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康師傅控股

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

康師傅控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0322)

CONTINUING CONNECTED TRANSACTIONS FOOD PRODUCTS PURCHASE AGREEMENT

On 14 December 2017, the Company entered into the Food Products Purchase Agreement with Weizhen Investment in relation to the Group's purchase of frozen and dried food materials, dried meat floss and other meat products from the Weizhen Investment and its subsidiaries for a period of three financial years ending 31 December 2020.

As Weizhen Investment is beneficially owned as to 75% by Great System, a company owned by Mr. Wei Ing-Chou, the Chairman of the Company and an executive Director, and his associates, and as to 25% by Sanyo Food, a substantial shareholder of the Company, Weizhen Investment is a connected person of the Company and the entering into of the Food Products Purchase Agreement constitutes continuing connected transactions for the Company under the Listing Rules.

As the aggregate annual transaction amount under the Food Products Purchase Agreement is expected to exceed 0.1% but less than 5% of the applicable percentage ratios, the Food Products Purchase Agreement will be subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 31 December 2014 where the Company has entered into, among others, the Food Supply Agreement with Shandong Weizhen, a subsidiary of Weizhen Investment, for the purchase of frozen and dried food materials and other food products from Shandong Weizhen. The Food Supply Agreement has a term of three financial years ending on 31 December 2017. As the term of the Foods Supply Agreement will expire at the end of the year, on 14 December 2017, the Company entered into the Food Products Purchase Agreement with Weizhen Investment in relation to the Group's purchase of frozen and dried food materials, dried meat floss and other meat products from Weizhen Investment and its subsidiaries.

THE FOOD PRODUCTS PURCHASE AGREEMENT

Date: 14 December 2017

Parties: (1) the Company; and

(2) Weizhen Investment

Weizhen Investment is beneficially owned as to 75% by Great System, a company owned by Mr. Wei Ing-Chou, the Chairman of the Company and an executive Director, and his associates, and as to 25% by Sanyo Food, a substantial shareholder of the Company. Accordingly, Weizhen Investment is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

Subject: Pursuant to the terms of the Food Products Purchase Agreement, the Group will purchase frozen and dried food materials, dried meat floss and other meat products from Weizhen Investment and its subsidiaries.

Term: The Food Products Purchase Agreement has a term of three financial years ending on 31 December 2020.

Price: The price of the food products supplied by Weizhen Investment and its subsidiaries to the Group will be determined between the parties based on arm's length negotiations and on normal commercial terms with reference to:

- i. the prevailing market price paid by the Group for the same or substantially similar products supplied by independent third party suppliers;
- ii. if there are insufficient comparable transactions to (i) above, on normal commercial terms comparable to those received from independent third parties in respect of the same or substantially similar products with comparable quantities; and
- iii. if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously purchased by the Group, and on normal commercial terms which are no less favourable to the Group than that are available from independent third parties.

Payment for the products under the Food Products Purchase Agreement will be on a monthly basis with 60 days' credit terms.

Cap amount: Pursuant to the Food Products Purchase Agreement, the Company has agreed to purchase food products from Weizhen Investments and its subsidiaries based on the pricing policy stated above during the term of the agreement subject to the following annual caps:

	Financial year ending 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	680,000	803,000	947,000

The annual caps for the Food Products Purchase Agreement were determined based on the historical transaction amount with Weizhen Investments and its subsidiaries with an annual rate of increase of approximately 24% for 2018 and approximately 18% for the remaining term of the Food Products Purchase Agreement. The rate of increase was based on the Company's expected growth in demand for food products for the manufacturing requirements of the Group. The higher rate of increase for 2018 is due to the expected increase in purchases of refined lard for the Group.

The historical purchases from Weizhen Investments and its subsidiaries for the two financial years ended 31 December 2016 and the eleven months ended 30 November 2017 are set out below:

	For the year ended 31 December 2015	2016	For the eleven months ended 30 November 2017
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Annual cap	185,608	249,207	249,207 <i>(Note 1)</i>
Actual purchases by the Group	123,444	92,534	70,144
Actual purchases by the Group translated into RMB <i>(Note 2)</i>	<i>RMB '000</i> 776,752	<i>RMB '000</i> 616,020	<i>RMB '000</i> 474,438

Notes:

1. *The annual cap is for the entire year of 2017.*
2. *The Company changed its reporting currency from US\$ to RMB in 2017.*

To ensure that the terms of purchase offered by Weizhen Investment are no less favourable to the Group than those available from independent third parties, the Company has a set of internal procedures in place under which:

