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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Tingyi (Cayman Islands) Holding Corp., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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

*Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders*

 SOMERLEY CAPITAL LIMITED

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A letter from the Board is set out on pages 3 to 10 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 11 of this circular. A letter from Somerley Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 23 of this circular.

A notice convening an EGM to be held at the Conference Room, No.1688, Wuzhong Road, Minhang District, Shanghai City, PRC on Thursday, 16 January 2020, at 9:00 a.m. is set out on pages 29 to 30 of this circular. A proxy form for use by the Shareholders for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are advised to complete and return the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's principal place of business in Hong Kong at Suite 5607, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

\* For identification purpose only

23 December 2019

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## DEFINITIONS

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*In this circular, 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 Tingzheng;
“associate”	has the meaning ascribed 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”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be convened to approve the Supply Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supply Agreement;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors appointed by the Board to advise the Independent Shareholders on the terms of the Supply Agreement;
“Independent Shareholders”	Shareholders other than Tingzheng and its associates;
“Latest Practicable Date”	18 December 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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”	Tingzheng and its subsidiaries;
“Supply Agreement”	the agreement dated 21 November 2019 between the Company and Tingzheng;
“Tingzheng”	Tingzheng (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands with limited liability;
“Tingzheng Products”	flexible plastic packaging materials and plastic products; and
“%”	per cent.

# 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)

**Executive Directors:**

Mr. Wei Hong-Ming (*Chairman*)  
Mr. Junichiro Ida (*Vice-Chairman*)  
Mr. Lin Chin-Tang  
Mr. Wei Hong-Chen  
Mr. Koji Shinohara  
Mr. Yuko Takahashi

**Independent Non-executive Directors:**

Mr. Hsu Shin-Chun  
Mr. Lee Tiong-Hock  
Mr. Hiromu Fukada

**Registered Office:**

P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

**Principal Place of Business:**

**Hong Kong**  
Suite 5607, 56th Floor  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

**PRC Office**

No.1688, Wuzhong Road  
Minhang District  
Shanghai City 201103  
PRC

23 December 2019

*To: the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
PURCHASE OF FLEXIBLE PLASTIC PACKAGING MATERIALS  
AND PLASTIC PRODUCTS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 21 November 2019 and 16 December 2019 in respect of the Supply Agreement.

The purpose of this circular is to:

- (a) provide the Shareholders with details of the Supply Agreement and the relevant annual caps thereunder;

\* For identification purpose only

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## LETTER FROM THE BOARD

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- (b) set out the opinion of the Independent Financial Adviser in respect of the terms of the Supply Agreement;
- (c) set out the recommendation of the Independent Board Committee in respect of the terms of the Supply Agreement and the relevant annual caps thereunder; and
- (d) give you notice of the EGM.

The salient terms of the Supply Agreement are summarized below:

### THE SUPPLY AGREEMENT

Date: 21 November 2019

Parties: (1) Tingzheng; and  
(2) the Company

Tingzheng 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, Tingzheng is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

Subject: The Group will purchase the Tingzheng Products from Tingzheng and its subsidiaries.

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

Price: The price of the Tingzheng 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

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## LETTER FROM THE BOARD

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- (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, and such payment procedures are the same as those applicable to independent third party suppliers with comparable size. As such, the payment terms under the Supply Agreement are no less favourable to the Group than those applicable to independent third party suppliers, and that it will not result in adverse impact on the Group.

Cap amount:

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

	<b>Financial year ending 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	<u>2,200,000</u>	<u>2,300,000</u>	<u>2,400,000</u>

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 Tingzheng Products with reference to:

- (a) the Group's demand for flexible plastic packaging materials and plastic products is expected to grow by approximately 6% to 12% in each of the coming three years, which is projected mainly with reference to the historical growth in the overall sales volumes of the Group's instant noodle and beverage products;
- (b) the unit cost of raw materials for flexible plastic packaging and plastic products is primarily driven by the price of crude oil, which is expected to remain stable with a slight level of increase in the coming three years; and
- (c) the Group will increase its sourcing of flexible packaging materials and plastic products from independent third party suppliers, with a view to increase the level of diversification of the Group's purchases of flexible packaging materials and plastic products.

