Annual Caps for the years ended 31 December 2020 and 2021 and the year ending 31 December 2022.

As disclosed in the 7 November 2019 Announcement and the 19 March 2020 Announcement, the Group entered into the Master Agreements and set up the Existing Annual Caps for the Existing Continuing Connected Transactions for the years ended 31 December 2020 and 2021 and the year ending 31 December 2022. Subject to the compliance of the Listing Rules by the Company, each of the Master Agreements has a term of three years and is renewable upon expiry for further terms of three years. As it is expected that the Existing Continuing Connected Transactions will continue after 31 December 2022, being the expiry date of the Existing Annual Caps, on 13 December 2022, the Board has resolved the Existing Continuing Connected Transactions be renewed and set up the relevant Proposed Annual Caps for the Existing Continuing Connected Transactions for the years ending 31 December 2023, 2024 and 2025.

LISTING RULE IMPLICATIONS

As of the date of this announcement, Nissin Japan holds approximately 72.05% of the total issued Shares and is therefore the Controlling Shareholder and a connected person of the Company. Accordingly, the transactions under the Master Agreements between the Group and Nissin Japan Group or connected subsidiary of the Group, as the case may be, constitute continuing connected transactions of the Company under the Listing Rules.

As all applicable percentage ratios for the Proposed Annual Caps of each of the Existing Continuing Connected Transactions are more than 0.1% but less than 5%, the Existing Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

Reference is made to (i) the 7 November 2019 Announcement, the 19 March 2020 Announcement, the 8 April 2020 Announcement and the 31 August 2020 Announcement and (ii) the 5 May 2020 Circular in relation to, among others, the Existing Continuing Connected Transactions entered into between the Group and its connected persons and the Existing Annual Caps for the years ended 31 December 2020 and 2021 and the year ending 31 December 2022.

RENEWAL OF THE ANNUAL CAPS FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS

As disclosed in the 7 November 2019 Announcement and the 19 March 2020 Announcement, the Group entered into the Master Agreements for the Existing Continuing Connected Transactions and set up the Existing Annual Caps for the years ended 31 December 2020 and 2021 and the year ending 31 December 2022. Subject to the compliance of the Listing Rules by the Company, each of the Master Agreements has a term of three years and is renewable upon expiry for further terms of three years. As it is expected that the Existing Continuing Connected Transactions will continue after 31 December 2022, being the expiry date of the Existing Annual Caps, on 13 December 2022, the Board has resolved the Existing Continuing Connected Transactions be renewed and set up the relevant Proposed Annual Caps for the years ending 31 December 2023, 2024 and 2025.

Details for the Renewal of the Existing Continuing Connected Transactions and the Proposed Annual Caps for 2023 to 2025

1. Technology and Trademark Licencing Agreement

(i) Background

The Company (for itself and on behalf of its subsidiaries) entered into the Technology and Trademark Licencing Agreement with Nissin Japan (for itself and on behalf of its subsidiaries) on 21 November 2017 with a term of three years commencing from 11 December 2017 which is automatically renewable for further terms of three years upon expiry subject to the applicable requirement 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.

On 7 November 2019, the Company renewed the Technology and Trademark Licencing Agreement for a term of three years commencing from 11 December 2020. As it is expected that the transactions contemplated thereunder would continue after 10 December 2023, the Board resolved the Technology and Trademark Licencing Agreement be renewed for a further term of three years commencing from 11 December 2023 with the material terms of the Technology and Trademark Licencing Agreement remaining unchanged.

(ii) Principal terms of the agreement

Pursuant to the Technology and Trademark Licencing Agreement, Nissin Japan would continue to grant to the Group:

- (a) a non-exclusive licence to use the Nissin Trademarks and Technology in the Group's businesses in Hong Kong, Macau, Taiwan and the PRC and export of products bearing and/or using the Nissin Trademark and Technology; and
- (b) a non-exclusive licence to use the Nissin Koikeya Trademarks in the distribution of the Group's products bearing the Nissin Koikeya Trademarks in Hong Kong, Macau, Taiwan and the PRC.

The royalty payable by the Group to Nissin Japan shall remain at 2.5% and 0.5% of the net sales of the products using the Nissin Trademarks and Technology that are manufactured in Hong Kong and the PRC, respectively. The royalty payable by the Group for the use of the Nissin Koikeya Trademarks shall also remain at 0.5% of the net sales of the products of the Group using the Nissin Koikeya Trademarks. The royalty rates were determined with mutual consent of the parties to the Technology and Trademark Licencing Agreement.

