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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)*

**Stock Code: 322**

### **Connected Transactions**

In accordance with a service agreement entered into between Tianjin Tingyu Consulting, a wholly owned subsidiary of the Company, and Sanyo on 31st December 2003, Tianjin Tingyu Consulting will pay consultancy fees to Sanyo during the period from 1st January 2004 to 31st December 2004 for consultancy services provided by Sanyo on business management and financial management of the Group.

In accordance with the service agreements dated 15th February 2001 entered into between Sanyo and each of the five wholly owned subsidiaries of the Company, that is, Tianjin Tingyi, Guangzhou Tingyi, Hangzhou Tingyi, Chongqing Tingyi and Shenyang Tingyi, the Group will continue to pay training fees to Sanyo during the period from 1st January 2004 to 31st December 2004 for the training provided by Sanyo to the above subsidiaries on the instant noodle production skills, techniques and quality management.

Sanyo is one of the substantial shareholders of the Company and currently holds about 33.1889% interest in the Company. Therefore, Sanyo is a connected party of the Company as defined under the Listing Rules.

Pursuant to Chapter 14 of the Listing Rules, the transactions under the above consultancy and training agreements constitute connected transactions of the Company and will be aggregated and be treated as one transaction of similar nature for the purpose of determining the classification of transactions. The total maximum considerations for the above consultancy and training transactions during the period from 1st January 2004 to 31st December 2004 will amount to ¥51,000,000 (approximately HK\$3,642,857 of the exchange rate of HK\$1:¥14) and will be larger than 0.03% but less than 3% of the Group's unaudited net tangible assets as at 30th September 2003. Accordingly, the Company is required to make further press announcement in accordance with Rule 14.25(1) of the Listing Rules and the transactions do not require independent shareholders' approval. The Company will include details of the transactions 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 19th February 2001, 11th April 2002 and 19th December 2002, 24th April 2003 and 5th January 2004 of Tingyi (Cayman Islands) Holding Corp. (the “Company”).

## I. Consultancy services

### **Service agreement (the “Consultancy Agreement”) made on 31st December 2003:**

#### **Parties:**

Tianjin Tingyu Consulting Co., Ltd. (“Tianjin Tingyu”) is a wholly owned subsidiary of Tingyi (Cayman Islands) Holding Corp. (the “Company”).

Sanyo Foods Co., Ltd. (“Sanyo”) is a limited company incorporated in Japan which became one of the substantial shareholders of the Company on 7th July 1999 and currently holding 33.1889% of Company’s shares.

#### **Terms:**

1. Sanyo will send 2 to 5 consultants to Tianjin Tingyu from headquarters in Japan and provide consulting services on business management and financial management of the Company and its subsidiaries (the “Group”) for the period from 1st January 2004 to 31st December 2004. The actual number of consultants seconded to Tianjin in the PRC will be determined according to actual work requirement.
2. The maximum amount of consultancy fees payable, including salaries of the consultants, will be ¥36,000,000 for the period from 1st January 2004 to 31st December 2004 on the basis of 5 secondees (approximately HK\$2,571,429 at the exchange rates of HK\$1:¥14 respectively). In addition to the salaries of the consultants, the accommodation and other related expenses with total maximum amount of US\$50,000 (approximately HK\$386,399 at the exchange rates of HK\$1:US\$0.1294) incurred for those consultants seconded from Sanyo will be reimbursed by Tianjin Tingyu.
3. The consultants of Sanyo under the Consultancy Agreement have an obligation to maintain the commercial information of the Group in confidential for one year from the expiry of the Consultancy Agreement.
4. The consultants of Sanyo under the Consultancy Agreement cannot be involved directly or indirectly in any businesses which are competing or are likely to be competitive with those of the Group during the period from 1st January 2004 to 31st December 2004.

The consultancy fees were negotiated on an arm’s length basis and on normal commercial terms after considering quotations of other similar consultancy firms. The fees will be paid in cash in every two months from 1st January 2004.

