康師傅控股有限公司

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

Exceptional price and turnover movement and Connected Transactions

I. This statement is made at the request by The Stock Exchange of Hong Kong Limited.

II. The Company has noted the recent increase in the price and trading volume of shares of the Company and wish to state that save as the major transactions which was announced in the Company's announcement dated 2nd January, 2004 and the following connected transactions, it is not aware of any reason for such increase.

III. **NEW ONGOING CONNECTED TRANSACTION**

In accordance with the Purchasing Agreement entered into between Master Kong (Taiwan), a wholly owned subsidiary of the Company, and Ting Hsin Oil on 31st December 2003, Master Kong (Taiwan) will purchase processed oil from Ting Hsin Oil for the manufacturing of instant noodles in Taiwan during the period from 1st January 2004 to 31st December 2004.

IV. **RENEWAL OF ONGOING CONNECTED TRANSACTIONS**

(1) In accordance with the Sub-contracting Agreement entered into between Hangzhou Tingjin, a wholly owned subsidiary of the Company, and Comely on 31st December 2003 to replace the former sub-contracting agreement which expired on 31st December 2003 (details of which was announced by the Company on 20th December 2002), Hangzhou Tingjin will continue to pay sub-contracting fees to Comely during the period from 1st January 2004 to 31st December 2004 for the manufacture of non-carbonated beverages by Comely for Hangzhou Tingjin.

(2) In accordance with a service agreement entered into between Tianjin Tingyu, a wholly owned subsidiary of the Company, and Sanyo on 31st December 2003 to replace the former consultancy agreement which expired on 31st December 2003 (details of which was announced by the Company on 20th December 2002), Tianjin Tingyu will continue to 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.

Ting Hsin Oil is a company incorporated in Taiwan. 60.4 per cent. interest of the company is owned by Messrs Wei Ing-Chou, Mr Wei Ying-Chiao, the two executive directors of the Company, and their two brothers, Messrs Wei Yin-Chun and Wei Yin-Heng; and the remaining 39.6 per cent. interest is owned by other relatives of Mr Wei. Accordingly, Ting Hsin Oil is deemed to be a connected party of the Company under the Listing Rules.

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. Accordingly, Comely is a connected party of the Company as defined under the Listing Rules.

Sanyo is one of the substantial shareholders of the Company and currently holds about 33.1889% interest in the Company. Accordingly, 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 three agreements constitute connected transactions of the Company. The total maximum considerations for each transaction during the period from 1st January 2004 to 31st December 2004 amounted to NTD180,000,000 (approximately HK$41,189,931 at the exchange rate of HK$1:NTD4.37), Rmb80,000,000 (approximately HK$75,471,698 at the exchange rate of HK$1:Rmb1.06) and ¥36,000,000 (approximately HK$2,552,395 at the exchange rate of HK$1:¥14.1044), respectively. The total maximum considerations for each transaction 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 press announcement in accordance with Rule 14.25(1) of the Listing Rules and each of the transaction does 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.

Tingyi (Cayman Islands) Holding Corp. (the "Company") has noted the recent increase in the price and trading volume of shares of the Company and wish to state that save as the major transactions which was announced in the Company's announcement dated 2nd January, 2004 and the following connected transactions, it is not aware of any reason for such increase.

I. NEW ONGOING CONNECTED TRANSACTION

Connected transaction with Ting Hsin Oil

i. **Purchase of processed oil**

Purchase agreement (the "Purchase Agreement") made on 31st December 2003:

Parties:

Master Kong (Taiwan) Foods Company Limited ("Master Kong (Taiwan)") is a wholly owned subsidiary of the Company.

Ting Hsin Oil & Fat Industrial Company Limited ("Ting Hsin Oil") is a company incorporated in Taiwan. It is engaged in the manufacture and sales of processed oil in Taiwan.

Terms:

1. Ting Hsin Oil will provide processed oil to Master Kong (Taiwan) for the manufacturing of instant noodles between the period from 1st January 2004 to 31st December 2004.
2. During the period from 1st January 2004 to 31st December 2004, Master Kong (Taiwan) will purchase processed oil maximum up to approximately 8,000 tonnes from Ting Hsin Oil at a maximum transaction amount of NTD180,000,000 (approximately HK$41,189,931 at the exchange rate of HK$1: NTD4.37). The amount to be settled will be calculated on the volume actually purchased.
3. Any party shall not transfer its obligations and interests entitled under the Purchasing Agreement to third parties without the consent of both parties.
4. During the term of the Purchasing Agreement, the parties are obliged to keep confidential information contained in the corresponding documents and shall not reveal to any third parties not related to the Purchasing Agreement.
5. The Purchasing Agreement will come into effect on 1st January 2004 and expire on 31st December 2004, for a term of one year. A month prior to the expiry of the Purchasing Agreement, the parties may negotiate and agree on the renewal of the Purchasing Agreement, provided that if the performance of the Purchasing Agreement is not practicable as a result of the occurrence of unforeseen circumstances, such as natural disasters and wars, both parties may terminate the Purchase Agreement prior to its expiry upon negotiation. The parties shall perform the Purchasing Agreement in a bona fide manner. If any party breaches the Purchasing Agreement, the other party shall terminate the Purchasing Agreement and claim for damages.