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## LETTER FROM THE BOARD

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Based on the foregoing, the Company has determined the annual caps at levels which are lower than or close to the historical transaction amounts with the Supplier.

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
	2016	2017	2018	September
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Annual cap	5,134,860	2,700,000	3,100,000	3,500,000
	(Note 1)			(Note 2)
Purchases from the Supplier	2,134,657	2,361,546	2,245,354	1,820,234

*Notes:*

1. The annual cap of 2016 (US\$771,000,000) has been translated into RMB using the exchange rate of US\$1.00 = RMB6.66.
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, including, where necessary, obtaining approval of the Independent Shareholders.

### Reasons for the Supply Agreement

The Supplier has been supplying the Tingzheng Products to the Group for more than ten years. Such products are being used by the Group for packaging the Group's products and in the Group's ordinary course of operation. Currently, the Supplier is the largest supplier of flexible plastic packaging materials and plastic products to the Group. It manufactures flexible plastic packaging materials and plastic products in multiple factories, the majority of which are located in the same or nearby cities at which the production centers of the Group are located. Given the long history of cooperation between two groups, the Supplier is more familiar with the Group's packaging needs, such as custom packaging or specifications for different types of instant noodle and beverage products, than other suppliers in the PRC, and is therefore able to offer more efficient and tailor-made packaging solutions to the Group.

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## LETTER FROM THE BOARD

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The Group has always been committed to food safety and quality guarantee, and therefore has high requirements for its suppliers. The main requirements for a supplier of flexible plastic packaging materials and plastic products are: (i) the ability to provide stable and sufficient quantities of high quality food grade flexible plastic packaging materials and plastic products in a timely manner, and (ii) the ability to supply standardized flexible plastic packaging materials and plastic products. During the term under the 2016 Agreement and up to the Latest Practicable Date, 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 Tingzheng is due to expire on 31 December 2019, the Supply Agreement is being entered into to enable the Group to continue to purchase the Tingzheng 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 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, design for flexible plastic packaging materials and plastic products, and the specification for the relevant products);

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## LETTER FROM THE BOARD

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- (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 Tingzheng 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.

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## LETTER FROM THE BOARD

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### INFORMATION ON TINGZHENG

Tingzheng is a limited liability company established in the Cayman Islands. It is an investment holding company having subsidiaries are principally engaged in the manufacture and sale of plastic packaging materials and plastic products in the PRC.

### IMPLICATION UNDER THE LISTING RULES

Tingzheng 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. Tingzheng 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 connected transactions for the Company under Chapter 14A of the Listing Rules.

On 18 October 2019, the Company entered into a supply agreement (the “**Marine Vision Agreement**”) with Marine Vision Investment Inc. (“**Marine Vision**”) to procure carton box products from Marine Vision and its subsidiaries for a term of three financial years from 1 January 2020 to 31 December 2022. As the Supply Agreement is entered into within twelve months of the Marine Vision Agreement, Marine Vision is also beneficially owned by family members and relatives of Mr. Wei Hong-Ming and Mr. Wei Hong-Chen, and that the carton box products to be supplied under the Marine Vision Agreement are considered to be similar to the Tingzheng Products, both being packaging materials, the annual transaction amount in respect of the Supply Agreement would need to be aggregated with that of the Marine Vision Agreement. As the applicable percentage ratios in respect of the annual transaction amount under the Supply Agreement when aggregated with that of the Marine Vision Agreement is more than 5%, the Supply Agreement will be subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Supply Agreement and Somerley has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will seek approval from the Independent Shareholders of the Supply Agreement and the proposed annual caps thereunder in accordance with the requirements of the Listing Rules. The voting at the EGM will be by poll.

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 on the Board resolution to approve the Supply Agreement.