(iii) Historical transaction amounts

The total amounts of royalty paid by the Group to Nissin Japan Group relating to the licence of the Nissin Trademarks and Technology and the Nissin Koikeya Trademarks were approximately HK\$17.0 million, HK\$17.5 million and HK\$13.4 million for the years ended 31 December 2020, 2021 and the nine months ended 30 September 2022, respectively.

(iv) Proposed Annual Caps and basis of determination

It is expected that the annual royalty under the Technology and Trademark Licencing Agreement payable by the Group to Nissin Japan Group for the years ending 31 December 2023, 2024 and 2025 will not exceed HK\$34.0 million, HK\$37.0 million and HK\$41.0 million, respectively. The Proposed Annual Caps for the transaction amounts under the Technology and Trademark Licencing Agreement were determined based on (i) the historical royalty amounts paid by the Group to Nissin Japan; (ii) the expected expansion in the production capacity of the Group; and (iii) the expected sales of the products of the Group using the Nissin Trademarks and Technology and the Nissin Koikeya Trademarks.

(v) Reasons for and benefits of renewal of the Technology and Trademark Licencing Agreement

The Group has been using the Nissin Trademarks and Technology in the manufacture and sale of instant noodles and other products. The technology licenced to us by Nissin Japan under the Technology and Trademark Licencing Agreement includes the technological knowledge and information in relation to the manufacture of the Group's products including instant noodle products, frozen foods, snacks and confectionery, such as information on the construction of production plants, specifications of plant and machinery installation, specifications of raw materials, manufacturing processes and quality control processes.

In recent years, the Group has been expanding its business in the sales of snacks and confectionery under the joint brands of "NISSIN (日清)" and "Koikeya (湖池屋)". The Directors consider that the continual licence of the Nissin Trademarks and Technology and Nissin Koikeya Trademarks under the Technology and Trademark Licencing Agreement would allow the Group to leverage the reputation of the "NISSIN (日清)" and "Koikeya (湖池屋)" brands which in turn would further sustain the business growth and future expansion of the Group.

(vi) Listing Rules Implication

As at the date of this announcement, Nissin Japan holds approximately 72.05% of the total issued Shares and is therefore the Controlling Shareholder and a connected person of the Company. Accordingly, the transactions under the Technology and Trademark Licencing Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As all applicable percentage ratios for the Proposed Annual Caps of the transactions under the Technology and Trademark Licencing Agreement are more than 0.1% but less than 5%, the transactions under the Technology and Trademark Licencing Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

2. Snacks Supply Agreement

(i) Background

The Company entered into the Snacks Supply Agreement with Nissin Koikeya Foods, a connected subsidiary on 21 November 2017 with a term of three years commencing from 1 January 2017 which is renewable for further terms of three years upon expiry subject to the applicable requirement under the Listing Rules. Pursuant to the Snacks Supply Agreement, the Group has agreed to supply snacks to Nissin Koikeya Foods for its onward sales.

On 7 November 2019, the Company renewed the Snacks Supply Agreement for a term of three years commencing from 1 January 2020. The Snacks Supply Agreement and the relevant Existing Annual Caps will expire on 31 December 2022. As it is expected that the transactions contemplated thereunder would continue after 31 December 2022, the Board resolved the Snacks Supply Agreement be renewed for a further term of three years commencing from 1 January 2023 with the material terms of the Snacks Supply Agreement remaining unchanged.

(ii) Principal terms of the agreement

Pursuant to the Snacks Supply Agreement, the Group agreed to supply snacks to Nissin Koikeya Foods for its onward sales. Purchase prices of the snacks under the Snacks Supply Agreement would be determined with reference to the production costs of the snacks plus a profit margin agreed at arm's length negotiation.

(iii) Historical transaction amounts

The total transaction amounts received by the Group from Nissin Koikeya Foods relating to the sales of snacks were approximately HK\$22.4 million, HK\$24.8 million and HK\$13.5 million for the years ended 31 December 2020, 2021 and the nine months ended 30 September 2022, respectively.

(iv) Proposed Annual Caps and basis of determination

It is expected that the annual transaction amounts under the Snacks Supply Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed HK\$46.0 million, HK\$51.0 million and HK\$56.0 million, respectively. The Proposed Annual Caps for the transaction amounts under the Snacks Supply Agreement were determined based on (i) historical transaction amounts; (ii) the estimated production capacity of the production line for snacks of the Group; and (iii) the anticipated increase in the demand for the snacks of the Group.

