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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 or transfer 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)

**PROPOSALS FOR**

**(1) GENERAL MANDATES TO ISSUE SHARES AND BUY BACK SHARES;**

**(2) RE-ELECTION OF DIRECTORS; AND**

**(3) REVISION OF EXISTING ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS**

**AND**

**NOTICE OF ANNUAL GENERAL MEETING**

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



**Optima Capital Limited**

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A notice convening the annual general meeting 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, 9 June 2023 at 10:00 a.m. is set out on pages 53 to 57 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 17M 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 meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting, or any adjourned meeting, should they so wish.

26 April 2023

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## DEFINITIONS

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

“13 December 2022 Announcement”	the announcement of the Company dated 13 December 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AGM”	the annual general meeting of the Company 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, 9 June 2023 at 10:00 a.m.
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Buy-back Mandate”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to buy back Shares during the period as set out in the Buy-back Resolution, Shares up to a maximum of 10% of the total issued Shares as at the date of passing the Buy-back Resolution
“Buy-back Resolution”	the proposed ordinary resolution as referred to in ordinary resolution no. 5 of the notice of AGM
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Company”	Nissin Foods Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and the Shares of which are listed on the Stock Exchange
“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
“Director(s)”	the director(s) of the Company
“Existing Annual Caps”	the anticipated maximum annual value of the transactions contemplated under, as the case may be, (i) the Master Raw Materials and Products Procurement Agreement for the years ending 31 December 2023, 2024 and 2025 as stated in the 13 December 2022 Announcement; and (ii) the Master Raw Materials and Products Sale Agreement for the years ending 31 December 2023, 2024 and 2025 as stated in the 13 December 2022 Announcement

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## DEFINITIONS

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“FCMU Ratio”	represents the ratio of net profit (before interest and tax) to operating expenses and cost of goods sold
“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 People’s Republic of China
“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 AGM on the resolution approving the Revised Annual Caps
“Independent Financial Adviser” 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 adviser 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 each of the Master Raw Materials and Products Procurement Agreement and the Master Raw Materials and Products Sale 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 Master Raw Materials and Products Sale Agreement and the transactions contemplated thereunder including the Revised Annual Caps
“Issue Mandate”	a general mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue and deal with Shares during the period as set out in the proposed ordinary resolution as referred to in ordinary resolution no. 6, Shares up to a maximum of 20% of the total number of issued shares of the Company as at the date of passing of the resolution approving the Issue Mandate
“Latest Practicable Date”	18 April 2023, being the latest practicable date of ascertaining certain information contained in this circular prior to its publication

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## DEFINITIONS

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“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 purchase of raw materials and products of the Group entered into between the Company and Nissin Japan on 21 November 2017 (as renewed on 7 November 2019 and 13 December 2022)
“Master Raw Materials and Products Sale Agreement”	the master agreement in connection with the sale of raw materials and products of the Group entered into between the Company and Nissin Japan on 21 November 2017 (as renewed on 7 November 2019 and 13 December 2022)
“Nissin Japan”	Nissin Foods Holdings Co., Ltd., a company established under the law of Japan and the Company’s controlling shareholder (mainly as ascribed under the Listing Rules) 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
“Revised Annual Cap(s)”	the revised anticipated maximum annual value of the transactions contemplated under, as the case may be, (i) the Master Raw Materials and Products Procurement Agreement for the years ending 31 December 2023, 2024 and 2025; and (ii) the Master Raw Materials and Products Sale Agreement for the years ending 31 December 2023, 2024 and 2025
“Register”	the register of members of the Company
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	share(s) of the Company with no par value
“Shareholder(s)”	registered holder(s) of Shares

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## DEFINITIONS

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“Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Company’s share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs
“Zhuhai Nissin Packaging”	Zhuhai Nissin Packaging Company Limited (珠海日清包裝有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Kiyotaka Ando  
Mr. Toshimichi Fujinawa  
Mr. Shinji Tatsutani  
Mr. Kazuo Kawasaki  
Mr. Yasuhiro Yamada

*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. Masaru Takahashi  
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

26 April 2023

*To the Shareholders*

Dear Sir or Madam

**PROPOSALS FOR  
(1) GENERAL MANDATES TO ISSUE SHARES AND BUY BACK SHARES;  
(2) RE-ELECTION OF DIRECTORS; AND  
(3) REVISION OF EXISTING ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with the information of the AGM and certain ordinary resolutions to be proposed at the AGM, including but not limited to the granting to the Directors of the Issue Mandate, the Buy-back Mandate, the extension of the Issue Mandate, the re-election of the Directors and the Revised Annual Caps and to seek your approval of the relevant ordinary resolutions relating to these matters at the AGM.

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## LETTER FROM THE BOARD

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### ISSUE MANDATE

At the annual general meeting of the Company held on 9 June 2022, a general mandate was given by the Company to the Directors to exercise the powers of the Company to allot, issue and deal with Shares. Such general mandate will lapse at the conclusion of the AGM. It is therefore proposed to renew such general mandate at the AGM. The Issue Mandate will be proposed at the AGM to grant a general mandate to the Directors to allot, issue and otherwise deal with additional Shares up to a limit equal to 20% of the total number of issued Shares as at the date of passing the Issue Mandate.

As at the Latest Practicable Date, the number of the issued Shares was 1,043,691,480 Shares. Assuming that there is no change in the number of issued Shares between the period from the Latest Practicable Date and the date of passing the Issue Mandate, the maximum number of Shares which may be issued pursuant to the Issue Mandate as at the date of passing the resolution approving the Issue Mandate will be 208,738,296 Shares representing not more than 20% of the total number of issued Shares.

Ordinary resolutions will be proposed at the AGM to grant to the Directors the Issue Mandate, and authorise the extension of the Issue Mandate, details of which are set out in ordinary resolution numbers 6 and 7 respectively in the notice of AGM.

### BUY-BACK MANDATE

At the annual general meeting of the Company held on 9 June 2022, a general mandate was given by the Company to the Directors to exercise the powers of the Company to buy back its own Shares. Such general mandate will lapse at the conclusion of the AGM.

As at the Latest Practicable Date, the number of the issued Shares was 1,043,691,480 Shares. Assuming that there is no change in the number of issued Shares between the period from the Latest Practicable Date and the date of passing the Buy-back Mandate, the maximum number of Shares which may be bought back pursuant to the Buy-back Mandate as at the date of passing the resolution approving the Buy-back Mandate will be 104,369,148 Shares.

An ordinary resolution will be proposed at the AGM to grant to the Directors the Buy-back Mandate, details of which are set out in ordinary resolution number 5 in the notice of AGM. The Shares which may be bought back pursuant to the Buy-back Mandate is limited to a maximum of 10% of total number of issued Shares as at the date of passing of the resolution approving the Buy-back Mandate.

An explanatory statement as required under the Listing Rules, giving certain information regarding the Buy-back Mandate, is set out in the Appendix II to this circular.

### RE-ELECTION OF DIRECTORS

The Board currently consists of nine Directors, namely Mr. Kiyotaka Ando, Mr. Toshimichi Fujinawa, Mr. Shinji Tatsutani, Mr. Kazuo Kawasaki, Mr. Yasuhiro Yamada, Dr. Sumio Matsumoto, Mr. Masaru Takahashi, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai.



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## LETTER FROM THE BOARD

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Pursuant to Article 107 of the Articles of Association, one-third of the Directors shall retire from office by rotation at annual general meeting and be eligible for re-election. Accordingly, Mr. Shinji Tatsutani, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai will retire by rotation from office at the AGM and will, being eligible, offer themselves for re-election at the AGM.

The nomination committee and the Board have reviewed, inter alia, the annual written confirmation of independence of Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai and assessed their independence based on the independence criteria as set out in rule 3.13 of the Listing Rules. They do not have any other relationships with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company. The nomination committee and the Board are also not aware of any circumstance that might influence Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai in exercising independent judgment and are satisfied that they have the required character, integrity, independence and experience to fulfill the role of an independent non-executive Director. On this basis, both Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai are considered independent to act as independent non-executive Directors. The nomination committee nominated Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai to the Board for it to propose to the Shareholders for re-election at the AGM. Accordingly, the Board proposed that they stand for re-election as independent non-executive Directors at the AGM.

Professor Lynne Yukie Nakano has extensive experience in academia and research. Mr. Toshiaki Sakai has invaluable experience and expertise in the sport coaching and management, specialising in tennis. Both of them can assist the Company to formulate and execute appropriate business strategy, hereby strengthening the Company's market positions and enhancing its brand recognition and awareness. The Board believes that the skills and experiences they acquired from a different background will be able to bring valuable contribution to the Group.

