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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 PRODUCTS SUPPLY AGREEMENT

On 15 May 2018, the Company entered into the Products Supply Agreement with the Supplier in relation to the Group's purchase of sesame oil, animal oil and other sesame products from the Supplier and its subsidiaries for a period of three financial years ending on 31 December 2020.

As the Supplier is owned by Mr. Wei Ing-Chou, an executive Director and the Chairman of the Board of the Company, and his associates, the Products Supply Agreement constitutes continuing connected transactions for the Company under the Listing Rules.

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

On 15 May 2018, the Company entered into the Products Supply Agreement in respect of the Continuing Connected Transactions.

THE PRODUCTS SUPPLY AGREEMENT

Date: 15 May 2018

Parties: (1) Nature Investment Group Ltd., as the supplier; and

(2) the Company, as the purchaser

Subject: Pursuant to the terms of the Products Supply Agreement, the Group will purchase sesame oil, animal oil and other sesame products from the Supplier and its subsidiaries.

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

Price: The price of the products supplied by the Supplier and its subsidiaries to the Group will be based on the quoted price for the products to be supplied by the Supplier and its subsidiaries. Such quoted price will be determined based on arm's length negotiations between the parties and on normal commercial terms on a quarterly basis 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 Products Supply Agreement will be on a monthly basis with 60 days' credit terms.

Cap amount: Pursuant to the Products Supply Agreement, the Company has agreed to purchase sesame oil, animal oil and other sesame products from the Supplier 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	220,000	225,000	230,000

The annual caps for the Products Supply Agreement were determined based on the historical transaction amount with the Supplier and its subsidiaries with an annual rate of increase of approximately 3% for 2018 and approximately 2% for the remaining term of the Products Supply Agreement. The rate of increase was based on the Group's expected growth in demand for sesame oil, animal oil and other sesame products for its production requirements.

The Supplier was previously owned by independent third parties and the transactions with the Supplier and its subsidiaries were not connected transactions of the Company. Mr. Wei Ing-Chou, an executive Director and the Chairman of the Board of the Company, and his associates, acquired the Supplier on 15 May 2018 and the Supplier became a connected person of the Company upon completion of the acquisition. The historical purchases of sesame oil,

animal oil and other sesame products from the Supplier and its subsidiaries are set out below:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual purchase by the Group	267,366	225,450	214,486

To ensure that the terms of sale offered by the Supplier and its subsidiaries 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 the Supplier will be

conducted on normal commercial terms and not prejudicial to the interest of the Company and the independent Shareholders.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

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

The Supplier and its subsidiaries have been supplying sesame oil, animal oil and other sesame products to the Group for more than 10 years. Such products are used by the Group for the production of the Group's food products. The Products Supply Agreement is being entered into to enable the Supplier and its subsidiaries to continue to supply sesame oil, animal oil and other sesame products to the Group for the Group's production needs.

As the Products Supply 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 the products being based on prevailing market price of similar products offered by other suppliers, the Directors (including the independent non-executive Directors but excluded Mr. Wei Ing-Chou and Mr. Wei Hong-Ming, who are considered to be interested in the transactions contemplated under the Products Supply Agreement and have abstained from voting from the Board resolution for the approval of the Products Supply Agreement) consider that the transactions between the Company and the Supplier and the proposed annual caps for the transactions under the Products Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE SUPPLIER

The Supplier is a limited liability company established in the British Virgin Islands. The Supplier is an investment holding company and has three subsidiaries principally engaged in the manufacture and sale of sesame oil, animal oil and other sesame products in the PRC.

The Supplier was previously owned by independent third parties. Mr. Wei Ing-Chou, an executive Director and the Chairman of the Board of the Company, and his associates, acquired the Supplier on 15 May 2018 and the Supplier became a connected person of the Company upon completion of the acquisition.

IMPLICATION UNDER THE LISTING RULES

The Supplier is owned by Mr. Wei Ing-Chou and his associates. Mr. Wei Ing-Chou is an executive Director and the Chairman of the Board of the Company. Accordingly, the Supplier is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules and transactions between the Group and the Supplier became connected transactions for the Company.

Mr. Wei Ing-Chou and Mr. Wei Hong-Ming are considered to be interested in the transactions contemplated under the Products Supply Agreement and have abstained from voting on the Board resolution approving the Products Supply Agreement.

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

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;
“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;
“Products Supply Agreement”	the agreement entered into between the Supplier and the Company dated 15 May 2018 in relation to the purchase of sesame oil, animal oil and other sesame products by the Group from the Supplier and its subsidiaries;
“RMB”	Renminbi, the lawful currency of the PRC;
“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;

“Supplier” Nature Investment Group Ltd., an investment holding company incorporated in the British Virgin Islands and is owned by Mr. Wei Ing-Chou, an executive Director, and his associates; and

“%” per cent.

By order of the Board
Tingyi (Cayman Islands) Holding Corp.
Mr. Junichiro Ida
Vice-Chairman and Executive Director

Shanghai, PRC, 15 May 2018

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>