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# 康師傅控股

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

康師傅控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 0322)

**CONTINUING CONNECTED TRANSACTIONS - PRODUCTS SUPPLY AGREEMENT  
AND  
SUPPLEMENTAL INFORMATION IN RELATION TO THE REVISION OF THE  
ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED TRANSACTIONS**

**THE PRODUCTS SUPPLY AGREEMENT**

On 14 December 2017, the Company entered into the Products Supply Agreement with Ting Chuan in relation to the supply of products of the Group to Ting Chuan and its subsidiaries, and for Ting Chuan and its subsidiaries to provide sales promotion services to the Group for a period of three financial years ending 31 December 2020.

Ting Chuan operates the “Family Mart” chain of convenient stores in the PRC. Ting Chuan is a wholly owned subsidiary of Ting Hsin, which is a substantial shareholder of the Company holding approximately 33.58% of the issued share capital of the Company as at the date of this announcement. Accordingly, Ting Chuan is a connected person of the Company for the purpose of the Listing Rules, and transactions under the Products Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

**SUPPLEMENTAL INFORMATION IN RELATION TO THE REVISION OF THE  
ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED TRANSACTIONS**

Reference is also made to the announcements of the Company dated 10 November 2017 in relation to the revision of the annual caps for the continuing connected transactions for the purchase of carton boxes and logistics services.

The Company provides supplemental information to such continuing connected transactions in this announcement.

## **THE PRODUCTS SUPPLY AGREEMENT**

Reference is made to the announcement of the Company dated 29 January 2016 in relation to the 2016 Supply Agreement where the Group agreed to supply products of the Group to Ting Chuan and its subsidiaries for a term of two financial years ending 31 December 2017. As the term of the 2016 Supply Agreement will expire at the end of the year, on 14 December 2017, the Company entered into the Products Supply Agreement with Ting Chuan in relation to the supply of the products of the Group to Ting Chuan and its subsidiaries, and for Ting Chuan and its subsidiaries to provide sales promotion services to the Group. The details of the Products Supply Agreement are set out below:

**Date:** 14 December 2017

**Parties:**

(1) the Company; and

(2) Ting Chuan

Ting Chuan is a wholly owned subsidiary of Ting Hsin, which is a substantial shareholder of the Company holding approximately 33.58% of the issued share capital of the Company as at the date of this announcement. Accordingly, Ting Chuan is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

**Subject:**

Pursuant to the terms of the Products Supply Agreement, subsidiaries of the Group will supply the products of the Group to Ting Chuan and its subsidiaries, and Ting Chuan and its subsidiaries will provide sales promotion services to the Group for the promotion of the Group's products.

**Term:**

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

**Pricing terms:**

The prices of the products supplied by the Group to Ting Chuan and its subsidiaries and the services to be provided by Ting Chuan and its subsidiaries to the Group will be determined between the parties based on arm's length negotiations and on normal commercial terms with reference to:

- i. the prevailing market price for the same or substantially similar products supplied by the Group to its independent third party customers, and the prevailing market price for the same or substantially similar services provided by Ting Chuan and its subsidiaries to its independent third party customers;
- ii. if there are insufficient comparable transactions to (i) above, on normal commercial terms comparable to those received from/supplied to independent third parties in respect of the same or substantially similar products/services with comparable quantities; and
- iii. if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously sold by the Group and similar services previously received, 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 and services under the Products Supply Agreement will be on a monthly basis with 45 days' credit terms.

**Cap amounts:**

Pursuant to the Products Supply Agreement, the Company has agreed to supply products to Ting Chuan and its subsidiaries 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>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	170,000	195,000	224,000

The annual caps for the supply of products under the Products Supply Agreement were determined based on the historical transaction amount with Ting Chuan and its subsidiaries with an annual rate of increase of approximately 15%. The rate of increase was based on the expected increase in demand for products of the Group by Ting Chuan and its subsidiaries for their operations.

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

	<b>For the year ended 31 December</b>		<b>For the eleven months ended 30 November</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Annual cap	27,700	28,000	35,000 <i>(Note 1)</i>
Actual purchases by Ting Chuan and its subsidiaries	16,738	16,413	12,747
Actual purchases by Ting Chuan and its subsidiaries translated into RMB <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	105,324	109,264	86,219

*Notes:*

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

Pursuant to the Products Supply Agreement, the Company has agreed to procure sales promotion services from Ting Chuan and its subsidiaries 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>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	59,000	71,000	85,000

The annual caps for the procure of sales promotion services under the Products Supply Agreement were determined based on the historical transaction amount with Ting Chuan and its subsidiaries and the expected increase in demand for such services by the Group.