The nomination committee is of the view that each of Mr. Shinji Tatsutani, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai is able to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity. The nomination committee believes that they will continue to contribute to the continuity and stability of the Board.

Having regard to the Board's diversity policy and the nomination policy adopted by the Company, the nomination committee recommended re-election of the aforesaid retiring Directors to the Board. Accordingly, the Board has proposed that each of the above retiring Directors, namely Mr. Shinji Tatsutani, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai, stands for re-election as Director at the AGM.

Biographical details of the Directors proposed to be re-elected at the AGM are set out in Appendix III to this circular.

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## LETTER FROM THE BOARD

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### REVISION OF EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

References are made to (i) 13 December 2022 Announcement in relation to, among others, the renewal of the Master Raw Materials and Products Procurement Agreement and the Master Raw Materials and Products Sale Agreement and the Existing Annual Caps; and (ii) the announcement of the Company dated 27 March 2023 in relation to, among others, the Revised Annual Caps.

With the removal of all COVID-19 measures for inbound travellers to Hong Kong and the full re-opening of all borders between the PRC and Hong Kong, Hong Kong has seen a rebound in the number of inbound travellers since early this year. Alongside the launch of the “Hello Hong Kong” campaign and other initiatives put forward by the Hong Kong Government to boost the local economy, the Company anticipates a stronger consumption sentiment, and it is anticipated that the demand for the Group’s products will continue to increase. At the same time, despite the easing of COVID-19 pandemic, the high procurement and logistics costs of a wide range of raw materials and packaging materials, and soaring energy costs have continued to impact on the production cost of instant noodles products. In 2022, Nissin Japan had already implemented a price revision for shipments effective from 1 June 2022 in view of the sharp increase in raw materials, packaging and other material costs. It has announced on 6 February 2023 that it would implement a further price revision of its instant food products in the range of 10% to 13% above the manufacturer’s suggested retail price effective from 1 June 2023 to respond to recent cost hikes. Nissin Japan has also notified the Company that the retail price of certain raw materials will be increased in 2023. Accordingly, the aggregate value of the continuing connected transactions under the following agreements is expected to be higher than that as envisaged at the time of determining the Existing Annual Caps:

- (I) Master Raw Materials and Products Procurement Agreement made between the Company and Nissin Japan pursuant to which the Group purchases certain raw materials and finished goods from members of Nissin Japan Group (disclosed as transaction item 4 in the 13 December 2022 Announcement); and
- (II) Master Raw Materials and Products Sale Agreement made between the Company and Nissin Japan pursuant to which the Group supplies certain raw materials and finished goods to the Nissin Japan Group (disclosed as transaction item 5 in the 13 December 2022 Announcement).

On 27 March 2023, the Board resolved to revise the Existing Annual Caps for the transactions respectively under the Master Raw Materials and Products Procurement Agreement and the Master Raw Materials and Products Sale Agreement, for the years ending 31 December 2023, 2024 and 2025. Save for the revision of the Existing Annual Caps, all terms and conditions of the Master Raw Materials and Products Procurement Agreement and Master Raw Materials and Products Sale Agreement shall remain unchanged.

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## LETTER FROM THE BOARD

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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 and Master Raw Materials and Products Sale 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; and (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.

### (A) 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. As disclosed in the 13 December 2022 Announcement, the Master Raw Materials and Products Procurement Agreement has been renewed for a further term of three years from 1 January 2023 to 31 December 2025.

#### 2. Principal Terms

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

<b>Date</b>	21 November 2017
<b>Parties</b>	(a) the Company (on behalf of the Group)  (b) Nissin Japan (on behalf of Nissin Japan Group)
<b>Duration</b>	A term of three years commencing from 1 January 2023, 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.
<b>Continuing transactions</b>	Members of the Group would purchase certain raw materials and finished goods from members of the Nissin Japan Group.

#### *Pricing guideline*

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



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## LETTER FROM THE BOARD

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The Revised Annual Caps for the transactions contemplated under the Master Raw Materials and Products Procurement Agreement were determined with reference to the Group's revised forecast of purchases from Nissin Japan Group in the three years ending 31 December 2023, 2024 and 2025, the basis of which has taken into consideration (i) the historical transaction amounts; (ii) the historical growth rate in the purchases from Nissin Japan Group adjusted for the impact from exchange rate fluctuations; (iii) Nissin Japan implemented price revisions of its instant food products and raw materials effective from 2023; (iv) prevailing market conditions, including but not limited to, the expected recovery in local economy with the re-opening of borders with the PRC and relaxation of COVID-19 control measures in Hong Kong; and (v) an additional 10% buffer to factor in fluctuation in prices and foreign exchange rates in respect of raw materials or finished goods products to be purchased from Nissin Japan Group.

### **(B) MASTER RAW MATERIALS AND PRODUCTS SALE AGREEMENT**

#### **1. 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. As disclosed in the 13 December 2022 Announcement, the Master Raw Materials and Products Sale Agreement has been renewed for a further term of three years from 1 January 2023 to 31 December 2025.

#### **2. Principal Terms**

The principal terms of the Master Raw Materials and Products Sale Agreement are summarised below:

<b>Date</b>	21 November 2017
<b>Parties</b>	(a) the Company (on behalf of the Group)  (b) Nissin Japan (on behalf of Nissin Japan Group)
<b>Duration</b>	A term of three years commencing from 1 January 2023, 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.

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## LETTER FROM THE BOARD

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**Continuing transactions** Members of the Group would supply certain raw materials and finished goods to members of the Nissin Japan Group.

### *Pricing guideline*

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

For raw materials and finished goods supplied to Nissin Japan Group, the profit margin charged by 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 to 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 to Nissin Japan Group in respect of the supply of raw materials and finished goods is fair and reasonable and on normal commercial terms or better to the Group.

### *Historical transaction amounts*

For the three years ended 31 December 2020, 2021 and 2022, the total transaction amounts of the Group's supply of raw materials and finished goods to Nissin Japan Group under the Master Raw Materials and Products Sale Agreement were approximately HK\$93.0 million, HK\$116.9 million and HK\$150.4 million, respectively.

### **3. Revision of the Existing Annual Caps**

The Board has resolved to increase the Existing Annual Caps for the transactions contemplated under the Master Raw Materials and Products Sale Agreement as follows:

	<b>For the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(HK\$ million)</i>		
Existing Annual Caps	184.0	188.0	192.0
Revised Annual Caps	266.0	342.0	405.0

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## LETTER FROM THE BOARD

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The Revised Annual Caps for the transactions contemplated under the Master Raw Materials and Products Sale Agreement were determined with reference to the Group's revised forecast of sales to Nissin Japan Group in the three years ending 31 December 2023, 2024 and 2025, the basis of which has taken into consideration (i) the historical transaction amounts; (ii) the historical growth rate in the sales of products (including finished goods and packaging materials) to Nissin Japan Group adjusted for the impact from exchange rate fluctuations; (iii) anticipated additional sales of instant noodles to subsidiaries of Nissin Japan in the European market; (iv) anticipated additional sales of packaging materials following the commencement of mass production in Zhuhai Nissin Packaging's production plant; (v) prevailing market conditions in light of a rebound in global economy in the wake of recovery from COVID-19; and (vi) an additional 10% buffer to factor in fluctuation in prices in respect of the raw materials or finished goods products to be supplied Nissin Japan Group.

### **Internal control measures**

To ensure the transactions contemplated under the Master Raw Materials and Products Procurement Agreement and Master Raw Materials and Products Sale 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.
- (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

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## LETTER FROM THE BOARD

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- 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.
- (d) in respect of finished goods and raw materials supplied to Nissin Japan Group:
- the Company will carry out due and careful enquiries internally to assess the cost of producing and monitor the profit margin of such products and the raw materials involved;
  - the Group will gather market information from time to time on the market prices offered by other competitive market players and the availability for comparable products in the market;
  - the Group will compare the terms offered to Nissin Japan Group shall not be more favourable than that offered to independent customers; 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 to 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 and Master Raw Materials and Products Sale Agreement.



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## LETTER FROM THE BOARD

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### **Reasons for and Benefits of Adoption the Revised Annual Caps**

In view of recent re-opening of the border with the PRC and a relaxation of COVID-19 related measures in both Hong Kong and the PRC, the Board anticipates a return to normalcy and a strong rebound in economy which will bring about strong consumption sentiment calling for greater demand in instant noodles and confectionery items. This will in turn increase the Group's demand for (i) raw materials such as condiments and seasonings from Nissin Japan Group which will be used in the production of the Group's instant noodle products, as well as (ii) finished goods (including but not limited to made-in-Japan instant noodles and snacks) from Nissin Japan Group to satisfy the demand for such products in the local and the PRC markets. At the same time, in view of increasing cost pressures arising from soaring raw materials, packaging materials and energy costs, in addition to a product price revision on 1 June 2022, Nissin Japan has on 6 February 2023 announced a further product price revision in the range of 10% to 13% above the manufacturer's suggested retail price for shipments effective from 1 June 2023 to respond to recent cost hikes. Nissin Japan has also notified the Company that the retail price of certain raw materials will be increased in 2023. Accordingly, the aggregate value of the continuing connected transactions contemplated under the Master Raw Materials and Products Procurement Agreement is expected to be higher than that as envisaged at the time of determining the Existing Annual Caps.

