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)

(1) CONNECTED TRANSACTION — DISPOSAL OF SUBSIDIARY AND (2) CONTINUING CONNECTED TRANSACTION- LOGISTICS SERVICES

The Disposal

On 22 June 2020, the Vendor, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser under which the Vendor agreed to sell the Sale Shares, representing the entire issued share capital of Ting Tong, to the Purchaser for a consideration of US$6,764,314.82.

Ting Tong is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. Upon completion of the Disposal, the Group will cease to have any interest in Ting Tong.

As the Purchaser is beneficially owned 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, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements and exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

On 22 June 2020, the Company and Ting Tong entered into the Logistics Agreement to enable the Group to continue to use the logistics services of Ting Tong and its subsidiaries upon completion of the Disposal for a term commencing from the date on which the Disposal is completed and ending on 31 December 2022.

Ting Tong and its subsidiaries have been providing logistics services to the Group for more than ten years. Upon completion of the Disposal, Ting Tong will become a connected person of the Company and the logistics services being provided by Ting Tong and its subsidiaries to the Group will 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 Logistics Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Logistics Agreement are subject to the reporting, annual review and announcement requirements and exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

THE DISPOSAL

On 22 June 2020, the Vendor, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser.

Subject matter

Pursuant to the Disposal Agreement, the Vendor has agreed to sell the Sale Shares to the Purchaser. The Sale Shares represent the entire issued share capital of Ting Tong.

Consideration

The consideration for the Disposal is US$6,764,314.82, which was determined after arm's length negotiations between the parties with reference to the valuation report prepared by an independent professional valuer using the asset-based approach, and the non-core strategic position of Ting Tong against the Group's operations.

The consideration will be payable in cash by the Purchaser within 30 days from the date on which the Disposal is completed.

Information on Ting Tong

Ting Tong is a limited liability company incorporated in the Cayman Islands. It is primarily engaged in the provision of logistics services.

With reference to the consolidated financial statements of Ting Tong, the unaudited net asset value of Ting Tong was approximately US$5,808,907.91 as at 31 May 2020. The audited financial results of Ting Tong for the three years immediately preceding the date of the Disposal Agreement are as follows:

	For the year ended 31 December		
	2017	**2018**	**2019**
	(audited)	*(audited)*	*(audited)*
	US$'000	*US$'000*	*US$'000*
Net profit before tax	8,271	10,983	(6,936)
Net profit after tax	5,676	6,419	(8,911)

About 83% and 92% of Ting Tong's audited net profit after tax for 2017 and 2018 respectively were attributable to non-food and beverage industry customers.

In April 2019, Ting Tong undergone a restructuring of its business under which a new joint venture company was established between the Vendor and Itochu Corporation (both being shareholders of Ting Tong at that time) in the same proportion as they held Ting Tong to take over the logistics services of Ting Tong related to the then non-food and beverage industry customers. The Vendor and Itochu Corporation subsequently obtained the entire equity interests of Ting Tong and the new joint venture company respectively with reference to the fair value appraised by an independent professional valuer using the market approach as the primary factor, and Ting Tong became an indirect wholly-owned subsidiary of the Company. Upon completion of such restructuring, Ting Tong focuses on providing logistic services to the Group.

The transactions with Itochu Corporation were exempted connected transactions for the Company as each of the applicable percentage ratios was below the de minimis threshold of 1% for transactions with a connected person at the subsidiary level.

The logistics services related to the then non-food and beverage industry customers were the main source of profit for Ting Tong. As Ting Tong no longer provides logistic services to these non-food and beverage industry customers after the restructuring, Ting Tong returned an audited loss of US$8,911,162 for the year ended 31 December 2019.

Ting Tong's unaudited net profit after tax for the five months ended 31 May 2020 is US$86,081.62.

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately US$955,406.91, which is calculated by reference to the unaudited net asset value of Ting Tong as at 31 May 2020. The Group currently intends to apply the proceeds from the Disposal as general working capital to further strengthen the balance sheet of the Company.

Upon completion of the Disposal, Ting Tong will continue to provide captive logistics services to the Group and promote the Group's distribution system, and continue to implement strict control over the Group's products in the transportation process to ensure timely and safe delivery.

Upon completion of the Disposal, the Group will cease to have any interest in Ting Tong and the financial results of Ting Tong will cease to be consolidated with the financial results of the Group.

Reasons for the Disposal

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

As logistics services is not the principal business of the Group, the Disposal will serve to streamline the Group's operation and enable the Group to focus on its core operations that offer a better return on investment.