The historical sales promotion services provided by Ting Chuan and its subsidiaries for the two financial years ended 31 December 2016 and the eleven months ended 30 November 2017 are set out below:

	<b>For the year ended 31 December</b>		<b>For the eleven months ended 30 November</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Sales promotion services provided by Ting Chuan and its subsidiaries	<i>RMB'000</i> 17,906	<i>RMB'000</i> 23,067	<i>RMB'000</i> 30,062

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

- i. the 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 transaction are being conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole;
- ii. the relevant personnel from the accounting department of the Group and the management of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transaction 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;
- iii. 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.

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

### **Reasons for the Products Supply Agreement**

The Group is principally engaged in the production and distribution of instant noodles, beverages and instant food in the PRC. Ting Chuan operates the Family Mart chain of convenient stores in the PRC.

The supply of products to convenient stores is in the Group's ordinary course of business. The 2016 Supply Agreement will expire at the end of 2017. The Products Supply Agreement was entered into to enable the Group to continue to supply products of the Group to Ting Chuan and procure sales promotion services from Ting Chuan in compliance with the Listing Rules. The Products Supply Agreement was entered into after arm's length negotiations and under normal commercial terms, with the terms of supply and the provision of sales promotion services being benchmarked against the terms of supply extended by the Group to its other customers.

The Directors (including the independent non-executive Directors but excluded Mr. Wei Ing-Chou and Mr. Wei Hong-Ming, who have abstained from voting for the resolution to approve the Products Supply Agreement) are of the view that the Products Supply Agreement was entered into under normal commercial terms and in the ordinary and usual course of business of the Group, that the terms and conditions of the Products Supply Agreement, including the annual caps, are fair and reasonable, and that the entering into of the Products Supply Agreement with Ting Chuan is in the interests of the Company and the Shareholders as a whole.

### **Information on Ting Chuan**

Ting Chuan is a limited liability company established in the Cayman Islands. It is an investment holding company and operates the "Family Mart" chain of convenient stores in the PRC.

### **Implications under the Listing Rules**

Ting Chuan is a wholly owned subsidiary of Ting Hsin, which is a substantial shareholder of the Company holding approximately 33.58% of the issued share capital of the Company as at the date of this announcement. Accordingly, Ting Chuan is a connected person of the Company for the purpose of the Listing Rules, and transactions under the Products Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

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

## **SUPPLEMENTAL INFORMATION**

### **1. PURCHASE OF CARTON BOXES**

Reference is made to the announcements of the Company dated 12 May 2017 and 10 November 2017. On 12 May 2017, the Company entered into the Master Supply Agreement with Marine Vision in relation to the Group's purchase of carton boxes from Marine Vision and its subsidiaries for a term of three financial years ending on 31 December 2019. As it is reasonably expected that the annual caps in relation to the transactions under the Master Supply Agreement will be exceeded, the Company and Marine Vision entered into the Supplemental Supply

Agreement on 10 November 2017 to revise the annual caps for the transactions under the Master Supply Agreement for the three financial years of 2017, 2018 and 2019. The details of the Master Supply Agreement and the Supplemental Supply Agreement are set out below:

**Parties:**

(1) the Company; and

(2) Marine Vision

Marine Vision is an investment holding company established in the British Virgin Islands and has 17 wholly-owned subsidiaries engaged in the manufacture and sale of carton boxes in the PRC. Marine Vision was acquired by Great System Holdings Limited, a company beneficially owned by Mr. Wei Ing-Chou and his associates, in May 2017. Mr. Wei Ing-Chou is an executive Director and the Chairman of the Board. Accordingly, Marine Vision became a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

**Subject:**

Under the Master Supply Agreement, the Group will purchase carton boxes from Marine Vision and its subsidiaries.

**Term:**

The Master Supply Agreement has a term of three financial years ending on 31 December 2019.

**Pricing terms:**

The prices of the carton boxes supplied by Marine Vision and its subsidiaries to the Group will be based on the quoted price for the products to be supplied by Marine Vision and its subsidiaries. Such quoted price will be determined based on arm's length negotiations between the parties and on normal commercial terms on a quarterly basis with reference to:

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

Payment for the products under the Master Supply Agreement will be on a monthly basis with 60 days' credit terms.