- i. the Company maintains a list of carefully selected suppliers. The list is regularly reviewed and updated. For a supplier to become listed, the Company will initially conduct and must be satisfied with the factory visits to the supplier, the supplier must also have a good track record with the Company in terms of the quality of the products which is reviewed by the quality assurance team of the Company (the "Quality Assurance Department"). The supplier must have also had a track record of at least one year. Further, if the supplier has not supplied any goods to the Company for more than a year, the supplier will be delisted from the Company's supplier list and the Company will initiate the full selection procedure (including factory visits and quality checks) for the supplier to be relisted onto the suppliers list;
- ii. with respect to any potential orders, the research and development department of the Company (the "R&D Department") will first discuss and formulate the details of the specifications of the order;

- iii. after such formulation by the R&D Department, based on their experience and taking into account similar purchases made by the Company, the Purchasing Department will obtain quotations from the Supplier and also select not less than two and on average about three suppliers from the Company's suppliers list which are independent third parties for quotations in order to ascertain the prevailing market price;
- iv. the selection criteria of the suppliers will be based on their quotation, delivery times, payment terms, specifications, quality, safety and recent performance; and
- v. upon delivery of the products (whether by the Supplier or independent third party suppliers), the Quality Assurance Department will conduct checks to review (including but not limited to quality and safety) and assess whether the products have been supplied in accordance with the terms of each contract.

The Board considers that with the above internal procedures in place, the Company will be able to ensure that the transactions with Weizhen Investment will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the independent Shareholders.

REASONS FOR THE FOOD PRODUCTS PURCHASE AGREEMENT

The Group is principally engaged in the production and distribution of instant noodles, beverages and instant food in the PRC.

Frozen and dried food materials and meat products are key ingredients in the production of the Group's products. Shandong Weizhen, a subsidiary of Weizhen Investment, has been supplying food products to the Group since 2012. As the Food Supply Agreement entered into in 2014 is due to expire at the end of the year, the Food Products Purchase Agreement is being entered into to enable the Group to continue to purchase food products from Weizhen Investment and its subsidiaries in compliance with the Listing Rules to meet the Group's production needs.

As the Food Products Purchase Agreement is being entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, with the purchase price of products to be benchmarked against the prevailing market price of similar products offered by other suppliers, the Directors (including the independent non-executive Directors but excluded Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Wei Hong-Ming and Mr. Koji Shinohara, who are interested in the transactions contemplated under the Food Products Purchase Agreement and have abstained from voting from the Board resolution for the approval of the Food Products Purchase Agreement) consider that the transactions between the Company and Weizhen Investment and the proposed annual caps for the transactions under the Food Products Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE SUPPLIER

Weizhen Investment is a limited liability company established in the British Virgin Islands. It is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of frozen and dried food materials, dried meat floss and other meat products in the PRC.

IMPLICATION UNDER THE LISTING RULES

As Weizhen Investment is beneficially owned as to 75% by Great System, a company owned by Mr. Wei Ing-Chou, the Chairman of the Company and an executive Director, and his associates, and as to 25% by Sanyo Food, a substantial shareholder of the Company, Weizhen Investment is a connected person of the Company and the entering into of the Food Products Purchase Agreement constitutes continuing connected transactions for the Company under the Listing Rules.

As the annual transaction amount in respect of the Food Products Purchase Agreement is expected to exceed 0.1% but less than 5% of the applicable percentage ratios, the Food Products Purchase Agreement will be subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Wei Hong-Ming and Mr. Koji Shinohara are considered to be interested in the transactions contemplated under the Food Products Purchase Agreement and have abstained from voting on the Board resolution approving the Food Products Purchase Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Board”	the board of Directors;
“Company”	Tingyi (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Food Supply Agreement”	the agreement dated 31 December 2014 between the Company and Shandong Weizhen;
“Food Products Purchase Agreement”	the agreement entered into between the Company and Weizhen Investment dated 14 December 2017 in relation to the purchase of food products by the Group from Weizhen Investment and its subsidiaries;
“Great System”	Great System Holding Limited, a company incorporated in the British Virgin Islands and is owned by Mr. Wei Ing-Chou, an executive Director, and his associates;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“PRC”	the People’s Republic of China, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sanyo Food”	Sanyo Food Co., Ltd., a company incorporated in Japan, a substantial shareholder holding approximately 33.58% of the issued share capital of the Company as at the date of this announcement;
“Shandong Weizhen”	Shandong Weizhen Food Co., Ltd., a company incorporated in the PRC and is wholly owned by Weizhen Investment;
“Shares”	ordinary shares of US\$0.005 each in the capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Weizhen Investment”	Weizhen Investment Limited, an investment holding company incorporated in the British Virgin Islands; and
“%”	per cent.

By order of the Board
Tingyi (Cayman Islands) Holding Corp.
Mr. Ip Pui-Sum
Company secretary

Shanghai, PRC, 14 December 2017

As at the date of this announcement, Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Lin Chin-Tang, Mr. Teruo Nagano, Mr. Wei Hong-Ming and Mr. Koji Shinohara are executive Directors of the Company. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are independent non-executive Directors of the Company.

** For identification purposes only*

websites: <http://www.masterkong.com.cn>
<http://www.irasia.com/listco/hk/tingyi>