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# 康師傅控股

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

康師傅控股有限公司\*

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

**(Stock Code: 0322)**

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOOD PRODUCTS PURCHASE AGREEMENT**

On 27 November 2020, the Company and Weizhen Investment entered into the Purchase Agreement for the Group to continue to purchase frozen and dried food materials, dried meat floss and other meat products from Weizhen Investment and its subsidiaries (together, the “Supplier”) for a term of three financial years ending 31 December 2023.

Weizhen Investment is a company beneficially owned as to 75% 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, and as to 25% by Sanyo Foods, a substantial shareholder of the Company. Accordingly, Weizhen Investment is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules and the purchase of products by the Group from the Supplier constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

### **BACKGROUND**

Reference is made to the announcement of the Company dated 14 December 2017 in relation to the 2017 Agreement.

As the term of the 2017 Agreement is due to expire on 31 December 2020, the Purchase Agreement is being entered into to enable the Group to continue to purchase products from the Supplier.

**THE PURCHASE AGREEMENT**

The principal terms of the Purchase Agreement are set out below.

- Date : 27 November 2020
- Parties : (1) the Company; and  
(2) Weizhen Investment
- Subject : The Group will purchase frozen and dried food materials, dried meat floss and other meat products from the Supplier.
- Term : Three financial years commencing from 1 January 2021 and ending on 31 December 2023.
- Pricing : The price of the 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 on a quarterly basis based on arm’s length negotiations between the parties and on normal commercial terms with reference to:
  - (i) 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;
  - (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 quality; 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 Purchase Agreement will be calculated on a monthly basis upon delivery of the products, 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 that have been implemented under the 2017 Agreement will continue to be applicable under the Purchase Agreement.

Cap amount : Pursuant to the Purchase Agreement, the Group has agreed to purchase products from the Supplier based on the pricing policy stated above during the term of the Purchase Agreement subject to the following annual caps:

	<b>Financial year ending</b>		
	<b>31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	500,000	550,000	600,000

The annual caps for the Purchase Agreement were determined based on the historical transaction amount with the Supplier and the Group's expected demand for the products supplied by the Supplier.

The historical purchases from the Supplier for the two financial years ended 31 December 2019 and the nine months ended 30 September 2020 are set out below:

	<b>For the year ended</b>		<b>For</b>
	<b>31 December</b>		<b>the nine</b>
	<b>2018</b>	<b>2019</b>	<b>months</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>ended 30</b>
			<b>September</b>
			<b>2020</b>
			<i>RMB'000</i>
Annual cap	680,000	803,000	947,000
			<i>(Note 1)</i>
Purchases from the Supplier	436,388	415,217	321,067

*Note:*

1. For the entire year of 2020.

## **Condition**

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

## **Reasons for the Purchase Agreement**

The Supplier has been supplying products to the Group for more than ten years. Such products are being used for the manufacture of the Group's products in the ordinary course of business of the Group. The Group has always been committed to food safety and quality guarantee, and therefore has high requirements for its suppliers such as the ability to provide stable and sufficient quantities of high quality products in a timely manner. The Group has not encountered any issue in relation to the quality of the products supplied by the Supplier in the past. As the term of the 2017 Agreement is due to expire on 31 December 2020, the Purchase Agreement is being entered into to enable the Group to continue to purchase products from the Supplier.

As the Purchase 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, Mr. Junichiro Ida, Mr. Wei Hong-Chen, Mr. Koji Shinohara and Mr. Yuko Takahashi, who are considered to be interested in the transactions contemplated under the Purchase Agreement and have avoided discussion and abstained from voting for the resolution proposed to approve the Purchase Agreement) consider that the transactions under the Purchase Agreement and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL PROCEDURES**

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

### *Internal control and pricing policies*

- (i) the Group maintains a list of carefully selected suppliers. The list is regularly reviewed and updated. For a supplier to become listed, the Group will initially conduct and must be satisfied with the factory visits to the supplier. The supplier must also have a good track record with the Group in terms of the quality of the products supplied, 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 products to the Group for more than a year, the supplier will be delisted from the Group’s supplier list and the Group will initiate the full selection procedure (including factory visits and quality checks) for the supplier to be relisted onto the suppliers list;