As at the Latest Practicable Date, Mr. Wei Hong-Ming, Mr. Wei Hong-Chen and their associates were deemed to be interested in 1,906,869,866 Shares, representing approximately 33.91% of the issued share capital of the Company. Mr. Wei Hong-Ming, Mr. Wei Hong-Chen and their associates will abstain from voting on the proposed resolution at the EGM to be convened to approve the Supply Agreement.

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## LETTER FROM THE BOARD

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### EGM

A notice convening the EGM to be held at 9:00 a.m. on 16 January 2020 at the Conference Room, No.1688, Wuzhong Road, Minhang District, Shanghai City, PRC is set out on pages 29 to 30 of this circular.

A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are advised to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business in Hong Kong at Suite 5607, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular which contains its recommendation to the Independent Shareholders on the Supply Agreement and the relevant annual caps thereunder. Your attention is also drawn to the letter of advice from Somerley which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supply Agreement and the relevant annual caps thereunder.

The independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee contained in this circular, consider that the Supply Agreement and the transactions contemplated thereunder are fair and reasonable, and executed in normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors but excluded Mr. Wei Hong-Ming and Mr. Wei Hong-Chen) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supply Agreement and the relevant annual caps thereunder.

Your attention is also drawn to the general information set out in the appendix of this circular.

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

# 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)

23 December 2019

*To the Independent Shareholders*

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS PURCHASE OF FLEXIBLE PLASTIC PACKAGING MATERIALS AND PLASTIC PRODUCTS

We refer to the circular of the Company to the Shareholders dated 23 December 2019 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Supply Agreement and the relevant annual caps thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Somerley Capital Limited (“**Somerley**”), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supply Agreement and the relevant annual caps thereunder as set out on pages 12 to 23 of the Circular and the letter from the Board set out on pages 3 to 10 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Somerley as stated in its letter of advice, we consider that the Supply Agreement was entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and that the terms of the Supply Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supply Agreement and the relevant annual caps thereunder.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of  
Tingyi (Cayman Islands) Holding Corp.**

**Mr. Hsu Shin-Chun      Mr. Lee Tiong-Hock      Mr. Hiromu Fukada**

*Independent Non-executive Directors*

\* For identification purposes only

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## LETTER FROM SOMERLEY

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*The following is the text of the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**  
20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

23 December 2019

*To: the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS PURCHASE OF FLEXIBLE PLASTIC PACKAGING MATERIALS AND PLASTIC PRODUCTS**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the purchase of flexible plastic packaging materials and plastic products from Tingzheng and its subsidiaries under the Supply Agreement (the “**Continuing Connected Transactions**”) and the proposed annual caps (the “**Annual Caps**”), details of which are contained in the circular to the Shareholders published by the Company dated 23 December 2019 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

Tingzheng 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. Tingzheng 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.

Given that (i) the continuing connected transactions contemplated under the Supply Agreement and the supply agreement (the “**Marine Vision Agreement**”) with Marine Vision Investment Inc. (“**Marine Vision**”) dated 18 October 2019 are entered into within twelve months, (ii) each of Marine Vision and Tingzheng is beneficially owned by family members and relatives of Mr. Wei Hong-Ming and Mr. Wei Hong-Chen, and (iii) the products to be supplied under each of the Supply Agreement

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## LETTER FROM SOMERLEY

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and the Marine Vision Agreement are considered similar, both being packaging materials, the annual transaction amount in respect of the Supply Agreement would need to be aggregated with that of the Marine Vision Agreement. As the applicable percentage ratios in respect of the annual transaction amount under the Supply Agreement when aggregated with that of the Marine Vision Agreement is more than 5%, the Supply Agreement will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 18 October 2019 for further details of the Marine Vision Agreement.

