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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 PURCHASE OF MODIFIED POTATO STARCH, MODIFIED CASSAVA STARCH AND SEASONING FLAVOUR PRODUCTS

On 16 December 2019, the Company and Ting Fung entered into the Supply Agreement for the Group to continue to purchase modified potato starch, modified cassava starch and seasoning flavour products from Ting Fung (as “**the Supplier**”) for a term of three financial years ending 31 December 2022.

Ting Fung is a company beneficially owned by family members and relatives of Mr. Wei Hong-Ming, the Chairman of the Board and an executive Director of the Company, and Mr. Wei Hong-Chen, an executive Director of the Company. Accordingly, Ting Fung is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules and the purchase of the Ting Fung Products by the Group from the Supplier 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 Supply Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Supply 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 announcement of the Company dated 15 November 2016 in relation to the 2016 Agreement.

The 2016 Agreement is due to expire on 31 December 2019. The Supply Agreement is being entered into to enable the Group to continue to purchase the Ting Fung Products from the Supplier. Brief particulars of the Supply Agreement are set out below:

THE SUPPLY AGREEMENT

Date: 16 December 2019

Parties: (1) Ting Fung; and
(2) the Company

Ting Fung is a company beneficially owned by family members and relatives of Mr. Wei Hong-Ming, the Chairman of the Board and an executive Director of the Company, and Mr. Wei Hong-Chen, an executive Director of the Company. Accordingly, Ting Fung is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

Subject: The Group will purchase the Ting Fung Products from Ting Fung.

Term: Three financial years commencing on 1 January 2020 and ending on 31 December 2022.

Price: The price of the Ting Fung Products supplied by the Supplier to the Group will be based on the quoted price for the products to be supplied. Such quoted price will be determined based on arm's length negotiations between the parties on normal commercial terms on a quarterly basis with reference to:

- (a) the prevailing market price for the same or substantially similar products, taking into account the price of the same or substantially similar products with comparable order quantities and quality offered by independent third party suppliers;

- (b) if there are insufficient comparable transactions to (a) 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
- (c) if both (a) and (b) 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 Supply Agreement will be calculated on a monthly basis upon delivery, with additional credit terms of 60 days. The payment will be made on the monthly payment day specified by the Group after the end of the credit terms. The same payment procedures as described above that have been implemented under the 2016 Agreement will continue to be applicable under the Supply Agreement.

Cap amount:

Pursuant to the Supply Agreement, the Group has agreed to purchase the Ting Fung Products from the Supplier based on the pricing policy stated above during the term of the agreement subject to the following annual caps:

| | Financial year ending | | |
|--------------------|------------------------------|----------------|----------------|
| | 31 December | | |
| | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Transaction amount | 370,000 | 430,000 | 500,000 |

The annual caps for the Supply Agreement were determined based on the historical transaction amount with the Supplier and the Group's expected demand for the Ting Fung Products.

The historical purchases from the Supplier for the three financial years ended 31 December 2018 and the nine months ended 30 September 2019 are set out below:

| | For the year ended 31 December | | | For the nine months ended 30 September |
|--------------------------------|---|----------------|----------------|---|
| | 2016 | 2017 | 2018 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Annual cap | 160,007 <i>(Note 1)</i> | 330,000 | 380,000 | 440,000 <i>(Note 2)</i> |
| Purchases from the Supplier | 157,929 | 231,051 | 260,184 | 202,916 |

Notes:

1. The annual cap of 2016 (US\$24,025,000) has been translated into RMB using the exchanging rate of US\$1.00=RMB 6.66.
2. For the entire year of 2019.

Condition

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

Reasons for the Supply Agreement

The Supplier has been supplying the Ting Fung Products to the Group for more than ten years. Such products are being used for the manufacture of the Group's products and in the Group's ordinary course of operation. The Group has always been committed to food safety and quality guarantee, and therefore has high requirements for its suppliers such as the ability to provide stable and sufficient quantities of high quality products in a timely manner. During the terms under the 2016 Agreement and up to the date of this announcement, the Group has not encountered any issue in relation to the quality of the products supplied by the Supplier. As the 2016 Agreement entered into between the Company and Ting Fung is due to expire on 31 December 2019, the Supply Agreement is being entered into to enable the Group to continue to purchase the Ting Fung Products from the Supplier.