As the Disposal is being carried out after arm's length negotiations and on normal commercial terms, the Directors (including the independent non-executive Directors but excluded 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, who are considered to be interested in the transaction contemplated under the Disposal Agreement and have not participated in the discussions in relation to the Disposal Agreement and have abstained from voting for the resolution to approve the Disposal Agreement) are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Ting Tong and its subsidiaries have been providing logistics services to the Group for more than ten years. Upon completion of the Disposal, Ting Tong will become a connected person of the Company and the logistics services being provided by Ting Tong and its subsidiaries to the Group will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On 22 June 2020, the Company and Ting Tong entered into the Logistics Agreement to enable the Group to continue to use the logistics services of Ting Tong and its subsidiaries upon completion of the Disposal. Brief particulars of the Logistics Agreement are set out below:

THE LOGISTICS AGREEMENT

Date:	22 June 2020
Parties:	(1) Ting Tong; and (2) the Company Upon completion of the Disposal, Ting Tong will become a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.
Subject:	Ting Tong and its subsidiaries will provide transportation, warehousing and loading and unloading services to the Group.
Term:	Commencing from the date on which the Disposal is completed and ending on 31 December 2022.
Service fee:	The service fee of the logistics services provided by Ting Tong and its subsidiaries to the Group will be based on the quoted price for the logistics services to be provided. Such quoted price will be determined based on arm's length negotiations between the parties on normal commercial terms with reference to: (a) the prevailing market price for the same or substantially similar services, taking into account the service fee of the same or substantially similar services with comparable scope and level of services offered by independent third parties; (b) if there are insufficient comparable transactions to (a) above, on normal commercial terms comparable to those received from independent third parties in respect of the same or substantially similar services with comparable scope and level of services; and (c) if both (a) and (b) above are not applicable, by reference to the average price of similar services previously procured 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 service fee under the Logistics Agreement will be calculated on a monthly basis upon completion of the services, with additional credit terms of 30 days. The payment will be made on the monthly payment day specified by the Group after the end of the credit terms.

Cap amount: Pursuant to the Logistics Agreement, the Group has agreed to engage Ting Tong and its subsidiaries to provide logistics services based on the pricing policies stated above during the term of the Logistics Agreement subject to the following annual caps:

	Financial year ending 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Transaction amount	1,100,000	1,400,000	1,700,000

The annual caps for the Logistics Agreement were determined based on the historical transaction amount with Ting Tong and its subsidiaries, and the Group's expected demand for captive logistics services from Ting Tong and its subsidiaries.

The historical amount of services provided by Ting Tong and its subsidiaries to the Group for the three financial years ended 31 December 2019 are set out below:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Services provided by Ting Tong and its subsidiaries	351,621	624,540	702,757

Condition

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

Reasons for the Logistics Agreement

Ting Tong and its subsidiaries have been providing logistics services to the Group for more than ten years. The Group requires captive logistics services from Ting Tong and its subsidiaries in the Group's ordinary course of operation. As Ting Tong will become a connected person of the Company upon completion of the Disposal, the Logistics Agreement is being entered into to enable Ting Tong and its subsidiaries and the Group to continue to cooperate on the delivery of the Group's products to the market.

As the Logistics Agreement is being entered into in the usual and ordinary course of business of the Group and the terms of which have been negotiated on an arm's length basis and on normal commercial terms, with the terms of services of Ting Tong and its subsidiaries being based on prevailing market price of the same or substantially similar logistics services provided by independent third parties, the Directors (including the independent non-executive Directors but excluded 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, who are considered to be interested in the transactions contemplated under the Logistics Agreement and have not participated in the discussions in relation to the Logistics Agreement and have abstained from voting for the resolution to approve the Logistics Agreement) consider that the transactions under the Logistics 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 in place the following internal control and pricing policies under which:

Internal control and pricing policies

(i) the Group maintains a list of carefully selected suppliers and service providers. The list is regularly reviewed and updated. For a supplier or service provider to become listed, the Group will initially conduct and must be satisfied with the on-site visits to the supplier or service provider, the supplier or service provider must also have a good track record with the Group in terms of the quality of the products or services which is reviewed by the quality assurance team of the Group (the "**Quality Assurance Department**"). The supplier or service provider must also have a track record of at least one year. Further, if the supplier or service provider has not supplied any products or provided any services to the

Group for more than a year, the supplier or service provider will be delisted from the Group's list and the Group will initiate the full selection procedure (including on-site visits and quality checks) for the supplier or service provider to be relisted onto the Group's list;