The purchase fees were negotiated on an arm's length basis and on normal commercial terms after considering quotations of other independent manufacturers from time to time. The fees shall not be less favourable than the price offered by independent third parties. The fees will be paid in cash on a monthly basis within 60 days after the end of the relevant months.

Rationale for the transaction:

The Company and its subsidiaries ("the Group") are principally engaged in the manufacturing, distribution and sales of instant noodles, bakery and beverages in the People's Republic of China (the "PRC").

The Company and Master Kong (Taiwan) have decided to purchase processed oil from Ting Hsin Oil mainly because Ting Hsin Oil is the leader in the processed oil industry in Taiwan. Ting Hsin Oil has extensive experience as to the observation of the trend of oil price and management of quality. It is equipped with good capability in inventory adjustment and scale of refined processing. It also does well in cost control. As a result, its processing fee is lower whilst the supply of goods is more stable and the level of safety is higher when compared with other competitors. This transaction will enable Master Kong (Taiwan) to further lower the manufacturing cost of instant noodles in Taiwan.

The directors of the Company (including the independent non-executive directors) consider that the terms of purchase are fair and reasonable. The directors of the Company will consider the renewal of the Purchase Agreement prior to its expiry on 31st December 2004. Further announcement will be made if the renewal of the Purchase Agreement is necessary.

ii. **General**

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 Purchasing Agreement constitutes connected transaction of the Company. The total maximum considerations for the above purchasing transaction during the period from 1st January 2004 to 31st December 2004 will amount to NTD180,000,000 (approximately HK$41,189,931 at the exchange rate of HK$1:NTD4.37) 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 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.

II. RENEWAL OF ONGOING CONNECTED TRANSACTIONS

(1) **Connected transaction with Comely**

i. **Manufacture of non-carbonated beverages**

Sub-contracting agreement (the "Sub-contracting Agreement") made on 31st December 2003:

Parties:

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

Comely International Food (Hangzhou) Co., Ltd. ("Comely") is a limited company incorporated in the PRC in 1994 which solely engages in the manufacture and sales of beverages in the PRC on behalf of 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 1st January 2004 to 31st December 2004.
2. The renewal of the Sub-contracting Agreement upon expiring on 31st December 2004 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 the 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 Sub-contracting Agreement and the sub-contracting fees will be settled monthly in cash based on actual quantity of beverages produced.
5. The total 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 1st January 2004 to 31st December 2004 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 independent sub-contractors. The sub-contracting fee per case of beverage shall, in any event, lower than those offered by other independent 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 Sub-contracting Agreement between Hangzhou Tingjin and Comely including the maximum amount of the sub-contracting fee are the same as the former sub-contracting agreement in all aspects entered into on 1st March 2001 between Hangzhou Tingjin and Comely announced on 14th March 2001. The former sub-contracting agreement expired on 31st December 2003. 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**

Pursuant to Chapter 14 of the Listing Rules of the Hong Kong Stock Exchange, the transaction under the above Sub-contracting Agreement constitutes connected transaction of the Company. The total maximum considerations for the above sub-contracting transaction during the period from 1st January 2004 to 31st December 2004 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 unaudited net tangible assets as at 30th September 2003. Accordingly, the Company is required to make 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.

(2) **Connected transaction with Sanyo**

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 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 the headquarters in Japan and provide consulting services on business management and financial management of the Group for the period from 1st January 2004 to 31st December 2004. The actual number of consultants seconded to Tianjin 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 (approximately HK$2,552,395 at the exchange rates of HK$1:¥14.1044) for the period from 1st January 2004 to 31st December 2004 on the basis of 5 secondees. 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 independent 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, bakery and beverages in 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 including the maximum amount of consultancy fee are the same as the former consultancy agreements 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 consultancy agreement expired on 31st December 2003. The Group has decided to continue 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.

ii. **General**

Pursuant to Chapter 14 of the Listing Rules of the Hong Kong Stock Exchange, the transaction under the above Consultancy Agreement constitutes connected transaction of the Company. The total maximum considerations for the above consultancy transaction during the period from 1st January 2004 to 31st December 2004 will amount to ¥36,000,000 (approximately HK$2,552,395 at the exchange rate of HK$1:¥14.1044) 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 press announcement in accordance with Rule 14.25(1) of the Listing Rules and the transactions 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.

The Company also confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

The above statement is made by the order of the Board, the directors of which accept joint and several responsibility for the accuracy of the statement.

By Order of the Board
Ip Pui-Sum
Company Secretary

Hong Kong, 5th January 2004