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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

On 27 December 2018, Tingtong and KSF Beverage entered into the Logistics Agreement to renew the arrangements under the 2016 Logistics Agreement under which Tingtong and its subsidiaries will provide logistics services to KSF Beverage and its subsidiaries for a term of three financial years ending 31 December 2021.

KSF Beverage is a non-wholly owned subsidiary of the Company in which as to approximately 77.9% of its interest is controlled by the Group and as to approximately 22.1% of its interest is directly held by Ting Hsin. Ting Hsin is a substantial shareholder of the Company holding approximately 33.52% of the issued share capital of the Company as at the date of this announcement. Accordingly, KSF Beverage is a connected subsidiary of the Company for the purpose of the Listing Rules, and the provision of logistics services by Tingtong, an indirect non-wholly owned subsidiary of the Company, to KSF Beverage under the Logistics Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the annual transaction amount under the Logistics Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Logistics Agreement are subject to the reporting, annual review and announcement requirements and exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 5 May 2016, 10 November 2017 and 14 December 2017 in respect of, among others, the 2016 Logistics Agreement for the provision of logistics services by Tingtong and its subsidiaries to KSF Beverage and its subsidiaries.

The 2016 Logistics Agreement will expire on 31 December 2018. The Logistics Agreement is being entered into to enable Tingtong and its subsidiaries to continue to provide logistics services to KSF Beverage and its subsidiaries. Brief particulars of the Logistics Agreement are set out below:

THE LOGISTICS AGREEMENT

Date

27 December 2018

Parties

- (1) Tingtong, a company incorporated in the Cayman Islands which is principally engaged in the business of provision of logistics services. Tingtong is indirectly held as to approximately 50.01% by the Company and as to approximately 49.99% by Itochu Corporation, a Japanese conglomerate; and
- (2) KSF Beverage, a company incorporated in the Cayman Islands which is principally engaged in producing, marketing, distributing and selling of beverage products in the PRC. KSF Beverage is a non-wholly owned subsidiary of the Company in which as to approximately 77.9% of its interest is controlled by the Group and as to approximately 22.1% of its interest is directly held by Ting Hsin. Ting Hsin is a substantial shareholder of the Company holding approximately 33.52% of the issued share capital of the Company as at the date of this announcement. Accordingly, KSF Beverage is a connected subsidiary of the Company for the purpose of the Listing Rules.

Subject matter

Under the terms of the Logistics Agreement, Tingtong and its subsidiaries will provide transportation, warehousing and loading and unloading services to KSF Beverage and its subsidiaries.

Service fee and payment terms

The service fees for the provision of the logistics services under the Logistics Agreement will be based on the prevailing market prices of the services provided by Tingtong to its other customers. Payment for the service fees under the Logistics Agreement will be on 30 days' credit term in line with the credit policy of Tingtong extended to its other customers.

Term of the Logistics Agreement and annual caps

The Logistics Agreement has a term of three financial years ending 31 December 2021, subject to the following annual caps:

Period	Annual Cap <i>RMB '000</i>
For the financial year ending 31 December 2019	650,000
For the financial year ending 31 December 2020	720,000
For the financial year ending 31 December 2021	800,000

The annual caps were determined with reference to the historical logistics services transaction amounts between Tingtong and KSF Beverage, the anticipated demand for logistics services that KSF Beverage and its subsidiaries would require for their operations. The annual caps under the Logistics Agreement are set higher than the 2016 Logistics Agreement as it is expected that KSF Beverage will require more logistics services from Tingtong as a result of the integration of the Group's logistics system.

The historical logistics services transaction amounts between Tingtong and KSF Beverage for the two financial years ended 31 December 2016 and 2017 and the nine months ended 30 September 2018 are as follows:

	For the year ended 31 December		For the nine
	2016	2017	months ended 30
	<i>RMB '000</i>	<i>RMB '000</i>	September 2018
			<i>RMB '000</i>
Annual cap	206,373 ^{Note 1}	230,000	542,000 ^{Note 2}
Actual transaction amount	181,483	219,277	370,004

Notes:

1. The original annual cap for 2016 was set in US\$ and has been translated into RMB for the purpose of this announcement at the exchange rate of US\$1.00 = RMB6.6572.
2. The annual cap for 2018 is for the whole year.

Condition

The Logistics Agreement is subject to the Company's compliance with the requirements of the Listing Rules with respect to the continuing connected transactions.