(ii) with respect to any potential orders, the research and development department (the "**R&D Department**") or the Purchasing Department of the Group will first discuss and formulate the details of the specifications of the order (including materials, safety, functions, the specification for the relevant products and the scope and level of the relevant services);

(iii) after such formulation by the R&D Department or the Purchasing Department, based on their experience and taking into account similar purchases made by the Group or similar services provided to the Group, the Purchasing Department will obtain quotations from the supplier or service provider and also select not less than two and on average about three suppliers or service providers from the Group's 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 supply agreement or service agreement;

(iv) the selection criteria of the suppliers or service providers will be based on their quotation, delivery times, payment terms, specifications, quality, safety and recent performance;

(v) upon delivery of the products or upon completion of the services (whether by the supplier, service provider or independent third parties), the Quality Assurance Department will conduct checks to review (including but not limited to quality and safety) and assess whether the products or services have been provided in accordance with the terms of each contract; and

(vi) the price of the logistics services provided by Ting Tong and its subsidiaries will be determind based on the pricing policies set out in the section headed "THE LOGISTICS AGREEMENT."

Internal review policies

(i) the pricing policies 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 logistics services, the Group will assess the level of the order to be placed, and based on the size of the order, obtain reference quotations from independent third parties for setting the prevailing market price in accordance with the pricing policies as set out under the service 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 policies; 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.

IMPLICATIONS UNDER THE LISTING RULES

The Disposal

As the Purchaser is beneficially owned 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, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements and exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Logistics Agreement

Upon completion of the Disposal, Ting Tong will become a connected person of the Company and the logistics services being provided by Ting Tong and its subsidiaries to the Group will 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 amounts under the Logistics Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Logistics Agreement are subject to the reporting, annual review and announcement requirements and exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

CANCELLATION OF THE KSF BEVERAGE LOGISTICS AGREEMENT

Reference is made to the announcement of the Company dated 27 December 2018. Ting Tong and KSF Beverage have previously entered into the KSF Beverage Logistics Agreement pursuant to which Ting Tong and its subsidiaries agreed to provide logistics services to KSF Beverage and its subsidiaries.

KSF Beverage is a non-wholly owned subsidiary of the Company in which as to approximately 82.9% of its equity interest is controlled by the Company and as to approximately 17.1% of its equity interest is held by Ting Hsin. As such, KSF Beverage is a connected subsidiary of the Company for the purpose of the Listing Rules, and the provision of logistics services to KSF Beverage and its subsidiaries by Ting Tong and its subsidiaries under the KSF Beverage Logistics Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the scope of the logistics services to KSF Beverage and its subsidiaries would be covered by the Logistics Agreement, KSF Beverage and Ting Tong has mutually agreed to terminate the KSF Beverage Logistics Agreement upon the Logistics Agreement becoming effective.

GENERAL

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

At the Board meeting held to approve the Disposal Agreement and the Logistics Agreement, Mr. Wei Hong-Ming and Mr. Wei Hong-Chen are considered to be interested in the transactions contemplated under the Disposal Agreement and the Logistics Agreement and have not participated in the discussions in relation to the Disposal Agreement and the Logistics Agreement and have abstained from voting for the resolutions proposed to approve the Disposal Agreement and the Logistics Agreement.

DEFINITIONS

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

"associate"	has the meaning ascribed to it under the Listing Rules;
"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;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Disposal"	the sale of the Sale Shares to the Purchaser;
"Disposal Agreement"	the sale and purchase agreement dated 22 June 2020 between the Vendor and the Purchaser;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"KSF Beverage"	KSF Beverage Holding Co., Ltd., a company incorporated in the Cayman Islands, a non-wholly owned subsidiary of the Company;
"KSF Beverage Logistics Agreement"	the logistics agreement dated 27 December 2018 entered into between Ting Tong and KSF Beverage;
"Independent Shareholders"	Shareholders other than the Purchaser and its associates;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Logistics Agreement"	the logistics agreement dated 22 June 2020 between the Company and Ting Tong;
"PRC"	the People's Republic of China;

"Purchaser"	Great System Holdings Limited, a company incorporated in the British Virgin Islands;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	100% of the issued share capital in Ting Tong;
"Shareholder(s)"	shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Ting Hsin"	Ting Hsin (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands, a substantial shareholder of the Company;
"Ting Tong"	Ting Tong (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands, an indirect wholly-owned subsidiary of the Company;
"Vendor"	Tingtong (BVI) Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company; and
"%"	per cent.

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

Hong Kong, 22 June 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*