The Company will seek approval from the Independent Shareholders of the Supply Agreement and the Annual Caps in accordance with the requirements of the Listing Rules. The voting at the EGM will be by way of poll. As at the Latest Practicable Date, Mr. Wei Hong-Ming, Mr. Wei Hong-Chen and their associates were deemed to be interested in 1,906,869,866 Shares, representing approximately 33.91% of the issued share capital of the Company. Mr. Wei Hong-Ming, Mr. Wei Hong-Chen and their associates will abstain from voting on the proposed resolution at the EGM to be convened to approve the Supply Agreement.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Hiromu Fukada, has been established to consider the terms of the Supply Agreement and the Annual Caps, and to advise and recommend the Independent Shareholders as to voting. We, Somerley, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, there was no engagement between the Company and Somerley. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley; and (b) the Group, the Supplier and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that such information, facts and opinions were true, accurate and complete in all material aspects and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Supplier or their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

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## LETTER FROM SOMERLEY

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Supply Agreement and the Annual Caps, we have taken into account the following principal factors and reasons:

#### 1. Information on the Group and the Supplier

##### *The Group*

The Group is principally engaged in the production and distribution of instant noodle and beverage products in the PRC, with about 100 production centers across the PRC, such as Tianjin, Hangzhou, Guangzhou, Shenyang and Chongqing, and a nationwide distribution network of over 28,000 wholesalers and 150,000 direct retailers as at 30 June 2019. The Group's main business segments have established leading market shares in the PRC's food and beverage industry. For the years 2017 and 2018, the Group recorded revenues of approximately RMB59.0 billion and RMB60.7 billion, and net profits of approximately RMB2.3 billion and RMB2.7 billion, respectively. In the first six months of 2019, the Group's revenue and net profit amounted to approximately RMB30.5 billion and RMB1.8 billion respectively. As at the Latest Practicable Date, the Company had a market capitalization of approximately HK\$74.0 billion.

According to the data from Nielsen, a global marketing research firm, the sales volume and sales amount of both instant noodle industry and beverage industry in the PRC registered continued growth in past two years, and the growth continued in 2019. In the first half of 2019, based on the sales volume and sales amount, the Group ranked first in the PRC's instant noodle and ready-to-drink tea markets, while the Group ranked second in the PRC's juice drink market. In terms of sales volumes, the market shares of the Group's instant noodle, ready-to-drink tea and juice drink in the PRC were approximately 42.9%, 44.8% and 14.5% respectively in the first half of 2019.

Revenue of the Group grew by approximately 6.1% from approximately RMB55.6 billion in 2016 to approximately RMB59.0 billion in 2017, and grew further by approximately 2.9% to approximately RMB60.7 billion in 2018, showing a healthy trend of growth. For the first half of 2019, revenue of the Group decreased slightly by approximately 1.6% year-on-year to approximately RMB30.5 billion, which was mainly due to the decrease in sales of beverage products. We note from the Company's 2019 interim report that the beverage business is still under the process of product mix adjustments but has managed to recover.

##### *The Supplier*

Tingzheng is a limited liability company established in the Cayman Islands. Tingzheng and its subsidiaries are principally engaged in the manufacture and sale of flexible plastic packaging materials and plastic products (being the Tingzheng Products) in the PRC. As stated in the letter from the Board in the Circular, the Supplier is one of the leading manufacturers in the flexible plastic packaging industry in the PRC.

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## LETTER FROM SOMERLEY

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### **2. Background to and reasons for entering into the Supply Agreement**

The Supplier has been supplying flexible plastic packaging materials and plastic products to the Group for more than ten years, and such products are being used for the packaging of the Group's products, such as instant noodle and beverage products, during its ordinary course of operation. Based on our discussions with the management of the Group, the Group has always been committed to food safety and quality guarantee, and therefore has high requirements for its suppliers. The main requirements for a supplier of flexible plastic packaging materials and plastic products are as follows: (i) the ability to provide stable and sufficient quantities of high quality food grade flexible plastic packaging materials and plastic products in a timely manner, and (ii) the ability to supply standardized flexible plastic packaging materials and plastic products. The Group visits the Supplier's production facilities and performs quality checks on their products from time to time. During the terms under the 2016 Agreement and up to the Latest Practicable Date, the Group has not encountered any issue in relation to the quality of the products supplied by the Supplier.

