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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)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE SALE SHARES PURSUANT TO THE SHARE PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 3 June 2024 in relation to the acquisition of the Sale Shares pursuant to the Share Purchase Agreement (the “Announcement”). Unless otherwise stated, all the capitalised terms used herein shall have the same meaning as those adopted in the Announcement.

The Board wishes to provide the supplemental information in relation to the Acquisition.

BASIS OF CONSIDERATION

As disclosed in the Announcement, the Consideration for the Acquisition is KRW48,000 million (equivalent to approximately HK\$271.7 million), which was arrived at after arm’s length negotiations among the parties to the Share Purchase Agreement and was determined with reference to, among other factors, the value of the Sale Shares in the amount of KRW61,000 million (equivalent to approximately HK\$368.0 million) as at 31 December 2023 according to the Valuation in the valuation report (the “Valuation Report”) as prepared by an independent valuer (the “Valuer”), adopting the market approach.

The Company would like to provide the Shareholders and potential investors of the Company with additional information in relation to the Valuation.

Valuation approach

Pursuant to the Valuation Report, the Valuation is conducted on a market value basis, and the Valuer has taken into account the operations and the nature of the industry of Gaemi Food in considering the appropriate approach to obtain the market value of Gaemi Food from the three accepted approaches, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach.

The Income-Based Approach, which estimates the future economic benefits and discounts to the present values of the target company using a discount rate appropriate for the risks associated with realising those benefits or capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate, was not adopted because a financial forecast with concrete business plan could not be obtained from the management of Gaemi Food for valuation purpose.

The Asset-Based Approach, which refers to the market values of various assets and liabilities on the statement of financial position of the target company to come up with the market value of the equity of the target company, was also not adopted because it could not capture the future earning potential of the major operating business of Gaemi Food and therefore it could not reflect the market value of the major operating business of Gaemi Food.

The Valuer has therefore adopted the Market-Based Approach, which values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions, in arriving at the market value of Gaemi Food.

By adopting the Market-Based Approach, the Valuer has determined the appropriate valuation multiples of comparable companies, in which the Valuer has considered price-to-sales, price-to-earnings and price-to-book multiples. The price-to-book multiples cannot reflect the future earnings and growth potentials of Gaemi Food and hence they were not adopted. The price-to-sales multiples were not adopted because they could not fully capture the cost structure of Gaemi Food. Therefore, the Valuer adopted the price-to-earnings ("P/E") multiple as they considered it as the most appropriate multiple in calculating the market value of Gaemi Food.

Market Comparable

In the course of the Valuation, the Valuer has adopted 9 listed companies with similar business nature and operations similar to those of Gaemi Food as comparable companies for the Valuation. The comparable companies were selected mainly with reference to the following initial selection criteria:

- The companies are principally engaged in packaged food manufacturing in Japan or Korea, namely that at least 70% of the revenues of such companies should be from packaged food manufacturing business and at least 70% of the revenues of such companies should be derived from Japan or Korea;
- The companies have sufficient listing and operating histories more than 2 years;
- The companies are listed in Korea or Japan; and
- The financial information of the companies is available to the public.

By using the public data available at Bloomberg, the Valuer has identified 96 initial candidates which satisfied the above initial selection criteria. It has subsequently refined the selection criteria and narrowed down the list of candidates through reviewing the annual reports and official websites of these companies so as to identify companies that have businesses of selling and manufacturing snacks and confectionery which contribute at least 70% to their respective revenue, which is in line with the principal business of Gaemi Food, for a more appropriate comparison. Accordingly, 9 comparable companies were identified on an exhaustive basis. The P/E multiples of the 9 comparable companies based on the market data extracted from Bloomberg are as follows:

Comparable Companies	Listing Location	P/E Multiple
Company A	Japan	18.23
Company B	Japan	18.78
Company C	Japan	15.50
Company D	Japan	37.95
Company E	Japan	16.33
Company F	Korea	13.69
Company G	Korea	13.93
Company H	Korea	6.73
Company I	Korea	4.65

The median P/E multiple for the comparable companies as at the date of the Valuation, being 31 December 2023 (the “Valuation Date”) of 15.50, was adopted for the Valuation in line with industry practice as the median is less affected by outliers and skewed data and therefore is the preferred measure of central tendency.

The median P/E multiple was applied to the annualised net profit of Gaemi Food as at the Valuation Date. The market value of Gaemi Food was then arrived at by adjusting for the control premium, lease deposit, non-operating assets/liabilities and the marketability discount.

Major Assumptions Adopted in the Valuation

The Valuer has adopted certain specific assumptions for the Valuation and the major ones are as follows:

- The audited financial statements of Gaemi Food as at 31 December 2023 could reasonably represent its financial position on the Valuation Date;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which Gaemi Food operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which Gaemi Food operates, and Gaemi Food will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which Gaemi Food operates or intends to operate, and the rates of tax payable shall remain unchanged, and all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which Gaemi Food operates or intends to operate, which would adversely affect the revenues attributable to and profitability of Gaemi Food; and
- Interest rates and exchange rates in the localities for the operation of Gaemi Food will not differ materially from those presently prevailing.

Marketability Discount and Control Premium

As indicated by the Valuer in the Valuation Report, compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. The marketability discount captures the factor of lack of liquidity that the value of a share of stock in a privately held company has higher transaction cost in market than a public company. With reference to the 2023 edition of the Stout Restricted Stock Study, a discount for lack of marketability of 15.70% was adopted by the Valuer in arriving at the market value of Gaemi Food for the Valuation.

In addition, as the Valuer were considering the market value of Gaemi Food from the perspective of controlling interest, the median equity control premium for international transaction of 44.20% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (4th Quarter 2023) published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data, and the median was adopted in line with industry practice as the median is less affected by outliers and skewed data and therefore is the preferred measure of central tendency.

INFORMATION ON THE VENDOR

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, the Vendor is directly held by SG Food Holdings Co. Ltd., which in turn is indirectly owned by Affirma Capital Limited. The ultimate beneficial owners of Affirma Capital Limited are Nainesh Jaisingh, Taimoor Yahya Labib, Udai Dhawan, Ron Tamale, Xiangyun Gilbert Zeng, Ivo Philipps and Taeyub Kim. The Vendor and its ultimate beneficial owners are Independent Third Parties.

Saved as disclosed above, all other information as set out in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board

Kiyotaka Ando

Chief Executive Officer and Executive Director

Hong Kong, 19 June 2024

As at the date of this announcement, Executive Directors are Mr. Kiyotaka Ando, Mr. Toshimichi Fujinawa, Mr. Shinji Tatsutani, Mr. Yasuhiro Yamada, Mr. Katsunori Hiroi and Mr. Xi Xiaotong; and Independent Non-executive Directors are Mr. Masaru Takahashi, Professor Lynne Yukie Nakano, Professor Toshiaki Sakai and Professor Keiko Ito.