- (ii) with respect to any potential orders, the research and development department of the Group (the “R&D Department”) will first discuss and formulate the details of the specifications of the order (including materials, safety, functions and the specification for the relevant products);
- (iii) after such formulation by the R&D Department, based on their experience and taking into account similar purchases made by the Group, the Purchasing Department will obtain quotations from the Supplier on a quarterly basis and also select not less than two and on average about three suppliers from the Group’s suppliers list which are independent third parties for quotations in order to ascertain the prevailing market price in accordance with the pricing policies as set out under the Purchase Agreement;
- (iv) the selection criteria of the suppliers will be based on their quotation, deliver 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 agreement; and
- (vi) the price of the products supplied by the Supplier will be determined based on the pricing policies set out in the section headed “THE PURCHASE 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 Purchase Agreement;
- (iii) the relevant personnel from the accounting department and the management of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy; and
- (iv) the independent non-executive Directors will review the transactions under the relevant continuing connected transaction and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof.

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

## **INFORMATION ON WEIZHEN INVESTMENT**

Weizhen Investment is a limited liability company incorporated in the British Virgin Islands. It is an investment holding company having subsidiaries principally engaged in the manufacture and sale of frozen and dried food materials, dried meat floss and other meat products in the PRC.

## **IMPLICATION UNDER THE LISTING RULES**

Weizhen Investment is a company beneficially owned as to 75% 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, and as to 25% by Sanyo Foods, a substantial shareholder of the Company, Weizhen Investment is hence a connected person of the Company for the purpose of Chapter 14A of the Listing Rules and the transactions contemplated under the Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

## **GENERAL**

The Group is principally engaged in the production and distribution of instant noodle and beverage products in the PRC.

Weizhen Investment is beneficially owned as to 75% by Mr. Wei Ing-Chou and his brothers Mr. Wei Ying-Chiao, Mr. Wei Yin-Chun and Mr. Wei Yin-Heng, and their respective spouses Ms. Wei Chang Lu-Yun, Ms. Lin Li-Mien, Ms. Wei Hsu Hsu-Mien and Ms. Wei Tu Miao in equal proportions, and as to 25% by Sanyo Foods. Mr. Wei Ing-Chou is the father 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.

Sanyo Foods is a company incorporated in Japan and is a substantial shareholder of the Company. Sanyo Foods is principally engaged in the manufacture and sale of food products. Regarding Sanyo Foods, which has 25% stake in Weizhen Investment, no individual owns more than 10% stake in Sanyo Foods, thus the ultimate beneficiary owner is Mr. Junichiro Ida, Representative Director and President of Sanyo Foods, and the Vice-Chairman of the Board and an executive Director of the Company.

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

## **DEFINITIONS**

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

“2017 Agreement”	the agreement dated 14 December 2017 entered into between the Company and Weizhen Investment in relation to the purchase of frozen and dried food materials, dried meat floss and other meat products by the Group from the Supplier
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“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchase Agreement”	the agreement dated 27 November 2020 entered into between the Company and Weizhen Investment in relation to the purchase of frozen and dried food materials, dried meat floss and other meat products by the Group from the Supplier
“RMB”	Renminbi, the lawful currency of the PRC
“Sanyo Foods”	Sanyo Foods Co., Ltd., a company incorporated in Japan and a substantial shareholder holding approximately 33.48% of the issued share capital of the Company as at the date of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	Weizhen Investment and its subsidiaries
“Weizhen Investment”	Weizhen Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

By order of the Board of  
**Tingyi (Cayman Islands) Holding Corp.**  
**Mr. Ip Pui-Sum**  
*Company secretary*

Hong Kong, 27 November 2020



*As at the date of this announcement, Mr. Wei Hong-Ming, Mr. Junichiro Ida, Mr. Wei Hong-Chen, Mr. Koji Shinohara, Mr. Yuko Takahashi and Ms. Tseng Chien 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.*

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

\* *For identification purposes only*