### Revised cap amounts:

Pursuant to the Supplemental Supply Agreement, the annual caps for the purchase of carton boxes under the Master Supply Agreement have been revised as follows:

	<b>2017</b>	<b>2018</b>	<b>Annual Cap</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2019</b>
			<i>RMB'000</i>
Original	1,800,000	1,900,000	2,000,000
Revised	2,203,000	2,485,000	2,680,000

The revised annual caps were determined after arm's length negotiations between the Company and Marine Vision based on the transaction amount for the nine months ended 30 September 2017, the expected demand for carton boxes by the Group and the expected increases in the price of carton paper during the term of the Master Supply Agreement.

The historical transaction amount for the purchases of carton boxes for the ten months ended 31 October 2017 was as follows:

	<b>For the ten months</b>
	<b>ended 31 October 2017</b>
	<i>RMB'000</i>
Original annual cap	1,800,000
Actual transaction amount	1,610,866

*Note: The annual cap for 2017 is for the entire financial year.*

The Company confirms that the original annual cap under the Master Supply Agreement has not been exceeded when the Supplemental Supply Agreement was entered into.

### Reasons for the revision to the annual caps under the Supplemental Supply Agreement

The Group purchases carton boxes as packaging for the Group's products. As the prices of carton boxes have increased significantly in the PRC, the Company expects that the original annual caps under the Master Supply Agreement would be exceeded for each of the three years ending 31 December 2017, 2018 and 2019. Accordingly, the Supplemental Supply Agreement was entered into to enable the Group to continue to purchase carton boxes from Marine Vision and its subsidiaries in compliance with the requirements of the Listing Rules.



Given that the Supplemental Supply Agreement have been entered into after arm's length negotiations and under normal commercial terms, the Board (including the independent non-executive Directors but excluded Mr. Wei Ing-Chou and Mr. Wei Hong-Ming, who are interested in the transactions contemplated under the Supplemental Supply Agreement and have abstained from voting from the Board resolution for the approval of the Supplemental Supply Agreement) considers that (i) the transactions contemplated under the Supplemental Supply Agreement are being provided on normal commercial terms and in the ordinary course of business of the Group; (ii) the terms of the Supplemental Supply Agreement and the proposed revised annual caps thereunder are fair and reasonable; and (iii) the Supplemental Supply Agreement is in the interest of the Company and its Shareholders as a whole.

### **Listing Rules Implications**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the revised annual caps under the Supplemental Supply Agreement on an annual basis are more than 0.1% but less than 5%, the revision to the annual caps is subject to the reporting and announcement requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **2. LOGISTICS SERVICES**

Reference is made to the announcements of the Company dated 5 May 2016 and 10 November 2017 in relation to the Logistics Agreement. On 4 May 2016, TAB entered into the Logistics Agreement with Tingtong in relation to the provision of logistics services by Tingtong and its subsidiaries to TAB and its subsidiaries for a term of three financial years ending on 31 December 2018. As it is reasonably expected that the annual caps in relation to the transactions under the Logistics Agreement will be exceeded for 2017 and 2018, TAB and Tingtong entered into the Supplemental Logistics Agreement on 10 November 2017 to revise the annual caps for the transactions under the Logistics Agreement for the two financial years of 2017 and 2018. The details of the Logistics Agreement and the Supplemental Logistics Agreement are set out below:

### **Parties:**

- (1) TAB. TAB is a company established in the Cayman Islands which is principally engaged in producing, marketing, distributing and selling of beverage products in the PRC. TAB is indirectly held approximately as to 52.5% by the Company, as to 20.4% by AIB and as to 22.1% by Ting Hsin. Ting Hsin is a substantial shareholder of the Company holding approximately 33.58% of the issued share capital of the Company as at the date of this announcement. Accordingly, TAB is a connected subsidiary of the Company for the purpose of the Listing Rules; and
- (2) Tingtong. Tingtong is a company established in the Cayman Islands and is principally engaged in the business of provision of logistics services. Tingtong is held as to 50.01% by the Company and as to 49.99% by Itochu Corporation, a Japanese conglomerate which, because of its interest in Tingtong, is a subsidiary level connected person of the Company.

**Subject:**

Under the Logistics Agreement, Tingtong and its subsidiaries will provide transportation, warehousing and loading and unloading services to TAB and its subsidiaries.

**Term:**

The Logistics Agreement has a term of three financial years ending on 31 December 2018.

**Pricing terms:**

The service fees for the provision of the logistics services under the Logistics Agreement will be based on the prevailing market prices of the services provided by Tingtong to its other customers.

Payment for the service fees under the Logistics Agreement will be on 30 days' credit term in line with the credit policy of Tingtong extended to its other customers.