(v) Reasons for and benefits of renewal of the Snacks Supply Agreement

The renewal of the Snacks Supply Agreement is in line with the Group's continuous effort to enhance the revenue income stream from the sale of favourable non-instant noodle product categories and it is expected that the product offerings of the snacks of the Group be further enriched and the Group believes that it would in turn strengthen its market share in Hong Kong and the PRC.

It is the commercial arrangement between the Company and KOIKE-YA after arms' length negotiations that snacks of the Group would first be sold to Nissin Koikeya Foods, and Nissin Koikeya Foods would be responsible for marketing and promotion of the snacks before such products are sold to Nissin Foods HK for its onward sales to the distributors of the Group. For further details of the transactions between Nissin Koikeya Foods and Nissin Foods HK, please refer to the paragraphs headed "3. Snacks and Confectionery Purchase Agreement" below.

(vi) Listing Rules Implication

As at the date of this announcement, Nissin Koikeya Foods, being a non-wholly owned subsidiary of the Company, is owned as to 34.00% by KOIKE-YA, which is in turn owned as to 45.12% by Nissin Japan. Accordingly, Nissin Koikeya Foods is a connected subsidiary and thus a connected person of the Company under the Listing Rules, and the transactions contemplated under the Snacks Supply Agreement constitute intra-group connected transactions of the Group under the Listing Rules.

As all applicable percentage ratios for the Proposed Annual Caps of the transactions under the Snacks Supply Agreement are more than 0.1% but less than 5%, the transactions under the Snacks Supply Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

3. Snacks and Confectionery Purchase Agreement

(i) Background

Nissin Foods HK, a wholly owned subsidiary of the Company, entered into the Snacks and Confectionery Purchase Agreement with Nissin Koikeya Foods on 21 November 2017 with a term of three years commencing from 1 January 2017 which is renewable for further terms of three years upon expiry subject to the applicable requirement under the Listing Rules. Pursuant to the Snacks and Confectionery Agreement, Nissin Koikeya Foods agreed to supply snacks and confectionery to Nissin Foods HK for its onward sale in Hong Kong, Macau and the PRC.

On 7 November 2019, the Company renewed the Snacks and Confectionery Purchase Agreement for a term of three years commencing from 1 January 2020. The Snacks and Confectionery Purchase Agreement and the relevant Existing Annual Cap will expire on 31 December 2022. As it is expected that the transactions contemplated thereunder would continue after 31 December 2022, the Board resolved the Snacks and Confectionery Purchase Agreement be renewed for a further term of three years commencing from 1 January 2023 with the material terms of the Snacks and Confectionery Purchase Agreement remaining unchanged.

(ii) Principal terms of the agreement

Pursuant to the Snacks and Confectionery Purchase Agreement, Nissin Koikeya Foods agreed to supply snacks and confectionery to Nissin Foods HK for its onward sale in Hong Kong, Macau and the PRC. Purchase price payable by Nissin Foods HK to Nissin Koikeya Foods under the Snacks and Confectionery Purchase Agreement would be determined with reference to the purchase costs of the relevant products incurred by Nissin Koikeya Foods plus a profit margin determined through arm's length negotiation.

(iii) Historical transaction amounts

The total transaction amounts paid by Nissin Foods HK to Nissin Koikeya Foods for the purchase of snacks and confectionery under the Snacks and Confectionery Purchase Agreement were approximately HK\$40.6 million, HK\$43.2 million and HK\$26.1 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively.

(iv) Proposed Annual Caps and basis of determination

It is expected that the annual transaction amounts under the Snacks and Confectionery Purchase Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed HK\$97.0 million, HK\$107.0 million and HK\$118.0 million, respectively. The Proposed Annual Caps for the transaction amounts under the Snacks and Confectionery Purchase Agreement were determined based on (i) the historical transaction amounts and (ii) the anticipated increase in the demand and sales of snacks and confectionery of the Group.

(v) Reasons for and benefits of renewal of the Snacks and Confectionery Purchase Agreement

Nissin Foods HK has been performing the sales function in Hong Kong within the Group since 2015 and it is considered that by consolidating the sales activities of Nissin Koikeya Foods in Hong Kong to Nissin Foods HK, the Group could benefit from the streamlined management and efficiency of the sales unit of the Group. Therefore, the Directors consider that it is beneficial to the Group to continue the arrangement under the Snacks and Confectionery Purchase Agreement.