## **Rationale for the transaction:**

The Group is principally engaged in the manufacturing, distribution and sales of instant noodles in the People's Republic of China (the "PRC").

As Sanyo has participated in the management of the Company, the holding company of Tianjin Tingyu, since 7th July 1999, Sanyo is familiar with the business operations of the Group. The Consultancy Agreement will therefore enable Tianjin Tingyu to obtain better professional advices and supervision to improve business management and financial management of the Group. The terms of the Consultancy Agreement between Tianjin Tingyu and Sanyo are the same as the former Consultancy Agreement entered into on 10th August 2000, 30th October 2001 and 19th December 2002 between Tianjin Tingyu and Sanyo announced on 11th August 2000, 31st October 2001 and 20th December 2002 respectively. The former agreement expired on 31st December 2003. The Group has decided to second Sanyo's consultants to Tianjin Tingyu because the Group believes that no other companies in the PRC with similar production and experience are more qualified than Sanyo to provide consulting services on business management and financial management of the Group.

The directors of the Company (including the independent non-executive directors) consider that the terms of the Consultancy Agreement are fair, reasonable and based on normal commercial terms so far as the Company's independent shareholders as a whole are concerned. In view of the current operations of the Group, the directors of Tianjin Tingyu will renew the Consultancy Agreement when it expires on 31st December 2004. Further announcement will be made if the Consultancy Agreement is to be renewed.

The fees will be paid in cash in every two months from 1st January 2004. Tianjin Tingyu Consulting paid consultancy fees of ¥4,788,000 (approximately HK\$342,000 at the exchange rate of HK\$1: ¥14) to Sanyo during 3 months from 1st January 2004 to 31st March 2004, representing 0.01% of the Group's unaudited net tangible assets as at 30th September 2003.

## **II. Training**

### **Five service agreements (the "Training Agreements") made on 15th February 2001:**

#### **Parties:**

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

Guangzhou Tingyi International Food Co., Ltd. ("Guangzhou Tingyi") is a wholly owned subsidiary of the Company.

Hangzhou Tingyi International Food Co., Ltd. ("Hangzhou Tingyi") is a wholly owned subsidiary of the Company.

Chongqing Tingyi International Food Co., Ltd. (“Chongqing Tingyi”) is a wholly owned subsidiary of the Company.

Shenyang Tingyi International Food Co., Ltd. (“Shenyang Tingyi”) is a wholly owned subsidiary of the Company.

Sanyo Foods Co., Ltd. (“Sanyo”) is a limited company incorporated in Japan which became one of the substantial shareholders of the Company on 7th July 1999 and currently holds about 33.1889% of the Company’s shares.

**Terms:**

1. Tianjin Tingyi, Guangzhou Tingyi, Hangzhou Tingyi, Chongqing Tingyi and Shenyang Tingyi will second 10 trainees in total to Sanyo two times per calendar year for about 2 weeks each time and Sanyo will second 2 trainers to each of the above subsidiaries two times per calendar year for about 2 weeks each time to provide training on the instant noodle production skills, techniques and quality management to each of the above subsidiaries during the period from 16th February 2001 to 31st December 2005.
2. The total amount of training fees payable by the Company and its subsidiaries (the “Group”) to Sanyo during the period from 16th February 2001 to 31st December 2005 will be ¥160,000,000 (approximately HK\$11,429,000 at the exchange rate of HK\$1:¥14). The actual charge of training fees are based on estimated cost for salaries of the trainers and the compensation for the interruption of Sanyo’s production during training.

The training fees will be settled by 5 instalments in the first quarter of each calendar year. In the first year, the interruption of Sanyo’s production during training will be larger than in the second to fifth years. Accordingly, the training fees payable in cash in 2001 will be ¥100,000,000 (approximately HK\$7,143,000 as the exchange rate of HK\$1 : ¥14). During the period from 2002 to 2005, the training fee payable in cash will be ¥15,000,000 each calendar year (approximately HK\$1,071,000 at the exchange rate of HK\$1 : ¥14).