Further, with the re-opening of the PRC which paved the way for a rapid rebound in economic activity worldwide, and the easing of global supply chain disruption resulting in lower freight cost as witnessed in the beginning of 2023, the Group anticipates an increase in demand for the Group's products, such as instant noodle and granola products and packaging materials used in production of instant noodle products in countries such as Thailand, Singapore, Germany and Brazil. In particular, the Group has received additional purchase orders for instant noodle products from subsidiaries of Nissin Japan in the European market. Further, since the commencement of production in the Group's packaging material plant in Zhuhai in December 2021, full-scale production has been underway and it is anticipated that other than in-house procurement, the Group is able to increase its sales of packaging materials to satisfy additional purchase orders and anticipated demand from Nissin Japan Group.

Other than an anticipated surge in transaction volume, the Board has considered the impact of a highly volatile foreign exchange rates on the projected transaction amount under the agreements. In particular, Japanese Yen is the main currency of the Group's purchases under the Master Raw Materials and Products Procurement Agreement and there was an appreciation of Japanese Yen in late 2022 and in early 2023. The Group has therefore revised its outlook on exchange rates and factored in its impact on the Group's projection for the annual caps under the agreement by providing a 10% buffer in determining the Revised Annual Caps.

In light of the aforesaid, the Board anticipates that the transactions with Nissin Japan Group pursuant to the Master Raw Materials and Products Procurement Agreement and Master Raw Materials and Products Sale Agreement will exceed the previous projections and that the Existing Annual Caps will not be sufficient to meet the Group's requirements for the three years ending 31 December 2023, 2024 and 2025. Accordingly, the Board proposes to revise the Existing Annual Caps to address its anticipating business needs in view of expected market changes. Save for the revision of the Existing Annual Caps, all terms and conditions of the Master Raw Materials and Products Procurement Agreement and Master Raw Materials and Products Sale Agreement shall remain unchanged.

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## LETTER FROM THE BOARD

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The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser) are of the view that the Revised Annual Caps in respect of the transactions contemplated under the Master Raw Materials and Products Procurement Agreement and Master Raw Materials and Products Sale 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.

### **General information relating to the Group and Nissin Japan 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, 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.

### **Listing Rules Implications**

As at the Latest Practicable Date, 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 contemplated thereunder the Master Raw Materials and Products Procurement Agreement and the Master Raw Materials and Products Sale Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios 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 Master Raw Materials and Products Sale Agreement and the transactions contemplated thereunder, including the Revised Annual Caps. As such, none of the Directors are required to abstain from voting on the relevant board resolutions approving the Revised Annual Caps.

An Independent Board Committee comprising all independent non-executive Directors will be established to advise the Independent Shareholders in relation to the Revised Annual Caps. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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### AGM

The notice convening the AGM, which contains, inter alia, ordinary resolutions to approve the Issue Mandate, the Buy-back Mandate, the extension of the Issue Mandate, re-election of the Directors and the Revised Annual Caps is set out on pages 53 to 57 of this circular.

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 72.05% of all issued shares of the Company. Nissin Japan and its associates shall, therefore, abstain from voting on the resolution for approving the Revised Annual Caps (resolution no.8 at the AGM). Save as disclosed above, to the best of the Directors' knowledge, information and belief, as at the Latest Practical Date, no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

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.

A form of proxy for use at the AGM is enclosed herein. Such form of proxy is also published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.nissingroup.com.hk](http://www.nissingroup.com.hk)). Whether or not you are able to attend the AGM, 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 17M 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 AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the AGM, or any adjourned meeting, should they so wish and in such event, the proxy form shall be deemed to be revoked.

### RECOMMENDATION

The Directors believe that the proposed resolutions mentioned in this circular, including the proposals to re-elect the Directors, to re-appoint the Company's auditor, to grant to the Directors the Issue Mandate and the Buy-back Mandate, and to approve the Revised Annual Caps are in the best interests of the Company as well as to its Shareholders. Accordingly, the Board recommends that all the Shareholders should vote in favour of all the relevant resolutions to be proposed at the AGM to give effect to them.

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## LETTER FROM THE BOARD

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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 Master Raw Materials and Products Sale 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 AGM to approve the Revised Annual Caps.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders, and to the letter of advice from Optima Capital set out on pages 21 and 41 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.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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.*



26 April 2023

*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 26 April 2023 (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 21 to 41 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 21 to 41 of the Circular, we are of the opinion that (i) the terms of the Master Raw Materials and Products Procurement Agreement and the Master Raw Materials and Products Sale Agreement (collectively, the “Agreements”) and the transactions contemplated under the Agreements (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.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

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

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## LETTER FROM OPTIMA CAPITAL

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*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

26 April 2023

*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 revision of the Existing Annual Caps for the transactions contemplated under the Master Raw Materials and Products Procurement Agreement and the Master Raw Materials and Products Sale Agreement. Details of the Agreements are set out in the letter from the Board (the “Letter from the Board”) contained in the circular of the Company dated 26 April 2023 (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 27 March 2023 in respect of, among others, the revision of the Existing Annual Caps of the Agreements. As the Company expects that the Existing Annual Caps will not be sufficient for the transaction amounts to be incurred under the Agreements due to (i) the anticipated stronger consumption sentiment and increases in the demand for the Group’s products alongside the initiatives put forward by the Hong Kong Government; (ii) Nissin Japan implemented price revisions of its finished goods and certain raw materials effective from 2023; and (iii) anticipated additional sales of instant noodles and packaging materials to the Nissin Japan Group, it proposes to adopt the Revised Annual Caps to accommodate a greater demand for the raw materials and finished goods to be (i) procured from the Nissin Japan Group under the Master Raw Materials and Products Procurement Agreement; and (ii) supplied to the Nissin Japan Group under the Master Raw Materials and Products Sale Agreement.

Nissin Japan holds approximately 72.05% 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.

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## LETTER FROM OPTIMA CAPITAL

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The Company will seek the Independent Shareholders' approval of the Revised Annual Caps at the AGM. The voting at the AGM 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 the AGM. 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 AGM.

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders as to whether (i) the terms of the Agreements 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 AGM 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 AGM. 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 Agreements and the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, 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 the Nissin Japan 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, 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 is also engaged in the manufacture and sale of other products including chilled and frozen food, snacks, 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 the Nissin Japan Group. Also, the Group supplies certain raw materials and finished goods to the Nissin Japan Group.

### **2. Background of the Agreements**

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 the Nissin Japan Group and supplying raw materials and finished goods to the Nissin Japan Group. As the transactions contemplated under such arrangement constituted continuing connected transactions, the Company (for itself and on behalf of its subsidiaries) entered into the Agreements 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.

As disclosed in the 13 December 2022 Announcement, each of the Agreements has been renewed for a further term of three years from 1 January 2023 to 31 December 2025.

**3. Reasons for and benefits of the Transactions**

Pursuant to the Agreements, the Group agreed to procure and supply certain raw materials and finished goods from/to the Nissin Japan Group. The Company considers that (i) sourcing raw materials from the Nissin Japan Group would allow the Group to gain access to the suppliers in Japan more efficiently and benefit from the lower procurement costs as the purchases made by Nissin Japan are at a larger volume; (ii) it is beneficial for the Group to source certain made-in-Japan finished goods from the Nissin Japan Group for onward sale to its distributors in Hong Kong, Macau, Taiwan and the PRC whom has built long-term relationships with; and (iii) supplying raw materials and finished goods to the Nissin Japan Group can facilitate the expansion of the sales scale of the Group and increase the revenue of the Group.

Having considered (i) the respective principal activities of the Group and the Nissin Japan Group; and (ii) the reasons for and benefits of the Transactions as described above, we concur with the view of the Directors that the Agreements are entered into in the ordinary and usual course of business of the Group.

**4. Principal terms of the Agreements**

*(I) 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 the Nissin Japan Group. The raw materials procured under the Master Raw Materials and Products Procurement Agreement mainly include seasonings, oils and additives which are primarily used in manufacturing the Group's products such as instant noodles. The finished goods procured under the Master Raw Materials and Products Procurement Agreement mainly include Japanese noodles products, confectionery and snack products.