(vi) Listing Rules Implication

Nissin Koikeya Foods is a connected person of the Company and the transactions contemplated under the Snacks and Confectionery Purchase Agreement constitute intra-group connected transactions of the Group under Listing Rules. For details of the connectedness of Nissin Koikeya Foods, please refer to the paragraph headed “2. Snacks Supply Agreement — (vi) Listing Rules Implication” above.

As all applicable percentage ratios for the Proposed Annual Caps of the transactions under the Snacks and Confectionery Purchase Agreement are more than 0.1% but less than 5%, the transactions under the Snacks and Confectionery Purchase Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders’ approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

4. Master Raw Materials and Products Procurement Agreement

(i) 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 which is renewable for further terms of three years upon expiry subject to the applicable requirement under the Listing Rules. Pursuant to the Master Raw Materials and Products Procurement Agreement, the Group agreed to purchase certain raw materials and finished goods from Nissin Japan Group.

On 7 November 2019, the Company renewed the Master Raw Materials and Products Procurement Agreement for a term of three years commencing from 1 January 2020. The Master Raw Materials and Products Procurement Agreement and the relevant Existing Annual Caps will expire on 31 December 2022. As it is expected that the transactions contemplated thereunder would continue after 31 December 2022, the Board resolved the Master Raw Materials and Products Procurement Agreement be renewed for a further term of three years commencing from 1 January 2023 with the material terms of the Master Raw Materials and Products Procurement Agreement remaining unchanged.

(ii) Principal terms of the agreement

Pursuant to the Master Raw Materials and Products Procurement Agreement, members of the Group would purchase certain raw materials and finished goods from members of Nissin Japan Group. The purchase price of the raw materials and finished goods supplied by Nissin Japan Group under the Master Raw Materials and Products Procurement Agreement 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. The Directors confirmed that the purchase price charged by Nissin Japan Group under the Master Raw Materials and Products Procurement Agreement is lower than the prices charged by other suppliers who are Independent Third Parties.

(iii) Historical transaction amounts

The total transaction amounts paid by the Group to Nissin Japan Group for the purchase of raw materials and finished goods under the Master Raw Materials and Products Procurement Agreement were approximately HK\$168.4 million, HK\$167.1 million and HK\$128.8 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively.

(iv) Proposed Annual Caps and basis of determination

It is expected that the annual transaction amounts payable by the Group to Nissin Japan Group under the Master Raw Materials and Products Procurement Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed HK\$186.0 million, HK\$190.0 million and HK\$193.0 million, respectively. The Proposed Annual Caps for the transaction amounts under the Master Raw Materials and Products Procurement Agreement were determined based on (i) the historical transaction amounts; (ii) the production capacity of the Group; and (iii) the expected sales of the products of the Group in light of prevailing market conditions, including but not limited to, the impact of COVID-19 pandemic and the relevant social distancing measures.

(v) Reasons for and benefits of renewal of the Master Raw Materials and Products Procurement Agreement

The raw materials supplied by Nissin Japan Group to the Group under the Master Raw Materials and Products Procurement Agreement mainly include seasoning, oil, additive and flour. The Company considers that sourcing such raw materials through Nissin Japan Group would allow the Group to gain access to suppliers in Japan more efficiently and benefit from the lower procurement cost when purchases are made together with Nissin Japan Group at a large volume. On the other hand, the finished goods purchased from Nissin Japan Group mainly include noodles products, confectionery and snacks. The Directors consider that it is beneficial to the Group as a whole to purchase such finished goods from Nissin Japan Group for its onward sale to distributors in Hong Kong, Macau, Taiwan and the PRC whom it has built a long-term relationship with. Based on the above, it is considered that it is beneficial to the Group to continue the arrangement under the Master Raw Materials and Products Procurement Agreement.

(vi) Listing Rules Implication

As at the date of this announcement, Nissin Japan holds approximately 72.05% of the total issued Shares and is therefore the Controlling Shareholder and a connected person of the Company. Accordingly, the transactions under the Master Raw Materials and Products Procurement Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As all applicable percentage ratios for the Proposed Annual Caps of the transactions under the Master Raw Materials and Products Procurement Agreement are more than 0.1% but less than 5%, the transactions under the Master Raw Materials and Products Procurement Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

5. Master Raw Materials and Products Sale Agreement

(i) Background

The Company (for itself and on behalf of its subsidiaries) entered into the Master Raw Materials and Products Sale 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 for further terms of three years upon expiry subject to the applicable requirement under the Listing Rules. Pursuant to the Master Raw Materials and Products Sale Agreement, the Group agreed to supply certain raw materials and finished goods to Nissin Japan Group.