REASONS OF ENTERING INTO THE LOGISTICS AGREEMENT

KSF Beverage is responsible for the production, marketing, distribution and selling of the Group's beverage products. Tingtong is primarily engaged in the business of provision of logistics services.

KSF Beverage requires logistics services in its ordinary course of business and Tingtong's ordinary course of business is the provision of logistics services to FMCG customers. Owing to the integration of the Group's logistics system, KSF Beverage requires more captive logistics services from Tingtong. The Logistics Agreement is entered into to enable Tingtong and KSF Beverage, both being subsidiaries of the Company, to continue to cooperate on the delivery of the Group's beverage products to the market.

Given that the Logistics Agreement was entered into after arm's length negotiations and under normal commercial terms, with the terms of services of Tingtong being benchmarked against the terms extended by Tingtong to its independent customers, 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 Logistics Agreement and have abstained from voting in respect of the resolution proposed to approve the Logistics Agreement) are of the view that the Logistics Agreement was entered into under normal commercial terms and in the ordinary and usual course of business of the Group, that the terms and conditions of the Logistics Agreement, including the annual caps, are fair and reasonable, and that the entering into of the Logistics Agreement is in the interests of the Company and the Shareholders as a whole.

PRICING POLICY AND INTERNAL CONTROL FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

To ensure that the terms of the continuing connected transactions of the Group are fair and reasonable and no less favourable to the Group than those available to/from independent third parties, the Company has a set of pricing policy and internal procedures in place under which:

- (i) the pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the accounting department of the Group and the management of the Group dedicated with the responsibility of supervising the continuing connected transactions of the Group to ensure that the relevant continuing connected transactions are being conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole;
- (ii) in respect of any order from KSF Beverage for logistics services, the Group will assess the level of services to be provided and based on the services required for the order, obtain reference quotations or charges that the Group has provided to independent third party customers or other members of the Group for setting the prevailing market price;
- (iii) the relevant personnel from the accounting department and the management of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy;

- (iv) the independent non-executive Directors will review the transactions under the relevant continuing connected transaction and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof.

The Directors consider that the pricing policy and internal control system of the Group are effective to ensure that the transactions contemplated under the relevant continuing connected transaction will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

KSF Beverage is a non-wholly owned subsidiary of the Company in which as to approximately 77.9% of its interest is controlled by the Group and as to approximately 22.1% of its interest is directly held by Ting Hsin. Ting Hsin is a substantial shareholder of the Company holding approximately 33.52% of the issued share capital of the Company as at the date of this announcement. Accordingly, KSF Beverage is a connected subsidiary of the Company for the purpose of the Listing Rules, and the provision of logistics services by Tingtong, an indirect non-wholly owned subsidiary of the Company, to KSF Beverage under the Logistics Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the annual transaction amount under the Logistics Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Logistics Agreement are subject to the reporting, annual review and announcement requirements and exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

GENERAL

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

At the Board meeting held to approve the Logistics Agreement, Mr. Wei Ing-Chou, who is a discretionary object in one of the trusts that hold interests in Ting Hsin, was considered to be interested in the transactions contemplated under the Logistics Agreement and has abstained from voting in respect of the resolution proposed to approve the Logistics Agreement. Mr. Wei Hong-Ming, who is the son of Mr. Wei Ing-Chou, was also considered to be interested in the transactions contemplated under the Logistics Agreement and has abstained from voting in respect of the resolution proposed to approve the Logistics Agreement.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2016 Logistics Agreement”	the logistics agreement dated 4 May 2016 entered into between Tingtong and KSF Beverage;
“Board”	the board of directors of the Company;
“Company”	Tingyi (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's

	Republic of China;
“KSF Beverage”	KSF Beverage Holding Co., Ltd. (formerly known as Tingyi-Asahi Beverages Holding Co., Ltd.), a company incorporated in the Cayman Islands, a non-wholly owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Logistics Agreement”	the agreement dated 27 December 2018 between Tingtong and KSF Beverage;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Ting Hsin”	Ting Hsin (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands, a substantial shareholder of the Company;
“Tingtong”	Tingtong (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands, an indirect non-wholly owned subsidiary of the Company; and
“US\$”	United States dollar, the lawful currency of United States of America.

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

Shanghai, PRC, 27 December 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 the executive directors of the Company. Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada are the independent non-executive directors of the Company.

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

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