*Pricing basis*

The purchase prices of finished goods and raw materials from the Nissin Japan Group would be calculated with reference to the total production cost 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*

The 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.

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## LETTER FROM OPTIMA CAPITAL

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

For the profit margin charged by the Nissin Japan Group, the Group has engaged PricewaterhouseCoopers (“PwC”), an affiliate of an international accounting firm, to perform a benchmark analysis on the margins of certain comparable companies in December 2022 (the “Benchmark Analysis”). We have reviewed the Benchmark Analysis and noted that there were nine comparable companies engaging in similar business of the Group which manufacturing of processed foods, instant food and noodles (the “Manufacturing Comparable Companies”) across the PRC, Japan, Korea, India and Vietnam. The Manufacturing Comparable Companies are shortlisted from a pool of 292 companies in the food-related business. In arriving at the list of the Manufacturing Comparable Companies, PwC had excluded, among others, (i) companies which incurred operating losses for three consecutive years; (ii) companies with dissimilar product offerings; and (iii) companies with different business. Based on the abovementioned selection criteria, we are of the view that the Manufacturing Comparable Companies are fair and representative samples. According to the Benchmark Analysis, the Manufacturing Comparable Companies recorded a 3-year weighted average of full-cost mark-up ratio (the “FCMU Ratio”) <sup>(Note 1)</sup> of the lower quartile of 4.04% and the upper quartile of 7.69%.

According to the Benchmark Analysis, the FCMU Ratio is considered as an appropriate indicator to evaluate the results of the Manufacturing Comparable Companies which the sales and costs of production are relatively reliable. We note that the Group, which is a manufacturer, recorded FCMU Ratios of 14.1%, 13.0% and 13.2%, respectively, which are above the range of the FCMU Ratio of the Manufacturing Comparable Companies, for the years ended 31 December 2020, 2021 and 2022. Having considered that the Group has higher FCMU Ratios, which had taken into account the costs of purchases from the Nissin Japan Group, than those of the Manufacturing Comparable Companies, we consider that the profit margin charged by the 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 material supplied to the Group.

<sup>Note 1</sup> The FCMU Ratio is calculated by the ratio of net profit (before interest and tax) to operating expenses and cost of goods sold.

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## LETTER FROM OPTIMA CAPITAL

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As advised by the Management, certain raw materials purchased from the Nissin Japan Group are not available from independent suppliers due to their uniqueness in flavours and quality. As these products possess proprietary characteristics, we were unable to compare the pricing terms offered by the 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 FCMU Ratios of 14.1%, 13.0% and 13.2%, respectively, which are above the range of the FCMU Ratio of the Manufacturing Comparable Companies, for the years ended 31 December 2020, 2021 and 2022, which had taken into account the costs of purchases from the Nissin Japan Group, we consider that the 1% mark-up charged by the 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 the Nissin Japan Group). If the price charged by independent suppliers is lower than that offered by the 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 the 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 the Nissin Japan Group is fair and reasonable.

### *Payment term*

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

In assessing whether the payment term offered by the 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 the Nissin Japan Group normally grants a longer credit period of approximately 90 days or similar credit period for certain purchases as compared with the independent suppliers. Based on the above credit terms, we consider that the payment term in relation to the purchases from the Nissin Japan Group is on normal commercial term or better than those available from independent suppliers.

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## LETTER FROM OPTIMA CAPITAL

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### (II) *Master Raw Materials and Products Sale Agreement*

#### *Subject matter*

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 the Nissin Japan Group. The raw materials and finished goods supplied by the Group under the Master Raw Materials and Products Sale Agreement mainly include packaging materials and instant noodles.

#### *Pricing basis*

The purchase prices of finished goods and raw materials payable by the Nissin Japan Group would be calculated with reference to the total production cost 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.

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

According to the Benchmark Analysis, the profit margin of 5% charged to the Nissin Japan Group falls within the range of the 3-year weighted average of FCMU Ratio of the lower quartile of 4.04% and upper quartile of 7.69% of those of the Manufacturing Comparable Companies.

Having considered that the profit margin of 5% charged to the Nissin Japan Group by the Group is within the range of the FCMU Ratio of the Manufacturing Comparable Companies, we consider that the profit margin charged to the Nissin Japan Group is reasonable.

#### *Payment term*

In assessing whether the payment term offered to the Nissin Japan Group is fair and reasonable, we have compared it against the credit period offered to independent customers. We note that the Group normally grants a credit period of 30 days from the invoice date to the Nissin Japan Group and independent customers. Based on the above credit terms, we consider that the payment term in relation to the offer to the Nissin Japan Group by the Group is on normal commercial term or not more favourable than those available to independent customers.

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## LETTER FROM OPTIMA CAPITAL

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### 5. The Revised Annual Caps

(I) *Master Raw Materials and Products Procurement Agreement*

The table below sets out the Existing Annual Caps and the Revised Annual Caps under the Master Raw Materials and Products Procurement Agreement for the three years ending 31 December 2025:

	For the year ending 31 December		
	2023	2024	2025
	<i>HK\$ million</i>		
Existing Annual Caps	186.0	190.0	193.0
Revised Annual Caps	228.0	289.0	354.0
Approximate % of increase/(decrease) in the Revised Annual Caps as compared to the annual cap in the preceding year	(22.2)%	26.8%	22.5%

Based on our discussions with the Management, we understand that the Revised Annual Caps are determined with reference to the Group's revised forecast of purchases from the Nissin Japan Group for the years ending 31 December 2023, 2024 and 2025 (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 years ended 31 December 2020, 2021 and 2022 (the "Past Three Years"); (ii) the historical growth rate adjusted for the effects of fluctuations in foreign exchange rates (the "Adjusted Historical Growth Rate") of purchases under the Master Raw Materials and Products Procurement Agreement for the Past Three Years; (iii) Nissin Japan implemented price revisions of its instant food products and raw materials effective from 2023; (iv) prevailing market conditions on the expected recovery in local economy; and (v) an additional buffer of 10% on top of the forecast purchases from the Nissin Japan Group.

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## LETTER FROM OPTIMA CAPITAL

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### *Revised Purchase Forecast*

(i) Historical amounts of the Transactions

We set out below the amounts of the Transactions under the Master Raw Materials and Products Procurement Agreement for the Past Three Years:

	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>HK\$ million</i>		
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Annual caps	233.0	272.0	293.0
Actual purchases	168.4	167.1	166.3
Approximate % of the relevant annual caps utilised	72.3%	61.4%	56.8%

As shown in the table above, the actual purchases from the Nissin Japan Group slightly decreased from approximately HK\$168.4 million for the year ended 31 December 2020 to approximately HK\$166.3 million for the year ended 31 December 2022, representing an average annual decrease of approximately 0.6%. We understand from the Management that the relatively low utilisation rates for the years ended 2021 and 31 December 2022 were mainly due to the fluctuations in foreign exchange rates during the Past Three Years, in particular the depreciation in Japanese Yen against HK\$ as the majority of the Group's purchases from the Nissin Japan Group were denominated in Japanese Yen which shall continue to be the major currency for the Group's future purchases from the Nissin Japan Group.

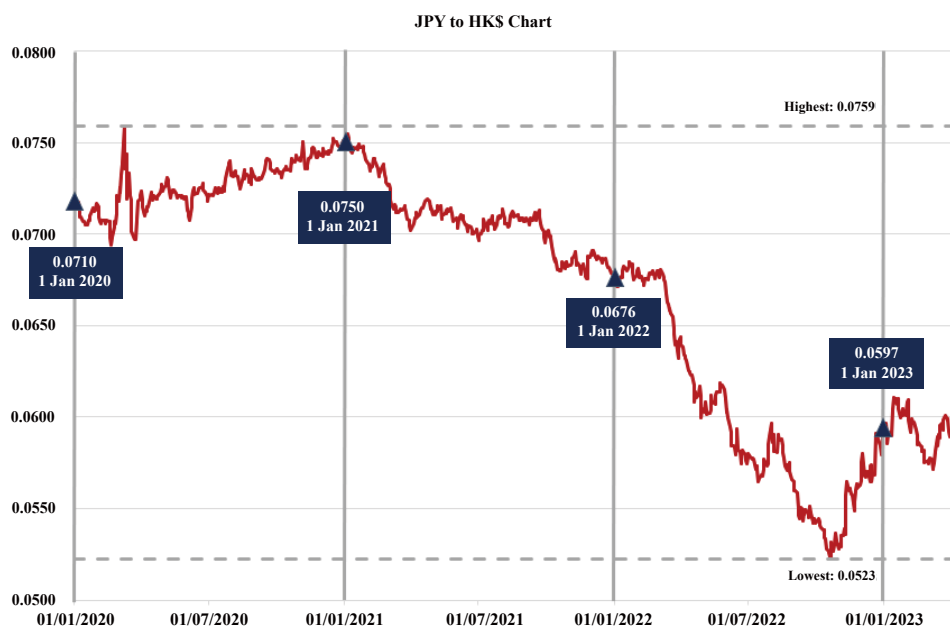
We have obtained and reviewed the breakdown of historical purchases from the Nissin Japan Group for the Past Three Years. It is noted the purchases from the Nissin Japan Group were mainly denominated in Japanese Yen, which accounted for approximately 63.8%, 63.7% and 58.1% of total purchases from the Nissin Japan Group under the Master Raw Materials and Products Procurement Agreement for the Past Three Years, respectively.