On 7 November 2019, the Company renewed the Master Raw Materials and Products Sale Agreement for a term of three years commencing from 1 January 2020. The Master Raw Materials and Products Sale Agreement and the relevant Existing Annual Caps will expire on 31 December 2022. As it is expected that the transactions contemplated thereunder would continue after 31 December 2022, the Board resolved the Master Raw Materials and Products Sale Agreement be renewed for a further term of three years commencing from 1 January 2023 with the material terms of the Master Raw Materials and Products Sale Agreement remaining unchanged.

(ii) Principal terms of the agreement

Pursuant to the Master Raw Materials and Products Sale Agreement, members of the Group would supply certain raw materials and finished goods to members of Nissin Japan Group. The purchase prices of the raw materials and finished goods payable by Nissin Japan Group under the Master Raw Materials and Products Sale Agreement would be calculated with reference to the production cost of such raw materials and finished goods plus a profit margin agreed at arm's length basis.

(iii) Historical transaction amounts

The total transaction amounts received by the Group from Nissin Japan Group for the supply of raw materials and finished goods under the Master Raw Materials and Products Sale Agreement were approximately HK\$93.0 million, HK\$116.9 million and HK\$86.7 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively.

(iv) Proposed Annual Caps and basis of determination

It is expected that the annual transaction amounts receivable by the Group from Nissin Japan Group under the Master Raw Materials and Products Sale Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed HK\$184.0 million, HK\$188.0 million and HK\$192.0 million, respectively. The Proposed Annual Caps for the transaction amounts under the Master Raw Materials and Products Sale Agreement were determined based on (i) the historical transaction amounts; (ii) the production capacity of the Group; and (iii) the anticipated increase in the demand of Nissin Japan Group for raw materials and finished goods to be supplied by the Group, including packaging materials, noodle products and snacks.

(v) Reasons for and benefits of renewal of the Master Raw Materials and Products Sale Agreement

The raw materials and finished goods supplied by the Group to Nissin Japan Group under the Master Raw Materials and Products Sale Agreement mainly include packaging materials, instant noodles and snacks. The Company is of the view that the supply of raw materials and finished goods to Nissin Japan would enable the Group to enjoy a lower purchasing costs. Further, the Directors consider that the supply of finished goods to Nissin Japan Group has been conducted in the ordinary and usual course of business of the Group under terms that are similar to those entered into between the Group and other distributors who are Independent Third Parties. Based on the above, it is believed that it is beneficial to the Group to continue the transactions under the Master Raw Materials and Products Sale Agreement.

(vi) Listing Rules Implication

As at the date of this announcement, Nissin Japan holds approximately 72.05% of the total issued Shares and is therefore the Controlling Shareholder and a connected person of the Company. Accordingly, the transactions under the Master Raw Materials and Products Sale Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As all applicable percentage ratios for the Proposed Annual Caps of the transactions under the Master Raw Materials and Products Sale Agreement are more than 0.1% but less than 5%, the transactions under the Master Raw Materials and Products Sale Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

6. Master Quality Control Support Service Agreement

(i) Background

The Company (for itself and on behalf of its subsidiaries) entered into the Master Quality Control Support Service Agreement with Nissin Shanghai Food Safety Institute on 21 November 2017 with a term of three years commencing from 1 January 2017 which is renewable for further terms of three years upon expiry subject to the applicable requirement under the Listing Rules. Pursuant to the Master Quality Control Support Service Agreement, Nissin Shanghai Food Safety Institute agreed to provide regular food safety tests to the Group.

On 7 November 2019, the Company renewed the Master Quality Control Support Service Agreement for a term of three years commencing from 1 January 2020. The Master Quality Control Support Service Agreement and the relevant Existing Annual Caps will expire on 31 December 2022. As it is expected that the transactions contemplated thereunder would continue after 31 December 2022, the Board resolved the Master Quality Control Support Service Agreement be renewed for a further term of three years commencing from 1 January 2023 with the material terms of the Master Quality Control Support Service Agreement remaining unchanged.

