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康師傅控股有限公司

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

Connected Transaction

In accordance with the agreement entered into between Hangzhou Tingjin, a wholly owned subsidiary of the Company, and Comely on 1st March, 2001, Hangzhou Tingjin will continue to pay sub-contracting fees to Comely during the period from 1st January 2003 to 31st December 2003 for the manufacture of non-carbonated beverages by Comely for Hangzhou Tingjin.

Mr Wei Yin-Heng, being 100 per cent. ultimate shareholder of Comely, is a brother of Messrs Wei Ing-Chou and Wei Ying-Chiao, the two executive directors of the Company. In addition, Messrs Wei Ing-Chou, Wei Ying-Chiao and Wei Yin-Heng are the controlling shareholders of Ho Te Investments Limited which is indirectly holding approximately 33.1889% interest in the Company. Therefore, Comely is a connected party of the Company as defined under the Listing Rules.

Pursuant to Chapter 14 of the Listing Rules, the transaction under the above agreement constitute connected transaction of the Company. The total considerations paid for the above transaction during the period from 1st January 2003 to 30th June 2003 amounted to Rmb2,239,491 (approximately HK\$2,112,727 at the exchange rate of HK\$1:Rmb1.06). The total maximum considerations for the above transaction during the period from 1st January 2003 to 31st December 2003 will amount to Rmb80,000,000 (approximately HK\$75,471,698 of the exchange rate of HK\$1:Rmb1.06) and will be larger than 0.03% but less than 3% of the Group's audited net tangible assets as at 31st December 2002. Accordingly, the Company is required to make further press announcement in accordance with Rule 14.25(1) of the Listing Rules and the transaction does not require independent shareholders' approval. The Company will include details of the transaction in the next published annual reports and accounts of the Company in accordance with Rule 14.25(1) of the Listing Rules.

Reference is made to the announcements dated 14th March 2001 and 11th April 2002 of Tingyi (Cayman Islands) Holding Corp. (the "Company").

I. Manufacture of non-carbonated beverages

Sub-contracting agreement (the "Agreement") made on 1st March 2001:

Parties:

Hangzhou Tingjin Food Co., Ltd. ("Hangzhou Tingjin") is a wholly owned subsidiary of Tingyi (Cayman Islands) Holding Corp. (the "Company").

Comely International Food (Hangzhou) Co., Ltd. ("Comely") is a limited company incorporated in the People's Republic of China ("PRC") in 1994 which solely engages in the manufacture and sales of beverages in the PRC on behalf of the Company and its subsidiaries (the "Group").

Terms:

1. Comely will manufacture non-carbonated beverages for Hangzhou Tingjin on an original equipment manufacturing basis ("OEM basis") for the period from 16th March 2001 to 31st December 2003.
2. The renewal of the Agreement upon expiring on 31st December 2003 is at the Company's option. The Company will consider the renewal if the seasonal market demand of the beverages cannot be satisfied by the available production capacity of the Group.
3. The beverages will be for PRC domestic consumption only.
4. Comely will charge Hangzhou Tingjin sub-contracting fees at a pre-determined fee per case of beverage based on the actual production volume under the terms of the Agreement and the sub-contracting fees will be settled monthly in cash based on actual quantity of beverages produced.
5. The yearly maximum amount of the sub-contracting fees will be Rmb80,000,000 (approximately HK\$75,471,698 at the exchange rate of HK\$1:Rmb1.06) during the period from 16th March 2001 to 31st December 2003 based on the maximum production capacity of Comely's equipment.
6. Raw materials and formulae for the manufacturing of the beverages will be wholly supplied by the Group.

The sub-contracting fee was negotiated on an arm's length basis and on normal commercial terms after considering quotations of other similar sub-contractors. The sub-contracting fee per case of beverage is lower than those offered by other similar sub-contractors. In addition, Hangzhou Tingjin will not be required to pay warehouse rental fee to Comely for the period in view of good relationship and no sub-contractors located in Hangzhou have similar production facilities. Accordingly, the Group decided to continue to engage Comely for the sub-contracting work.

Rationale for the transactions:

The Group is principally engaged in the manufacture, distribution and sales of instant noodles, bakery and beverages in the PRC.

The terms of the Agreement between Hangzhou Tingjin and Comely are the same as the former agreement in all aspects entered into on 14th April 1999 between Hangzhou Tingjin and Comely announced on 22nd April 1999. The former agreement expired on 31st December 2000. The Group has decided to continue to engage Comely for the sub-contracting work mainly because:

- a. The Group's existing production capacity including the manufacture of drinks will not be able to meet all of the demand for the Group's beverage products.
- b. The Group can accelerate the process to further increase the Group's share in the PRC beverage market and to ensure that the Group's beverage products can adequately satisfy the upcoming high season for beverage consumption, which is the summer period.
- c. The Directors of the Company believe that no other sub-contracting factories in Hangzhou, the PRC with similar production capacity and experience are more qualified than Comely to provide similar sub-contracting services and production facilities.
- d. The Group is the sole customer of Comely which has agreed not to produce products similar to those produced by the Group for competitors of the Group. In addition, Comely does not have any other businesses besides the sub-contracting work services it provides to the Group.

II. General

The terms and details of the above agreement under the above transaction have not been changed since their announcement dates as to date. The total considerations paid for the above transaction during the period from 1st January 2003 to 30th June 2003 amounted to Rmb2,239,491 (approximately HK\$2,112,727 at the exchange rate of HK\$1:Rmb1.06).

Pursuant to Chapter 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"), the transaction under the above agreement constitute connected transaction of the Company. The total maximum considerations for the above transaction during the period from 1st January 2003 to 31st December 2003 will amount to Rmb80,000,000 (approximately HK\$75,471,698 at the exchange rate of HK\$1:Rmb1.06) and will be larger than 0.03% but less than 3% of the Group's audited net tangible assets as at 31st December 2002. Accordingly, the Company is required to make further press announcement in accordance with Rule 14.25(1) of the Listing Rules and the transaction does not require independent shareholders' approval. The Company will include details of the transaction in the next published annual reports and accounts of the Company in accordance with Rule 14.25(1) of the Listing Rules.

By Order of the Board
Ip Pui-Sum
Company Secretary

Tianjin, the PRC, 31st July 2003