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## LETTER FROM OPTIMA CAPITAL

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We have performed an independent research on the historical closing price of the exchange rates of Japanese Yen to HK\$ during the period commencing from 1 January 2020 and up to the Latest Practicable Date (the “Historical Price Period”). The following chart illustrates the daily closing price of the exchange rates of Japanese Yen to HK\$ during the Historical Price Period as quoted on Bloomberg:



Source: Bloomberg

As depicted in the chart above, the exchange rates of Japanese Yen to HK\$ recorded the highest daily closing price of approximately 0.0759 on 9 March 2020, and the lowest daily closing price of approximately 0.0523 on 20 October 2022, representing an overall depreciation of approximately 31.1% during the period.

For the period of 1 January 2020 to 31 December 2020, the closing price of exchanges rates of Japanese Yen to HK\$ increased from approximately 0.0717 on 1 January 2020 to approximately 0.0750 on 31 December 2020, representing an appreciation of approximately 4.6% during the year.

For the period of 1 January 2021 to 31 December 2021, the closing price of exchanges rates of Japanese Yen to HK\$ decreased from approximately 0.0750 on 1 January 2021 to approximately 0.0677 on 31 December 2021, representing a depreciation of approximately 9.7% during the year.

For the period of 1 January 2022 to 31 December 2022, the closing price of exchanges rates of Japanese Yen to HK\$ decreased from approximately 0.0676 on 1 January 2022 to approximately 0.0596 on 31 December 2022, representing a depreciation of approximately 11.8% during the year.



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## LETTER FROM OPTIMA CAPITAL

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It is further noted the exchange rates of Japanese Yen to HK\$ is demonstrating an upward trend since October 2022 and up to the Latest Practicable Date. The exchange rates have rebounded from the lowest closing price of approximately 0.0523 on 20 October 2022 to approximately 0.0585 on the Latest Practicable Date, representing an appreciation of approximately 11.9% during the period.

Having considered the above, we concur with the view of the Directors that the fluctuations in foreign exchange rates, in particular the depreciation in exchange rates of Japanese Yen to HK\$, during the Past Three Years led to the relatively low utilisation rate of the respective annual caps for the years ended 31 December 2021 and 2022 under the Master Raw Materials and Products Procurement Agreement.

(ii) Adjusted historical growth rate of the Transactions

We understand from the Management that the Company had adjusted the exchange rate impact on the historical transactions amount in order to assess the actual growth rate of particular purchases during the Past Three Years and the Adjusted Historical Growth Rate shall be more accurate to present the Group's demand for the raw materials and finished goods to be purchased from the Nissin Japan Group.

We have obtained and reviewed the Revised Purchase Forecast, and noted the Company adjusted the effects of foreign exchange rates on historical purchases of particular products by applying fixed exchange rates for each of the years ended 31 December 2020, 2021 and 2022 (the "Adjusted Historical Transaction Amount"). As all of the purchases from the Nissin Japan Group were denominated in foreign currencies, we concur with the Management that the Adjusted Historical Transaction Amount enabled the Management to assess the actual growth rate of the Company's purchases from the Nissin Japan Group.

Having considered the above, we concur with the view of the Directors that the Adjusted Historical Growth Rate is fair and reasonable.

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## LETTER FROM OPTIMA CAPITAL

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- (iii) Nissin Japan implemented price revisions of its instant food products and raw materials effective from 2023

As set out in the Letter from the Board, Nissin Japan has announced on 6 February 2023 that Nissin Japan would implement a further price revision of its instant food products in the range of 10% to 13% above the manufacturer's suggested retail price effective from 1 June 2023 to respond to recent cost hikes. Nissin Japan has also notified the Company that the retail price of certain raw materials will be increased in 2023. Accordingly, the aggregate amount of the continuing connected transactions under the Master Raw Materials and Products Procurement Agreement is expected to be higher than that as envisaged at the time of determining the Existing Annual Caps.

We have obtained and reviewed (i) the notification of price revision as set out in the official website of Nissin Japan dated 6 February 2023, and noted the product prices of, among others, Japanese instant noodles will increase by 10% to 13% commencing from 1 June 2023, as compared to the current prices; and (ii) the notifications of price revision from Nissin Japan in respect of certain raw materials, and noted the price increases ranging from approximately 2% and 75% commencing from the next order or April 2023, as compared to the current prices.

As set out in the Letter from the Board, the Group sources certain raw materials and finished goods from the Nissin Japan Group because of its product uniqueness. As advised by the Management, in light of the uniqueness of the products, the Group shall continue to purchase such products from the Nissin Japan Group in the future subject to the price comparison with those offered by the independent suppliers, if applicable.

Having considered the above, we concur with the view of the Directors that the price increment in purchases of finished goods and raw materials from the Nissin Japan Group will result an increase in transaction amount and the Revised Annual Caps for the transactions contemplated under the Master Raw Materials and Products Procurement Agreement are justifiable.

- (iv) Prevailing market conditions on the expected recovery in local economy

As set out in the Letter from the Board, the Company expects the demand for the Group's products will continue to increase as a result of the expected recovery in local economy, following the launch of the "Hello Hong Kong" campaign and other initiatives put forward by the Hong Kong Government to boost the local economy and the full re-opening of all borders between the PRC and Hong Kong.

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## LETTER FROM OPTIMA CAPITAL

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According to the monthly tourism statistics published by the Hong Kong Tourism Board (“HKTB”), the total visitor arrivals to Hong Kong was approximately 161,000 for December 2022, approximately 499,000 for January 2023 and approximately 1,462,000 for February 2023, which represented a year-on-year growth of approximately 1,599.6%, 6,959.6% and 55,572.8%, respectively. In particular, the visitor arrivals from Mainland China recorded a year-on-year growth of approximately 934.2%, 4,743.3% and 61,253.5% for December 2022, January 2023 and February 2023, respectively.

According to the press releases by the Hong Kong Government and HKTB on 2 February 2023, “Hello Hong Kong” campaign is launched to promote Hong Kong around the world. With the launch of the global promotional campaign “Hello Hong Kong”, among others, 500,000 free air tickets will be given away by the Airport Authority Hong Kong to different markets in phases and at least 1 million “Hong Kong Goodies” visitor consumption vouchers of value over HK\$100 each will be given out, to entice travellers to come to experience Hong Kong’s diverse appeals.

Having considered the above, we concur with the view of the Directors that the local economy is expected to recover alongside the favourable government policies.

(v) 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 the 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 goods purchase from the 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 for the transactions contemplated under the Master Raw Materials and Products Procurement Agreement are fair and reasonable.

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**LETTER FROM OPTIMA CAPITAL**

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(II) *Master Raw Materials and Products Sale Agreement*

The table below sets out the Existing Annual Caps and the Revised Annual Caps under the Master Raw Materials and Products Sale Agreement for the three years ending 31 December 2025:

	<b>For the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>HK\$ million</i>		
Existing Annual Caps	184.0	188.0	192.0
Revised Annual Caps	266.0	342.0	405.0
Approximate % of increase in the Revised Annual Caps as compared to the annual cap in the preceding year	72.7%	28.6%	18.4%

Based on our discussions with the Management, we understand that the Revised Annual Caps are determined with reference to the Group’s revised forecast of sales to the Nissin Japan Group by the Group for the years ending 31 December 2023, 2024 and 2025 (the “Revised Sale Forecast”), the basis of which has taken into consideration (i) the historical transaction amounts under the Master Raw Materials and Products Sale Agreement for the Past Three Years; (ii) the Adjusted Historical Growth Rate of sales under the Master Raw Materials and Products Sale Agreement for the Past Three Years; (iii) anticipated additional sales of instant noodles to subsidiaries of Nissin Japan in the European market; (iv) anticipated additional sales of packaging materials following the commencement of mass production in Zhuhai Nissin Packaging’s production plant (the “Zhuhai Production Plant”); (v) prevailing market conditions on the rebound in global economy in the wake of recovery from COVID-19; and (vi) an additional buffer of 10% on top of the forecast sale to the Nissin Japan Group.