(ii) Principal terms of the agreement

Pursuant to the Master Quality Control Support Service Agreement, Nissin Shanghai Food Safety Institute would provide food safety tests on the products and production facilities of members of the Group to ensure that they fulfilled the prescribed quality and safety standard. The service fees payable by the Group to Nissin Shanghai Food Safety Institute under the Master Quality Control Support Service Agreement is determined based on arm's length negotiation and is at a lower rate than that charged by Independent Third Parties who provide similar services.

(iii) Historical transaction amounts

The total transaction amounts paid by the Group to Nissin Shanghai Food Safety Institute for the provision of food safety tests were approximately HK\$4.1 million, HK\$5.4 million and HK\$2.4 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively.

(iv) Proposed Annual Caps and basis of determination

It is expected that the annual transaction amounts paid by the Group to Nissin Shanghai Food Safety Institute under the Master Quality Control Support Service Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed HK\$9.0 million, HK\$11.0 million and HK\$14.0 million, respectively. The Proposed Annual Caps for the transaction amounts under the Master Quality Control Support Service Agreement were determined based on (i) the historical transaction amounts and (ii) estimated demand of food safety tests of the Group.

(v) Reasons for and benefits of renewal of the Master Quality Control Support Service Agreement

The Directors consider that it is more cost-efficient to engage Nissin Shanghai Food Safety Institute to conduct food safety tests as it has established experience in the area of food safety of instant food products and it provides quality services. Also, the rate of the service fees charged by Nissin Shanghai Food Safety Institute is more favourable than that charged by other Independent Third Parties providing similar service. Based on the above, it is considered that it is beneficial to the Group to continue the transactions under the Master Quality Control Support Service Agreement.

(vi) Listing Rules Implication

As at the date of this announcement, Nissin Shanghai Food Safety Institute is owned as to 95% by Nissin Japan and is therefore an associate of Nissin Japan and a connected person of the Company. Accordingly, the transactions under the Master Quality Control Support Service Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As all applicable percentage ratios for the Proposed Annual Caps of the transactions under the Master Quality Control Support Service Agreement are more than 0.1% but less than 5%, the transactions under the Master Quality Control Support Service Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

7. Research Service Master Agreement

(i) Background

The Company entered into the Research Service Master Agreement with Nissin Japan on 19 March 2020 with a term of three years commencing from 1 April 2020 which is automatically renewable for further terms of three years upon expiry subject to the applicable requirement under the Listing Rules unless otherwise agreed between the parties. Pursuant to the Research Service Master Agreement, the Group agreed to provide research services to Nissin Japan.

As it is expected that the transactions contemplated thereunder would continue after 31 March 2023, the Board resolved the Research Service Master Agreement be renewed for a further term of three years commencing from 1 April 2023 with the material terms of the Research Service Master Agreement remaining unchanged.

(ii) Principal terms of the agreement

Pursuant to the Research Service Master Agreement, the Group would provide research services to Nissin Japan which include, but not limited to, researching raw materials, facilities and suppliers in the PRC to enhance the research and development capability of Nissin Japan (the “Research Services”). The service fee payable by Nissin Japan to the Group under the Research Service Master Agreement shall be determined with reference to the fees chargeable by independent third party for comparable services when dealing on an arm’s length basis having regard to relevant factors such as the scale and content of research program.

(iii) Historical transaction amounts

The total transaction amounts received by the Group from Nissin Japan for the provision of the Research Services were approximately HK\$2.7 million, HK\$3.5 million and HK\$2.3 million for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, respectively.

(iv) Proposed Annual Caps and basis of determination

It is expected that the annual transaction amounts received by the Group from Nissin Japan under the Research Service Master Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed HK\$5.0 million, HK\$5.0 million and HK\$5.0 million, respectively. The Proposed Annual Caps for the transaction amounts under the Research Service Master Agreement were determined based on various considerations, including but not limited to (i) the historical transaction amounts; (ii) the estimated usage of the Research Services to be provided by the Group to Nissin Japan; and (iii) the fees of comparable research services available in the market having regard to the expertise and experience of the Group.

(v) Reasons for and benefits of renewal of the Research Service Master Agreement

The Board is of the view that the provision of the Research Services will enable the Group to better utilise its existing business resources to expand its source of income. Further, the provision of the Research Services will enhance the overall research and development capability of Nissin Japan, which may in turn benefit the Group as the Group is able to leverage on Nissin Japan’s research and development advancement, for example in facilitating production of the instant noodle products. Based on the above, it is considered that it is beneficial to the Group to continue the transactions under the Research Service Master Agreement.