As the Supply Agreement is being entered into in the usual and ordinary course of business of the Group 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 the same or substantially similar products offered by independent third parties, the Directors (including the independent non-executive Directors but excluded Mr. Wei Hong-Ming, the Chairman of the Board and an executive Director of the Company, and Mr. Wei Hong-Chen, an executive Director of the Company, who are considered to be interested in the transactions contemplated under the Supply Agreement and have avoided discussion and abstained from voting for the resolution proposed to approve the Supply Agreement) consider that the transactions under the Supply Agreement and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES

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 Group has the following internal control and pricing policies in place under which:

Internal control and pricing policies

- (i) the Group maintains a list of carefully selected suppliers. The list is regularly reviewed and updated. For a supplier to become listed, the Group 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 Group in terms of the quality of the products which is reviewed by the quality assurance team of the Group (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 Group for more than a year, the supplier will be delisted from the Group's supplier list and the Group 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 Group (the “**R&D Department**”) will first discuss and formulate the details of the specifications of the order (including materials, safety, functions and the specification for the relevant products);

- (iii) after such formulation by the R&D Department, based on their experience and taking into account similar purchases made by the Group, the Purchasing Department will obtain quotations from the Supplier on a quarterly basis and also select not less than two and on average about three suppliers from the Group's suppliers list which are independent third parties for quotations in order to ascertain the prevailing market price in accordance with the pricing policies as set out under the Supply Agreement;
- (iv) the selection criteria of the suppliers will be based on their quotation, delivery times, payment terms, specifications, quality, safety and recent performance;
- (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; and
- (vi) the price of the Ting Fung Products will be determined based on the pricing policies set out in the section headed "THE SUPPLY AGREEMENT".

Internal review policies

- (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 the Shareholders as a whole;
- (ii) in respect of any order for the products supplied by the Supplier, the Group will assess the level of order to be placed and based on the size of the order, obtain reference quotations from independent third party suppliers for setting the prevailing market price in accordance with the pricing policies as set out under the Supply Agreement;
- (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; and
- (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 above internal control and pricing policies and internal review policies 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.

INFORMATION ON TING FUNG

Ting Fung is a limited liability company principally engaged in the manufacture and sale of modified potato starch, modified cassava starch and seasoning flavour products in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

Ting Fung is beneficially owned by family members and relatives of Mr. Wei Hong-Ming, the Chairman of the Board and an executive Director of the Company, and Mr. Wei Hong-Chen, an executive Director of the Company. Ting Fung is hence a connected person of the Company for the purpose of Chapter 14A of the Listing Rules and the transactions contemplated under the Supply 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 Supply Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Supply 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 and distribution of instant noodle and beverage products in the PRC.

At the Board meeting held to approve the Supply Agreement, Mr. Wei Hong-Ming and Mr. Wei Hong-Chen are considered to be interested in the transactions contemplated under the Supply Agreement and have avoided discussion and abstained from voting for the resolution proposed to approve the Supply Agreement.

DEFINITIONS

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

| | |
|----------------------------|---|
| “2016 Agreement” | the supply agreement dated 15 November 2016 between the Company and Ting Fung; |
| “associate” | has the meaning ascribed to it under the Listing Rules; |
| “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(s)” | 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; |
| “Independent Shareholders” | Shareholders other than Ting Fung and its associates; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PRC” | the People’s Republic of China; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Shareholder(s)” | shareholder(s) of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Supplier” | Ting Fung; |
| “Supply Agreement” | the agreement dated 16 December 2019 between the Company and Ting Fung; |

| | |
|--------------------|---|
| “Ting Fung” | Tianjin Ting Fung Starch Development Co., Ltd., a company incorporated in the PRC with limited liability; |
| Ting Fung Products | modified potato starch, modified cassava starch and seasoning flavour products; and |
| “%” | per cent. |

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

Hong Kong, 16 December 2019

As at the date of this announcement, Mr. Wei Hong-Ming, Mr. Junichiro Ida, Mr. Lin Chin-Tang, Mr. Wei Hong-Chen, Mr. Koji Shinohara and Mr. Yuko Takahashi 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.

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

* *For identification purposes only*