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## LETTER FROM OPTIMA CAPITAL

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### *Revised Sale Forecast*

(i) Historical amounts of the Transactions

We set out below the amounts of the Transactions under the Master Raw Materials and Products Sale Agreement for the Past Three Years:

	For the year ended 31 December		
	2020	2021	2022
	<i>HK\$ million</i>		
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Annual caps	140.0	147.0	154.0
Actual sales	93.0	116.9	150.4
Approximate % of the relevant annual caps utilised	66.4%	79.5%	97.7%

As shown in the table above, the actual sales to the Nissin Japan Group by the Group increased from approximately HK\$93.0 million for the year ended 31 December 2020 to approximately HK\$150.4 million for the year ended 31 December 2022, representing an average annual increase of approximately 30.9%.

We have obtained and reviewed the breakdown of historical sales to the Nissin Japan Group for the three years ended 31 December 2022. It is noted the supplies to the Nissin Japan Group were principally denominated in the United States dollars (the "US Dollar(s)"), which accounted for approximately 100.0% of total sales to the Nissin Japan Group under the Master Raw Materials and Products Sale Agreement for each of the years ended 31 December 2020, 2021 and 2022. As advised by the Management, it is expected the Group's supplies to the Nissin Japan Group shall continue to be mainly denominated in US Dollars.

As Hong Kong adopted a Linked Exchange Rate System (LERS) which ensures that the HK\$ exchange rate remains stable within a band of HK\$7.75 to HK\$7.85 to one US Dollar, we note that the exchange rate for HK\$ to US Dollars remained stable for the Past Three Years.

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## LETTER FROM OPTIMA CAPITAL

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(ii) Adjusted historical growth rate of the Transactions

We understand from the Management that despite the transactions contemplated under the Master Raw Materials and Products Sale Agreement which principally denominated in US Dollars and thereby minimal affected by the fluctuations in global foreign exchange rates amidst the coronavirus outbreak, in order to assess the actual growth rate of particular sales to the Nissin Japan Group and align the basis of Revised Purchase Forecast, the Revised Sale Forecast had also been adjusted the effects of foreign exchange rates on historical sales of particular products by applying fixed exchange rates for each of the Past Three Years. As all of the sales to the Nissin Japan Group were denominated in foreign currencies, we concur with the Management that the Adjusted Historical Transaction Amount enabled the Management to assess the actual growth rate of the Company's sales to the Nissin Japan Group under the Master Raw Materials and Products Sale Agreement.

Having considered the above, we concur with the view of the Directors that the Adjusted Historical Growth Rate is fair and reasonable.

(iii) Anticipated additional sales of instant noodles to subsidiaries of Nissin Japan in the European market

As set out in the Letter from the Board, the Company anticipates additional sales of instant noodles to subsidiaries of Nissin Japan in the European market. We understand from the Management that the Group has received additional purchases orders for instant noodles products from the Nissin Japan Group in the European market for the year ending 31 March 2024.

We have obtained and reviewed the additional purchase orders from the Nissin Japan Group. It is noted the additional purchase orders amount to approximately HK\$21.7 million, representing approximately 26.4% of the increment in Revised Annual Caps from Existing Annual Caps for the year ending 31 December 2023. As advised by the Management, it is expected the sales to the Nissin Japan Group in the European market will continue in 2024 and 2025.

Having considered the above, we concur with the view of the Directors that the anticipated additional sales of instant noodles to subsidiaries of Nissin Japan in the European market are fair and reasonable.

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## LETTER FROM OPTIMA CAPITAL

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- (iv) Anticipated additional sales of packaging materials following the commencement of mass production in Zhuhai Production Plant

As set out in the Letter from the Board, the Company anticipates additional sales of packaging materials following the commencement of mass production in Zhuhai Production Plant. We understand from the Management that the Group has received additional purchase orders for packaging materials from the Nissin Japan Group in overseas market.

According to the annual report of the Company for the year ended 31 December 2021, Zhuhai Production Plant commenced its production in December 2021. As advised by the Management, the additional sales to the Nissin Japan Group were attributable to increase in sales of packaging materials, which were produced by the Zhuhai Production Plant, to the Nissin Japan Group and it is expected the Group will continue to sell packaging materials to the Nissin Japan Group for the three years ending 31 December 2025.

We have obtained and reviewed the additional purchase orders for packaging materials from the Nissin Japan Group. It is noted the additional purchase orders amount to approximately HK\$29.2 million, representing approximately 35.7% of the increment in Revised Annual Caps from Existing Annual Caps for the year ending 31 December 2023. As advised by the Management, it is expected the sales of packaging materials to the Nissin Japan Group will continue in 2024 and 2025.

Having considered the above, we concur with the view of the Directors that the anticipated additional sales of packaging materials following the commencement of mass production in Zhuhai Production Plant are fair and reasonable.

- (v) Prevailing market conditions on the rebound in global economy in the wake of recovery from COVID-19

As set out in the Letter from the Board, with the re-opening of the PRC which paved the way for a rapid rebound in economic activity worldwide, and the easing of global supply chain disruption resulting in lower freight cost as witnessed in the beginning of 2023, the Group anticipates an increase in demand for the Group's products.

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## LETTER FROM OPTIMA CAPITAL

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According to the article released by World Economic Forum<sup>2</sup> on 3 February 2023, sourced from World Economic Outlook Update<sup>3</sup> published by International Monetary Fund (“IMF”) in January 2023, the IMF has made a slight increase to its global growth outlook for 2023 from 2.7% to 2.9% and sharply increase to the China’s growth outlook for 2023 from 4.4% to 5.2%, due to “surprisingly resilient” demand in the United States and Europe and the reopening of China’s economy after the PRC Government relieved its COVID-19 restrictions.

As discussed in the section headed “– (iii) Anticipated additional sales of instant noodles to subsidiaries of Nissin Japan in the European market” and “– (iv) Anticipated additional sales of packaging materials following the commencement of mass production in Zhuhai Production Plant” above, it is noted the Group has seen increases in orders from the Nissin Japan Group for finished goods sold in the European market and for packaging materials sold in overseas market.

Having considered the above, we concur with the view of the Directors that global economy is expected to rebound in the wake of recovery from COVID-19.

(vi) Additional 10% buffer on the forecast sale

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 demands from the 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 demands and fluctuations in prices in respect of raw materials or finished goods supply to the 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 for the transactions contemplated under the Master Raw Materials and Products Sale Agreement are fair and reasonable.

*Note 2* Please refer to <https://www.weforum.org/agenda/2023/02/imf-raises-growth-forecasts-for-2023-and-other-economy-stories-3-february/>

*Note 3* Please refer to <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>



**6. Internal control and corporate governance measures**

To ensure the transactions under the Agreements 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 the Nissin Japan Group due to their uniqueness:
  - (i) the Company will carry out due and careful enquiries with the management of the 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 such profit margin charged by the Nissin Japan Group with such comparable companies.
- (b) in respect of the raw materials procured 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 the Nissin Japan Group); and
  - (iii) if the price charged by independent suppliers is lower than that offered by the Nissin Japan Group, the Group will purchase the raw materials from independent suppliers.
- (c) in respect of the raw materials procured from the 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 the 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 the Nissin Japan Group in relation to such raw materials.

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## LETTER FROM OPTIMA CAPITAL

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- (d) in respect of finished goods and raw materials supplied to the Nissin Japan Group:
  - (i) the Company will carry out due and careful enquiries internally to assess the cost of producing and monitor the profit margin of such products and the raw materials involved;
  - (ii) the Group will gather market information from time to time on the market prices offered by other competitive market players and the availability for comparable products in the market;
  - (iii) the Group will compare the terms offered to the Nissin Japan Group shall not be more favourable than that offered to independent customers; and
  - (iv) 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 to the Nissin Japan Group with such comparable companies.

Further, the Company will conduct regular checks on the transactions with the 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 Agreements.

In addition to the internal control policies on raw material and product purchases and sale, 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 resolutions at the Board meeting and at the AGM;
- (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 Agreements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

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## LETTER FROM OPTIMA CAPITAL

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- (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 the 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 Agreements. Further, we noted from the annual reports of the Company for the year ended 31 December 2020, 2021 and 2022 that the auditors of the Company has reported on the 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 arms' 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 Shareholders 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 of the Company as a whole.

### OPINION

Having considered the abovementioned principal factors and reasons, we consider that (i) the terms of the Agreements 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(s) to be proposed at the AGM to approve the Revised Annual Caps.