**Revised cap amounts:**

Pursuant to the Supplemental Logistics Agreement, the annual caps for the provision of logistics services under the Logistics Agreement have been revised as follows:

	<b>2017</b> <i>RMB'000</i>	<b>Annual Cap</b> <b>2018</b> <i>RMB'000</i>
Original	217,455	224,400
Revised	230,000	542,000

The revised annual caps were determined after arm's length negotiations between Tingtong and TAB based on the historical transaction amount and the expected trading volume of TAB and its demand for logistics services for 2017 and 2018.

The historical transaction amounts for the logistics services were as follows:

	<b>For the year ended</b> <b>31 December 2016</b> <i>US\$'000</i>	<b>For the ten months</b> <b>ended 31 October 2017</b> <i>US\$'000</i>
Original annual cap	31,000	32,000 <small>(Note)</small>
Actual transaction amount	27,261	30,830
	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amount translated into RMB	181,483	209,010

*Note: The annual cap for 2017 is for the entire financial year. The original annual caps under the Logistics Agreement were denominated in US dollars. The Company changed its reporting currency to RMB in 2017, the cap amounts above have been translated into RMB and the revised annual caps are therefore denominated in RMB.*

The Company confirms that the original annual cap under the Logistics Agreement has not been exceeded when the Supplemental Supply Agreement was entered into.

### **Reasons for the revision to the annual caps under the Supplemental Logistics Agreement**

Tingtong is primarily engaged in the provision of logistics services and TAB is responsible for the production, marketing, distribution and selling of the Group's beverage products. Owing to the integration of the Group's logistics system, TAB requires more logistics services from Tingtong. The entering into of the Supplemental Logistics Agreement will enable Tingtong to continue to provide captive logistics services to TAB and deliver the Group's beverage products to the market.

Given that the Supplemental Logistics Agreement have been entered into after arm's length negotiations and under normal commercial terms, the Board (including the independent non-executive Directors but excluded Mr. Wei Ing-Chou and Mr. Wei Hong-Ming, who are interested in the transactions contemplated under the Supplemental Logistics Agreement and have abstained from voting from the Board resolution for the approval of the Supplemental Logistics Agreement) considers that (i) the transactions contemplated under the Supplemental Logistics Agreement are being provided on normal commercial terms and in the ordinary course of business of Tingtong which are not more favorable than those available to the Independent Third Parties; (ii) the terms of the Supplemental Logistics Agreement and the proposed revised annual caps thereunder are fair and reasonable; and (iii) the Supplemental Logistics Agreement is in the interest of the Company and its Shareholders as a whole.

### **Listing Rules Implications**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the revised annual caps under the Supplemental Logistics Agreement on an annual basis are more than 0.1% but less than 5%, the revision to the annual caps is subject to the reporting and announcement requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **DEFINITIONS**

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

“2016 Supply Agreement”	the agreement dated 29 January 2016 between the Company and Ting Chuan;
“AIB”	AI Beverage Holding Co., Ltd., a company incorporated in Japan with limited liability and is held as to 100% by Asahi Group Holdings, Ltd.;
“associate”	has the meaning ascribed to it under the Listing Rules;

“Board”	the board of Directors;
“Company”	Tingyi (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Family Mart”	the chain of convenient stores in the PRC operated by Ting Chuan and its subsidiaries under the brand of “Family Mart”;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Logistics Agreement”	the agreement dated 4 May 2016 between Tingtong and TAB;
“Marine Vision”	Marine Vision Investment Inc.,
“Master Supply Agreement”	the agreement entered into between the Company and Marine Vision dated 12 May 2017;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement;
“Products Supply Agreement”	the agreement entered into between the Company and Ting Chuan dated 14 December 2017 in relation to the supply of the products of the Group to Ting Chuan and its subsidiaries, and for Ting Chuan and its subsidiaries providing sales promotion services to the Group;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary shares of US\$0.005 each in the capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
Supplemental Logistics	the supplemental agreement to the Logistics Agreement dated

Agreement”	10 November 2017 between Tingtong and TAB;
“Supplemental Supply Agreement”	the supplemental agreement to the Master Supply Agreement dated 10 November 2017 between the Company and Marine Vision;
“TAB”	Tingyi-Asahi Beverages Holding Co.,Ltd., a company incorporated in the Cayman Islands, and is a non-wholly owned subsidiary of the Company;
“Ting Chuan”	Ting Chuan (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands;
“Ting Hsin”	Ting Hsin (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands, a substantial shareholder of the Company;
“Tingtong”	Tingtong (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands, and is non-wholly owned subsidiary of the Company;
“US\$”	United States dollar, the lawful currency of United States of America;
“%”	per cent.

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

Shanghai, PRC, 14 December 2017

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

*\* For identification purposes only*

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