(vi) Listing Rules Implication

As at the date of this announcement, Nissin Japan holds approximately 72.05% of the total issued Shares and is therefore the Controlling Shareholder and a connected person of the Company. Accordingly, the transactions under the Research Service Master Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As all applicable percentage ratios for the Proposed Annual Caps of the transactions under the Research Service Master Agreement are more than 0.1% but less than 5%, the transactions under the Research Service Master Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) consider that the terms of each of the Master Agreements are conducted on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the Master Agreements and the Proposed Annual Caps are fair and reasonable and such transactions are in the interest of the Company and its Shareholders as a whole.

No Director has any material interest in the transactions contemplated under the Master Agreements, therefore none of the Directors has abstained from voting at the Board's meeting to approve the renewal of the Master Agreements and the Proposed Annual Caps.

GENERAL INFORMATION RELATING TO THE GROUP, NISSIN JAPAN GROUP, NISSIN KOIKEYA FOODS AND NISSIN SHANGHAI FOOD SAFETY INSTITUTE

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, snacks, mineral water, sauce and vegetable products.

Nissin Japan 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, snacks, confectionery and beverage products.

Nissin Koikeya Foods is principally engaged in the trading of snacks and confectionery under the joint brands of "NISSIN (日清)" and "Koikeya (湖池屋)".

Nissin Shanghai Food Safety Institute is principally engaged in the provision of professional tests and analysis in relation to food safety.

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“7 November 2019 Announcement”	the announcement of the Company dated 7 November 2019 in relation to, among others, the renewal of continuing connected transactions of the Group under (i) the Technology and Trademark Licencing Agreement, (ii) the Snacks Supply Agreement, (iii) the Snacks and Confectionery Purchase Agreement, (iv) the Master Raw Materials and Products Procurement Agreement, (v) the Master Raw Materials and Products Sale Agreement and (vi) the Master Quality Control Support Service Agreement and relevant annual caps for the years ended 2020, 2021 and the year ending 2022
“19 March 2020 Announcement”	the announcement of the Company dated 19 March 2020 in relation to, among others, the entering of the Research Service Master Agreement and the annual caps for the years ended 2020, 2021 and the year ending 2022
“8 April 2020 Announcement”	the announcement of the Company dated 8 April 2020 in relation to, among others, revision of the annual caps for the years ended 2020, 2021 and the year ending 2022 contemplated under the Master Raw Materials and Products Procurement Agreement
“5 May 2020 Circular”	the circular of the Company dated 5 May 2020 in relation to, among others, revision of the annual caps for the years ended 2020, 2021 and the year ending 2022 contemplated under the Master Raw Materials and Products Procurement Agreement
“31 August 2020 Announcement”	the announcement of the Company dated 31 August 2020 in relation to, among others, revision of the annual caps for the years ended 2020, 2021 and the year ending 2022 contemplated under the Master Raw Materials and Products Sale Agreement and Snacks and Confectionery Purchase Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Nissin Foods Company Limited, a company incorporated under the laws of Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company