Yours faithfully,  
for and on behalf of  
**OPTIMA CAPITAL LIMITED**  
**Benny Ng**  
*Managing Director*  
*Corporate Finance*

*Mr. Ng is a responsible officer of Optima Capital Limited and a licensed person registered with the SFC 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. Mr. Ng 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	18,859,480 <sup>1</sup>	1.81%
			787,780 <sup>3</sup>	0.08%
		Interest of spouse	1,101,000 <sup>2</sup>	0.10%
Toshimichi Fujinawa	Executive Director	Beneficial owner	81,680 <sup>3</sup>	0.01%
Shinji Tatsutani	Executive Director	Beneficial owner	76,900 <sup>3</sup>	0.01%
Kazuo Kawasaka	Executive Director	Beneficial owner	59,980 <sup>3</sup>	0.01%
Yasuhiro Yamada	Executive Director	Beneficial owner	19,830 <sup>3</sup>	0.00%
Toshiaki Sakai	Independent non-executive Director	Beneficial owner	25,000	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	Chairman and Executive Director	Beneficial owner	10,030 <sup>4</sup>	0.01%
Toshimichi Fujinawa	Executive Director	Beneficial owner	1,311 <sup>5</sup>	0.00%
Shinji Tatsutani	Executive Director	Beneficial owner	1,890 <sup>5</sup>	0.00%
Kazuo Kawasaka	Executive Director	Beneficial owner	4,200	0.00%
Yasuhiro Yamada	Executive Director	Beneficial owner	791 <sup>5</sup>	0.00%

*Notes:*

1. These Shares are held by Mr. Kiyotaka Ando directly in his personal name.
2. Mrs. Aina Ando is the spouse of Mr. Kiyotaka Ando. By virtue of the SFO, Mr. Kiyotaka Ando is deemed to be interested in all the shares in which Mrs. Aina Ando is interested or deemed to be interested under the SFO.
3. These Shares are the shares granted by the Company pursuant to the share award scheme adopted by the Company on 7 March 2016.
4. Among 10,030 shares of Nissin Japan held by Mr. Kiyotaka Ando, 10,000 shares were held directly by him and 30 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.
5. 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.

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 SHAREHOLDERS

#### Substantial shareholders' 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 <sup>1</sup>	72.05% <sup>3</sup>
China Orient Asset Management (International) Holding Limited	Interest of controlled corporations	94,074,000 <sup>2</sup>	9.01% <sup>3</sup>

#### Notes:

1. The 752,024,000 Shares were beneficially owned by Nissin Japan.
2. These interests represented:
  - (i) 66,003,000 shares were held directly by China Orient Multi-Strategy Master Fund. China Orient Multi-Strategy Master Fund was 100% controlled by China Orient Multi-Strategy Fund and the latter itself was 98.3% controlled by China Orient International Fund Management Limited ("China Orient International"). China Orient International was 100% controlled by China Orient Asset Management (International) Holding Limited ("China Orient Asset Management"). Accordingly, as at the Latest Practicable Date, China Orient Asset Management, China Orient International and China Orient Multi-Strategy Fund were all deemed to be interested in the same batch of 66,003,000 shares held directly by China Orient Multi-Strategy Master Fund; and
  - (ii) 28,071,000 shares were held directly by China Orient Enhanced Income Fund which was 100% controlled by China Orient International. China Orient International was 100% controlled by China Orient Asset Management. Accordingly, as at the Latest Practicable Date, China Orient Asset Management and China Orient International were both deemed to be interested in the same batch of 28,071,000 shares held directly by China Orient Enhanced Income Fund.
3. The percentage of issued Shares is calculated on the basis of 1,043,691,480 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 2022 (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 2022, 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:

<b>Independent Financial Adviser</b>	<b>Qualification</b>
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 and/or opinion and 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, directly or indirectly, in any member of the Group or any 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) did not have any interest, directly or indirectly, 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 2022 (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 30 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 ON DISPLAY**

Copies of the following documents are available for inspection on the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<https://www.nissingroup.com.hk>) from the date of this circular up to and including the date of the AGM:

- (a) the Master Raw Materials and Products Procurement Agreement;
- (b) the Master Raw Materials and Products Sale Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (d) the letter from Optima Capital, the text of which is set out on pages 21 to 41 of this circular; and
- (e) the letter of consent from Optima Capital referred to in the paragraph headed "EXPERT AND CONSENT" in this appendix.



This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to enable you to make an informed decision on whether to vote for or against Ordinary Resolution 5 in respect of the approval of the Buy-back Mandate.

This appendix constitutes a memorandum required under Section 239(2) of the Companies Ordinance.

## **1.    EXERCISE OF BUY-BACK MANDATE**

Exercise in full of the Buy-back Mandate, on the basis of 1,043,691,480 Shares in issue at the Latest Practicable Date, could result in up to 104,369,148 Shares being bought by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; or (iii) the revocation, variation or renewal of the Buy-back by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

## **2.    REASONS FOR BUY-BACKS**

The Directors believe that the Buy-back Mandate is in the best interests of the Company and the Shareholders as a whole. Such buy-back may, depending on market conditions and funding arrangements of the time, lead to an enhancement of the net assets value of the Company and/or earnings per Share and will only be made when the Directors believe that such buy-back will benefit the Company and the Shareholders as a whole.

## **3.    FUNDING OF BUY-BACKS**

Any buy-backs will only be funded out of funds of the Company legally available for such purpose in accordance with the Articles of Association and the Companies Ordinance. The Companies Ordinance provides that payment in respect of a share buy-back may be made out of the Company's distributable profit and/or out of the proceeds of a new issue of Shares made for the purpose of the buy-back.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2022 in the event that the Buy-back Mandate was to be carried out in full at any time during the proposed buy-back period. However, the Directors do not propose to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

#### **4. UNDERTAKING**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make buy-backs pursuant to the Buy-back Mandate and in accordance with the Listing Rules, the Articles of Association and the applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their close associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company or its subsidiaries under the Buy-back Mandate if such is approved by the Shareholders.

No core connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Group, or have undertaken not to do so, in the event that the Buy-back Mandate is approved by the Shareholders.

#### **5. EFFECT OF TAKEOVERS CODE AND PUBLIC FLOAT**

If on the exercise of the power to buy back Shares pursuant to the Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, as far as the Directors are aware, Nissin Japan was interested in 752,024,000 Shares, representing 72.05% of the total issued Shares. Based on such shareholdings and in the event that the Directors exercised in full the power to buy back Shares pursuant to the Buy-back Mandate, the shareholding of Nissin Japan would be increased to approximately 80.06% of the total issued Shares. Such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code but would reduce the percentage of Shares held by the public to below the prescribed minimum percentage of 25% as required by the Listing Rules.

The Directors will use their best endeavours to ensure that the Buy-back Mandate will not be exercised to the extent that the number of Shares held by the public being reduced to less than the public float percentage of 25% of the issued Share of the Company as required under the Listing Rules.

#### **6. BUY-BACK OF SHARES MADE BY THE COMPANY**

The Company has not bought back any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

**7.    SHARE PRICES**

The highest and lowest traded prices in each of the previous twelve months up to the Latest Practicable Date were as follows:

	<b>Highest Price HK\$</b>	<b>Lowest Price HK\$</b>
April 2022	5.68	5.04
May 2022	5.23	4.70
June 2022	5.27*	4.93
July 2022	5.83	5.19
August 2022	6.38	5.51
September 2022	6.50	5.98
October 2022	6.45	5.88
November 2022	6.60	5.98
December 2022	6.85	6.41
January 2023	6.85	6.56
February 2023	6.85	6.16
March 2023	6.93	6.38
April 2023 ( <i>up to the Latest Practicable Date</i> )	6.93	6.63

\* *Adjusted price due to the distribution of special dividend*

The following are the particulars of the Directors proposed to be re-elected at the AGM:

1. **Mr. Shinji Tatsutani**, aged 58, is Executive Director, and Chief Financial Officer of the Group. He is responsible for overseeing and managing overall finance functions of the Group. Mr. Tatsutani obtained a Bachelor of Economics degree from Osaka Prefecture University in Japan in March 1987. Mr. Tatsutani has over 31 years of experience in finance and accounting. Mr. Tatsutani joined Nissin Japan in April 1987 and worked in accounting division until November 1996. From November 1996 to March 2002, Mr. Tatsutani was assigned to Guangdong Shunde Nissin Food Co., Ltd.. From March 2002 to March 2008, Mr. Tatsutani was re-assigned to Nissin Japan with his last position being manager in finance division. In March 2008, after re-joining the Group, Mr. Tatsutani has been a director of certain subsidiaries of the Company and is also a director of Nissin Shanghai Food Safety Institute.

Mr. Tatsutani has entered into a service agreement as an Executive Director for the period from 11 December 2020 to 30 June 2023. He is also subject to retirement by rotation and eligible for re-election at the AGM in accordance with the Articles of Association. His remuneration is to be determined by the Board based on the recommendations of the remuneration committee of the Company and to be authorised by the Shareholders at the AGM with reference to his performance and responsibilities with the Company, performance of the Group and prevailing market practices. Mr. Tatsutani received a total emolument amounted to approximately HK\$2,927,000 for the year ended 31 December 2022.