Currently, the Supplier is the largest supplier of flexible plastic packaging materials and plastic products to the Group. It manufactures flexible plastic packaging materials and plastic products in multiple production plants and factories, majority of which are located in the same or nearby cities where the Group have its existing production centers. Given the long history of cooperation between two groups, the Supplier is more familiar with the Group's packaging needs, such as custom packaging or specifications for different types of instant noodle and beverage products, than other suppliers in the PRC, and is therefore able to offer more efficient and tailor-made packaging solutions to the Group.

The current transactions between the parties are governed by the 2016 Agreement, which was approved by the then independent shareholders of the Company at a shareholder's meeting held on 29 December 2016. The 2016 Agreement is due to expire on 31 December 2019. In view of the above, the Supply Agreement has been entered into on 21 November 2019, enabling the Group to continue to purchase the Tingzheng Products from the Supplier for the three financial years commencing from 1 January 2020 and ending 31 December 2022.

Shareholders should note that the Supply Agreement is on a non-exclusive basis, the Group is free to source flexible plastic packaging materials and plastic products from other independent third party suppliers to cater for the Group's needs. The entering into the Supply Agreement affords the Group with the flexibility and the option to continue purchasing flexible plastic packaging materials and plastic products from the Supplier.

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## LETTER FROM SOMERLEY

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### 3. Principal terms

Set out below are the principal terms of the Supply Agreement. Further details are disclosed in the letter from the Board in the Circular.

#### *General*

Parties to the Supply Agreement are Tingzheng and the Company. Pursuant to the terms of the Supply Agreement, the Group will purchase the Tingzheng Products from Tingzheng and its subsidiaries. The Supply Agreement has a term of three financial years, commencing on 1 January 2020 and ending on 31 December 2022, subject to obtaining the approval of the Independent Shareholders of the Supply Agreement and the Annual Caps.

#### *Pricing terms*

Pursuant to the Supply Agreement, the price of the Tingzheng Products 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, which is the same as the pricing terms under the 2016 Agreement as confirmed by the management of the Group, 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.

For further details of the execution of pricing policy, such as the internal supervision and monitoring by the relevant departments of the Group, please refer to the section below headed "Internal control procedures".

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## LETTER FROM SOMERLEY

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### *Payment terms*

Under the Supply Agreement, the payment for the Tingzheng Products supplied by the Supplier to the Group 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. Management of the Group has advised us that the same payment procedures as described above that have been implemented under the 2016 Agreement will continue to be applicable under the Supply Agreement, and such payment procedures are the same as those applicable to independent third party suppliers with comparable size. Based on the above, we concur with the management of the Group that the payment terms under the Supply Agreement are no less favourable to the Group than those applicable to independent third party suppliers, and that it will not result in adverse impact on the Group.

### *Comparison of terms with other independent third parties*

We have discussed with the management of the Group the key terms of the 2016 Agreement and the Supply Agreement, and were advised that in general, the flexible plastic packaging materials and plastic products used for a particular instant noodle or beverage product are intended to be manufactured by a single supplier, potentially the Supplier or an independent third party supplier, such that the flexible plastic packaging materials and plastic products are strictly consistent in safety, quality and design, which the Company considers to be an important production strategy. Although the flexible plastic packaging materials and plastic products from those sourced from the Supplier may not be identical to those sourced from independent third party suppliers, mainly due to differences in, for example, application, size and printing, the Company is of the view that they are generally regarded as similar products. As confirmed by the management of the Group, given that the products from different suppliers are made from similar raw materials, the Company would look into the underlying costs of major raw materials in determining whether the pricing terms are on normal commercial terms.

In this respect, the management of the Group informed us that the purchasing department of the Group would request different suppliers (including the Supplier) of flexible plastic packaging materials and plastic products to submit the quotations in relation to their underlying raw materials and overhead costs on a quarterly basis, and compare the quoted prices of the underlying major raw materials against (i) the historical transaction prices, (ii) the market price trend analysis of such raw materials, and (iii) the quoted prices as available from other suppliers, to ensure that the pricing of final products are on normal commercial terms and no less favourable to the Group than those offered by other independent third parties. The prices of the flexible plastic packaging materials and plastic products relating to a particular instant noodle and beverage product, which will be negotiated and determined with reference to the abovementioned price quotations and the relevant specifications, will then be approved by the head of business unit and be applied in the upcoming quarter. We have been provided with the quotations from the Supplier and the selected independent third party suppliers for the four quarters in 2019, and note that the quoted prices of major raw materials from the Supplier are generally in line with those from independent third party suppliers. In addition, we have obtained selected contracts for the purchase of similar flexible plastic packaging materials and plastic products between the Group and independent third party suppliers, and note that the credit terms are broadly comparable.