“Existing Annual Cap(s)”	the anticipated maximum annual value of the transactions contemplated under, as the case may be, (i) the Technology and Trademark Licencing Agreement for the years ended 31 December 2020, 2021 and the year ending 31 December 2022 as stated in the 7 November 2019 Announcement; (ii) the Snacks Supply Agreement for the years ended 31 December 2020, 2021 and the year ending 31 December 2022 as stated in the 7 November 2019 Announcement; (iii) the Snacks and Confectionery Purchase Agreement for the years ended 31 December 2020, 2021 and the year ending 31 December 2022 as stated in the 7 November 2019 Announcement (as revised and as stated in the 31 August 2020 Announcement); (iv) the Master Raw Materials and Products Procurement Agreement for the years ended 31 December 2020, 2021 and the year ending 31 December 2022 as stated in the 7 November 2019 Announcement (as revised and as stated in the 8 April 2020 Announcement and the 5 May 2020 Circular); (v) the Master Raw Materials and Products Sale Agreement for the years ended 31 December 2020, 2021 and the year ending 31 December 2022 as stated in the 7 November 2019 Announcement (as revised and as stated in the 31 August 2020 Announcement); (vi) the Master Quality Control Support Service Agreement for the years ended 31 December 2020, 2021 and the year ending 31 December 2022 as stated in the 7 November 2019 Announcement; and (vii) the Research Service Master Agreement for the years ended 31 December 2020, 2021 and the year ending 31 December 2022 as stated in the 19 March 2020 Announcement
“Existing Continuing Connected Transactions”	the continuing connected transactions of the Group under the Master Agreements
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial Shareholder(s) of the Company, its subsidiaries or any of their respective associates
“KOIKE-YA”	KOIKE-YA Inc., a company incorporated under the laws of Japan on 13 January 1977 and the shares of which are listed on the Tokyo Stock Exchange, Inc. (stock code: 2226)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Master Agreements”	including the (i) Technology and Trademark Licencing Agreement; (ii) Snacks Supply Agreement; (iii) Snacks and Confectionery Purchase Agreement; (iv) Master Raw Materials and Products Procurement Agreement; (v) Master Raw Materials and Product Sale Agreement; (vi) Master Quality Control Support Service Agreement; and (vii) Research Service Master Agreement
“Master Quality Control Support Service Agreement”	the master agreement in connection with the provision of quality control support services entered into between the Company and Nissin Shanghai Food Safety Institute on 21 November 2017 (as renewed on 7 November 2019)
“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)
“Master Raw Materials and Products Sale Agreement”	the master agreement in connection with the sale of raw materials and products entered into between the Company and Nissin Japan on 21 November 2017 (as renewed on 7 November 2019)
“Nissin Foods HK”	Nissin Foods (H.K.) Company Limited, a company incorporated under the laws of Hong Kong on 25 August 2015 with limited liability and a wholly owned subsidiary of the Company
“Nissin Japan”	Nissin Foods Holdings Co., Ltd., a company established under the laws of Japan on 4 September 1948 whose shares are listed on the Tokyo Stock Exchange, Inc. (stock code: 2897) and the controlling shareholder of the Company
“Nissin Japan Group”	Nissin Japan and its subsidiaries, excluding the Group
“Nissin Koikeya Foods”	Nissin Koikeya Foods (China & HK) Co., Limited, a company incorporated under the laws of Hong Kong on 27 September 2013 with limited liability and is currently owned as to 66% and 34% by the Company and KOIKE-YA, respectively
“Nissin Koikeya Trademarks”	certain trademarks and logos of the joint brands of “NISSIN (日清)” and “Koikeya (湖池屋)” owned by Nissin Japan Group and licenced to members of the Group from time to time pursuant to the Technology and Trademark Licencing Agreement
“Nissin Shanghai Food Safety Institute”	日清(上海)食品安全研究開發有限公司(Food Safety Evaluation & Research Institute Co., Ltd.*), a company established under the laws of the PRC on 24 March 2005 with limited liability and owned as to 5% by the Company and 95% by Nissin Japan
“Nissin Trademarks and Technology”	certain trademarks and logos of “NISSIN (日清)” and technological knowledge and information in relation to the manufacture and sales of the Group’s products including instant noodle products, frozen foods, snacks and confectionery owned by Nissin Japan Group and licenced to members of the Group from time to time pursuant to the Technology and Trademark Licencing Agreement

“percentage ratios”	refers 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 announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Annual Caps”	the anticipated maximum annual value for the transactions contemplated under each of the Master Agreements for the years ending 31 December 2023, 2024 and 2025
“Research Service Master Agreement”	the research service master agreement dated 19 March 2020 entered into between the Company and Nissin Japan for the provision of research services by the Group to Nissin Japan
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Snacks and Confectionery Purchase Agreement”	the master agreement in connection with the purchase of snacks and confectionery entered into between Nissin Foods HK and Nissin Koikeya Foods on 21 November 2017 (as renewed on 7 November 2019)
“Snacks Supply Agreement”	the master agreement in connection with the supply of potato chips products entered into between Nissin Koikeya Foods and the Company on 21 November 2017 (as renewed on 7 November 2019)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technology and Trademark Licencing Agreement”	the master agreement in connection with the licence of the Nissin Trademarks and Technology and the Nissin Koikeya Trademarks by Nissin Japan to the Group dated 21 November 2017 (as renewed on 7 November 2019)

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

Hong Kong, 13 December 2022

As at the date of this announcement, Executive Directors are Mr. Kiyotaka Ando, Mr. Toshimichi Fujinawa, Mr. Shinji Tatsutani, Mr. Kazuo Kawasaka and Mr. Yasuhiro Yamada; and Independent Non-executive Directors are Dr. Sumio Matsumoto, Mr. Masaru Takahashi, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai.

* *for identification purposes only*