In addition, the accommodation and other related expenses incurred by the trainees seconded to Sanyo will be paid by the respective subsidiaries. Except for salaries of the trainers, the accommodation and other related expenses incurred by the trainers seconded to the above subsidiaries will be paid by the respective subsidiaries.

3. The Company has an obligation to maintain the training information in secret and must not disclose the information to other party without any consent by Sanyo.

The training fees were negotiated on an arm’s length basis and on normal commercial terms after considering the estimated cost of the trainers and loss arising from the interruption of Sanyo’s production during training. No quotations have been obtained from other independent training firms as most of these training firms do not possess such specialized expertise and some of them are competitors of the Company.

### **Rationale for the transactions:**

The Group is principally engaged in the manufacturing, distribution and sales of instant noodles in the People's Republic of China.

As Sanyo has participated in the management of the Company since 7th July 1999, Sanyo is familiar with the business operations of the Group. The Training Agreements will therefore enable the above subsidiaries to obtain better training for improving the instant noodle production skill, techniques and quality management of the Group.

The directors of the Company (including the independent non-executive directors) consider that the terms of the Training Agreements are fair, reasonable and based on normal commercial terms so far as the Company's independent shareholders as a whole are concerned. Further announcement will be made if the Training Agreements are renewed.

The training fees totalling ¥160,000,000 will be settled by 5 instalments in the first quarter of each calendar year. The Group paid training fees of ¥15,000,000 (approximately HK\$875,953 at the exchange rate of HK\$1:¥17.1242), ¥15,000,000 (approximately HK\$991,120 at the exchange rate of HK\$1:¥15.1344) and ¥15,000,000 (approximately HK\$1,071,429 at the exchange rate of HK\$1:¥14) to Sanyo for the year ended 31st December 2002, 31st December 2003 and 31st December 2004 respectively, the above three payments representing 0.02% of the Group's audited net tangible assets as at 31st December 2001 and 2002 and Group's unaudited net tangible assets as at 30th September 2003, respectively. During the period 2005, the training fees payable in cash will be ¥15,000,000 (approximately HK\$1,071,429 at the exchange rate of HK\$1: ¥14).

### **III. General**

The terms and details of the above agreements under the above consultancy and training transactions have not been changed since their announcement dates as to date. The total considerations paid for the above consultancy and training transactions during the period from 1st January 2004 to 31st March 2004 amounted to ¥19,788,000 (approximately HK\$1,413,429 at the exchange rate of HK\$1:¥14).

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 transactions under the above consultancy and training agreements constitute connected transactions of the Company and will be aggregated and be treated as one transaction of similar nature for the purpose of determining the classification of transactions. The total maximum considerations for the above consultancy and training transactions during the period from 1st January 2004 to 31st December 2004 will amount to ¥51,000,000 (approximately HK\$3,642,859 at the exchange rate of HK\$1:¥14) and will be larger than 0.03% but less than 3% of the Group's unaudited net tangible assets as at 30th September 2003. Accordingly, the Company is required to make further press announcement in

accordance with Rule 14.25(1) of the Listing Rules and the transactions do not require independent shareholders' approval. The Company will include details of the transactions in the next published annual reports and accounts of the Company in accordance with Rule 14.25(1) of the Listing Rules.

As at the date of this announcement, Messer Wei Ing-Chou, Takeshi Ida, Wu Chung-Yi, Wei Ying-Chiao, Junichiro Ida, Ryo Yoshizawa, Katsuo Ko and Hsu, Shin-Chun are the directors of the Company.

By Order of the Board  
**Ip Pui-Sum**  
*Company Secretary*

Hong Kong, 1st April 2004

\* *For identification purposes only*