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## LETTER FROM SOMERLEY

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### 4. The Annual Caps

#### *Review of historical transactions*

Set out below are the historical transaction amounts under the 2016 Agreement, for the financial years ended 31 December 2017 and 2018, and for the nine months ended 30 September 2019:

<i>(RMB '000)</i>	<b>For the financial year ended</b>		<b>For the nine</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2017</b>	<b>2018</b>	<b>30 September</b>
			<b>2019</b>
Purchase from the Supplier	2,361,546	2,245,354	1,820,234
Relevant annual cap	2,700,000	3,100,000	3,500,000
Utilisation rates	87.5%	72.4%	69.3%
			<i>(Note)</i>

*Note: Based on the relevant nine months transaction amounts and pro rata annual cap amount*

As set out in the table above, the total purchase amount of the Tingzheng Products from the Supplier remained stable in the recent years, amounting to approximately RMB2.4 billion and RMB2.2 billion in 2017 and 2018 respectively, and approximately RMB1.8 billion for the first nine months of 2019.

We note that the relevant annual caps under the 2016 Agreement were determined on the key assumptions that, between 2017 and 2019, (i) the sales volume of the Group's instant noodle and beverage products would grow by approximately 6% to 8% (as driven by the strengthening sales channel, the enhancement of packaging technologies and the rolling out high-end health products); and (ii) the unit cost of raw materials for the Tingzheng Products would increase by approximately 5% to 15% (as driven mainly by the expected increase in the price of crude oil and logistics costs). Based on our discussion with the management of the Group, the actual unit cost of raw materials for the Tingzheng Products in recent years was lower than expected. As such, despite the relatively stable purchase volume, utilization of the annual caps decreased generally over the period.

#### *Assessment of the Annual Caps*

The Annual Caps under the Supply Agreement for the three financial years ending 31 December 2022 are proposed to be RMB2.2 billion, RMB2.3 billion and RMB2.4 billion respectively.

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## LETTER FROM SOMERLEY

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In order to assess the reasonableness of the Annual Caps, we have discussed with management of the Group the bases and assumptions underlying the projections for the purchase of the Tingzheng Products from the Supplier. In determining the Annual Caps, the Company has taken into account (a) the historical transaction amount with the Supplier, as explained in the sub-section above, (b) the Group's expected growth in demand for flexible plastic packaging materials and plastic products, and (c) the expected increase in the proportion of purchases of flexible plastic packaging materials and plastic products from independent third party suppliers.

As advised by the management of the Group, demand for flexible plastic packaging materials and plastic products is expected to grow by approximately 6% to 12% in each of the coming three years, which is projected mainly with reference to the historical growth in the overall sales volumes of the Group's instant noodle and beverage products. We note from the Company's annual reports that the overall sales amount of the Group's instant noodle increased by approximately 10.9% from approximately RMB21.6 billion in 2016 to approximately RMB23.9 billion in 2018, while the overall sales amount of the Group's beverage products increased by approximately 8.7% from approximately RMB32.5 billion in 2016 to approximately RMB35.3 billion in 2018. The expected growth rates of approximately 6% to 12% of the Group's demand in the coming three years is largely comparable to the above historical growth of the Group's noodle and beverage business. On the other hand, the management of the Group informed us that the unit cost of raw materials for flexible plastic packaging materials and plastic products is primarily driven by the price of crude oil, which is expected to remain stable with a slight level of increase in the coming three years. In this respect, we have reviewed a report titled "Commodity Markets Outlook" published by the World Bank Group in October 2019, stating that the annual crude oil price (nominal) is projected to be stable between 2020 and 2022, ranging from approximately US\$58.0 to US\$60.2 per barrel. Based on the above, the expected growth in demand for flexible plastic packaging materials and plastic products is mainly be driven by the Group's products, with unit cost of the flexible plastic packaging materials and plastic products expected to remain stable.