As at the Latest Practicable Date, Mr. Tatsutani had personal interests in 76,900 Shares which were granted by the Company pursuant to Share Award Scheme within the meanings of Part XV of the SFO and had interest in 1,890 shares in Nissin Japan under an employee share ownership association as the nominee of Mr. Tatsutani.

2. **Professor Lynne Yukie Nakano**, aged 58, is Independent Non-executive Director appointed by the Company on 21 November 2017. She is a member of audit committee of the Company. Professor Nakano obtained a Bachelor of Arts degree from Carleton College in 1987, a Master of Philosophy degree from Yale University in the United States in 1990 and a Doctor of Philosophy degree in 1998 from the same University. Since August 1995, Professor Nakano has been working in The Chinese University of Hong Kong and is currently the chairman and a professor at the department of Japanese studies.

Professor Lynne Yukie Nakano entered into a letter of appointment with the Company as Independent Non-executive Director for the period from 11 December 2020 to 30 June 2023. She is subject to retirement by rotation and eligible for re-election at the AGM in accordance with the Articles of Association. Her director's fee is to be determined by the Board based on the recommendations of the remuneration committee of the Company and to be authorised by the Shareholders at the AGM with reference to her duties and responsibilities with the Company and prevailing market practices. Professor Lynne Yukie Nakano received a director's fee of HK\$250,000 for the year ended 31 December 2022.

As at the Latest Practicable Date, Professor Lynne Yukie Nakano did not have any interest in the Shares within the meaning of Part XV of the SFO.

- Mr. Toshiaki Sakai**, aged 48, is Independent Non-executive Director appointed by the Company on 1 April 2020. He is currently an associate professor of Physical Education of Keio University Institute in Japan, a director of Japan Tennis Association and a deputy director of Keio University Athletic Association in Japan. Mr. Sakai has extensive experience in the sport coaching and management, specialising in tennis. Mr. Sakai is a director of Kabushikikaisha Egg Ball (株式会社エッグボール), a limited liability company incorporated in Japan, which is principally engaged in tennis coaching business. Mr. Sakai obtained a Bachelor's degree in political science from the Faculty of Law of Keio University in Japan in March 1997, a Master's degree in sports science from Waseda University in Japan in March 2007 and a Doctoral's degree from Keio University Graduate School of Media and Governance from Keio University in Japan in February 2014.

Mr. Toshiaki Sakai has entered into a letter of appointment with the Company as Independent Non-executive Director for the period from 1 April 2023 to 30 June 2025. He is subject to retirement and eligible for re-election at the AGM in accordance with the Articles of Association. His director's fee is to be determined by the Board based on the recommendations of the remuneration committee of the Company and to be authorised by the Shareholders at the AGM with reference to his duties and responsibilities with the Company and prevailing market practices. Mr. Toshiaki Sakai received a director's fee of HK\$250,000 for the year ended 31 December 2022.

As at the Latest Practicable Date, Mr. Toshiaki Sakai had personal interest in 25,000 Shares within the meaning of Part XV of the SFO.

Save as disclosed above, at the Latest Practicable Date each of the above Directors (i) was not related to any other Director, senior management, substantial Shareholders or controlling Shareholders or other members of the Group; and (ii) had not held any other directorships in any other listed public companies in the last three years.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders in connection with the re-election of the above Directors and there are no information that should be disclosed pursuant to rules 13.51(2) of the Listing Rules.

Taking into account the paramount importance of the safety and wellbeing of the AGM attendees and considering the latest pandemic development, the Company will implement the following precautionary measures at the AGM:

- (1) All attendees are reminded to observe good personal hygiene at all times.
- (2) All shareholders are strongly recommended to wear surgical face masks inside the AGM venue at all times, except for speakers on stage or during the tasting session, and they are advised to maintain appropriate social distance between each other.
- (3) All attendees are required to have body temperature check before entering the AGM venue. Any attendee with a fever (body temperature over 37 degrees Celsius), is feeling unwell or has flu-like/COVID-19 symptoms is advised not to attend the AGM in person. In addition, any attendee who refuses to comply with the precautionary measures may be denied entry into or be required to leave the AGM venue at the discretion of the Company.
- (4) Appropriate distancing and special partition layout (i.e. no consecutive seats) will be implemented at the AGM venue. As such, the Company may limit the number of attendees at the AGM in order to avoid over-crowding (*as case may be*).
- (5) In the interest of all Shareholders' health and safety, Shareholders may consider appointing the chairman of the AGM as their proxy to vote on the resolutions.
- (6) The Company may announce further updates on arrangements relating to the AGM on the Company's website at [www.nissingroup.com.hk](http://www.nissingroup.com.hk) as and when appropriate to comply with public health requirements, or guidelines of the HKSAR Government and/or regulatory authorities, if any.
- (7) If Shareholders have any questions relating to the AGM, 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).

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## NOTICE OF AGM

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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)

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “AGM”) 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, 9 June 2023 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements, reports of the directors and independent auditor for the year ended 31 December 2022.
2. To declare a final dividend of 15.16 HK cents per share of the Company for the year ended 31 December 2022.
3.
  - (a) To re-elect directors.
  - (b) To authorise the board of directors to fix the remuneration of directors.
4. To re-appoint Deloitte Touche Tohmatsu as auditor and to authorise the board of directors to fix its remuneration.

### SPECIAL BUSINESS

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

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## NOTICE OF AGM

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(b) the total number of shares of the Company to be bought-back by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of issued shares of the Company as of the date of the passing of this resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this resolution), and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution,

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (c) below and pursuant to Sections 140 and 141 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Listing Rules, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company or securities convertible into shares of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;



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## NOTICE OF AGM

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- (c) the total number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants, bonds and debentures of the Company or any securities which carry rights to subscribe for or are convertible into shares of the Company; (iii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; shall not exceed 20% of the total number of issued shares of the Company as of the date of the passing of this resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this resolution) and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution,

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares (including bonds, warrants and debentures convertible into shares of the Company) open for a period fixed by the Directors to the holders of shares of the Company on the register of members of the Company (and, when appropriate, to holders of other securities of the Company authorised to the offer) on a fixed record date in proportion to their then holdings of such shares (or when appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

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## NOTICE OF AGM

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7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** subject to the passing of the resolution nos. 5 and 6 above, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to resolution no. 6 set out above be and is hereby extended by the addition thereto of an amount representing the total number of shares of the Company bought back by the Company under the authority granted pursuant to resolution no. 5 set out above, provided that such amount of shares so bought back shall not exceed 10% of the total number of issued shares of the Company (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this resolution) as of the date of the passing of said resolution.”

8. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (i) the proposed annual cap amounts for the three years ending 31 December 2023, 2024 and 2025 as set out in the Company’s circular dated 26 April 2023 in respect of the transactions contemplated under the master agreement in connection with the procurement of raw materials and products and the master agreement in connection with the sale of raw materials and products entered into between the Company and Nissin Foods Holdings Co., Ltd. on 21 November 2017 (as renewed on 7 November 2019 and 13 December 2022) (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, 26 April 2023

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## NOTICE OF AGM

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*Notes:*

- (1) Any shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
- (2) Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the AGM, or any adjourned meeting, should they so wish.
- (3) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M 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 the AGM or the adjourned meeting (as the case may be).
- (4) The register of members of the Company will be closed from 6 June 2023 to 9 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and vote at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with 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) no later than 4:30 p.m. on 5 June 2023.
- (5) The register of members will be closed from 16 June 2023 to 20 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (at its address shown in Note 4 above) no later than 4:30 p.m. on 15 June 2023.
- (6) Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders at the AGM will be taken by poll except where the chairman of the AGM, 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 matter prescribed under Rule 13.39(5) of the Listing Rules.
- (7) With regard to ordinary resolution no. 3 (a) in this notice, details of the retiring Directors, namely, Mr. Shinji Tatsutani, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai, who are offering themselves for re-election as Directors, are set out in the Appendix III to the circular to shareholders of the Company.
- (8) In case the AGM (or any adjournment thereof) is anticipated to be affected by black rainstorms or tropical cyclone with warning signal no. 8 or above, Shareholders are suggested to visit the Company's website at [www.nissingroup.com.hk](http://www.nissingroup.com.hk) for arrangements of the AGM (or any adjournment thereof).
- (9) 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 Kawasaki and Mr. Yasuhiro Yamada; and Independent Non-executive Directors are Dr. Sumio Matsumoto, Mr. Masaru Takahashi, Professor Lynne Yukie Nakano and Mr. Toshiaki Sakai.*