Based on the historical purchases from the Supplier of approximately RMB2.4 billion in 2017, RMB2.2 billion in 2018, and RMB1.8 billion for the nine months ended 30 September 2019, together with the expected growth in purchases of flexible plastic packaging materials and plastic products as described above, the original estimated future purchases from the Supplier would have exceeded the proposed Annual Caps of between RMB2.2 billion and RMB2.4 billion in coming three years. As advised by the management of the Group, it is intended that the Group will limit the future transaction amount of the Tingzheng Products with the Supplier in the coming three years, and to increase its sourcing of flexible plastic packaging materials and plastic products from independent third party suppliers, with a view to increasing the level of diversification of the Group's purchases of flexible plastic packaging materials and plastic products. Based on the foregoing, the Company has determined the Annual Caps at levels which are lower than or close to the historical transaction amounts with the Supplier.

Having considered that (i) the historical transaction amount between the Group and the Supplier, (ii) the Group's revenue from its instant noodle and beverage products in recent years, (iii) the expected growth in demand of the Group's instant noodle and beverage products in the coming three years, and (iv) the intention to diversify the Group's flexible plastic packaging materials and plastic products sourcing channels, in particular from other independent third party suppliers, we concur with the management of the Group's view and consider the Annual Caps to be fair and reasonable.

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## LETTER FROM SOMERLEY

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### 5. Internal control procedures

#### *Internal control and pricing policies*

As set out in the letter from the Board in the Circular, in order for the Group to ensure that the terms of the continuing connected transactions of the Group, including the purchase of flexible plastic packaging materials and plastic products from the Supplier, are fair and reasonable and no less favourable to the Group than those available from independent third parties, the Group has the following internal control and pricing policies in place:

- (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 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, design for flexible plastic packaging materials and plastic products, 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 of the Group 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 Tingzheng Products will be determined based on the pricing terms set out in the section above headed “Principal terms”.

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## LETTER FROM SOMERLEY

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As confirmed by the management of the Group, there is a proper and complete separation of duties within the Group to ensure the relevant internal control procedures and corporate governance measures can be effectively implemented. In addition, there is no common staff, senior management or director of the Group and the Supplier will be involved in the implementation of the relevant internal control procedures and corporate governance measures.

### *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 (details of the requirements are set out in the section below headed “Reporting requirements and conditions of the Continuing Connected Transactions”).

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.

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## LETTER FROM SOMERLEY

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### 6. Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Continuing Connected Transactions every year and confirm in the Company's annual report that the transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
  - (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
  - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
  - (iv) have exceeded the Annual Caps;
- (c) the Company must allow, and ensure that the counterparties of the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b);
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

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## LETTER FROM SOMERLEY

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In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Supply Agreement and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the Continuing Connected Transactions and assist to safeguard the interests of the Independent Shareholders.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Supply Agreement is on normal commercial terms and entered into in the ordinary and usual course of business of the Group. We also consider that the Continuing Connected Transactions and the Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supply Agreement and the Annual Caps.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**John Wong**  
*Director*

*Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley, which is licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long position in Shares

Name	Number of ordinary shares		Percentage of the issued share capital
	Personal interests	Corporate interests	
<i>Directors</i>			
Wei Hong-Ming	5,000,000	—	0.09%
Lin Chin-Tang	674,000	—	0.01%
Wei Hong-Chen	5,000,000	—	0.09%

#### (ii) Long position in the underlying Shares

Name	Nature of interest	Number of share options	Percentage of
			the issued share capital
<i>Directors</i>			
Wei Hong-Ming	Beneficial owner	1,483,000	0.03%
Lin Chin-Tang	Beneficial owner	334,000	0.01%
Wei Hong-Chen	Beneficial owner	1,483,000	0.03%
<i>Chief Executive</i>			
James Chun-Hsien Wei	Beneficial owner	14,863,000	0.26%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive officer of the Company, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company, or were required, pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Directors' service contracts**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

**(c) As at the Latest Practicable Date:**

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

**(d) Directors' interests in competing businesses**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company under section 336 of the SFO, the persons other than a Director or chief executive of the Company who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Capacity	Number of shares held	% of the issued share capital
Ting Hsin (Cayman Islands) Holding Corp.	Beneficial owner	1,882,927,866(L)	33.48
Ho Te Investments Limited	Interest of controlled company	1,882,927,866(L)	33.48
Rich Cheer Holdings Limited	Interest of controlled company	1,882,927,866(L)	33.48
Profit Surplus Holdings Limited	Trustee of a unit trust	1,882,927,866(L)	33.48
Profit Surplus 3 Holdings Limited	Trustee of a unit trust	1,882,927,866(L)	33.48
Tingho Capital Holding Co., Limited	Interest of controlled company	1,882,927,866(L)	33.48
Rich Gold Capital Inc.	Interest of controlled company	1,882,927,866(L)	33.48
Lion Trust (Singapore) Limited	Trustee of discretionary trusts	1,882,927,866(L)	33.48
Sanyo Foods Co., Ltd.	Beneficial owner	1,882,927,866(L)	33.48

*Note: (L) : Long Position*

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save for Mr. Lin Chin-Tang, who is an officer of Ting Hsin (Cayman Islands) Holding Corp., none of the Directors is a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company and any of its subsidiaries.

#### 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited accounts of the Company were made up.

#### 6. EXPERT'S QUALIFICATION AND CONSENT

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Somerley	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

As at the Latest Practicable Date, Somerley did not have any direct or indirect interest in any asset which had been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Somerley was not interested in any Share or share in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

#### 7. MISCELLANEOUS

- (a) The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is at Suite 5607, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong during normal business hours from the date of this circular and up to and including the date of the EGM:

- (a) the letter of recommendation from the Independent Board Committee to the Independent Shareholders as set out in this circular;
- (b) the letter from Somerley, the text of which is set out in this circular;
- (c) the written consent referred to in the paragraph headed "Expert's qualification and consent" in this Appendix;
- (d) the Supply Agreement; and
- (e) this circular.

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NOTICE OF EGM

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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)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Tingyi (Cayman Islands) Holding Corp. (the “Company”) will be held at 9:00 a.m. on 16 January 2020 at the Conference Room, No.1688, Wuzhong Road, Minhang District, Shanghai City, PRC for the purpose of considering and, if thought fit, passing the following resolution of the Company:

### ORDINARY RESOLUTION

“**THAT:**

- (a) the supply agreement dated 21 November 2019 (the “**Supply Agreement**”) entered into between the Company and Tingzheng (Cayman Islands) Holding Corp. (“**Tingzheng**”), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company and its subsidiaries (the “**Group**”) will purchase flexible plastic packaging materials and plastic products from Tingzheng and its subsidiaries (the “**Supplier**”) for a term of three financial years ending 31 December 2022, be and is hereby approved, ratified and confirmed;
- (b) the annual caps in relation to the supply of flexible plastic packaging materials and plastic products under the Supply Agreement for the three financial years ending 31 December 2022 as set out in the circular of the Company dated 23 December 2019, be and are hereby approved; and
- (c) any one director of the Company be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Supply Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**Tingyi (Cayman Islands) Holding Corp.**  
**Ip Pui-Sum**  
*Company Secretary*

Hong Kong, 23 December 2019

\* *For identification purpose only*

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## NOTICE OF EGM

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*Notes:*

- (a) Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
- (c) In order to be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be delivered to the Company's principal place of business in Hong Kong at Suite 5607, 56/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, or the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting thereof (as the case may be).
- (d) Completion and return of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (e) In the case of joint registered holders of any share, if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (f) The register of members of the Company will be closed from Friday, 10 January 2020 to Thursday, 16 January 2020 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to attend and vote at the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 9 January 2020.

*As at the date of this circular, 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.*