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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)

MAJOR TRANSACTION

CO-OPERATION IN THE BEVERAGE GROUP

The Company entered into the Agreement in relation to the Co-operation with Asahi and Itochu to form a strategic partnership in beverages business in the PRC. In relation to the Co-operation, the Purchaser agreed to acquire a 50% interest in Tingyi-Asahi-Itochu Beverages from the Company.

Tingyi-Asahi-Itochu Beverages is valued at US\$950 million (equivalent to HK\$7,410 million), which includes net debts and equity value. The cash consideration payable to the Company for the Co-operation is equal to 50% of the Equity Value (as defined in paragraph 1.3 below). Completion of the Co-operation is subject to the Reorganisation having been effected. Upon completion of the Reorganisation, Tingyi-Asahi-Itochu Beverages will become the holding company of the Subsidiaries.

The Co-operation represents an excellent opportunity for the Company to partner with two premier Asian industry leaders, namely Asahi and Itochu. The Company can leverage on the partners’ respective expertise and strengths to significantly enhance its competitiveness in product development, manufacturing, raw material procurement and overall business management. The Company, Asahi and Itochu will continue to hold cooperation discussion to explore and develop new business opportunities. The Directors consider that the terms of the Agreement are fair and reasonable and the Co-operation is in the interests of the Group as a whole.

The Co-operation constitutes a major transaction for the Company under the Listing Rules and is subject to the approval of the Shareholders at the EGM.

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9:30 a.m. on Monday, 29 December 2003 pending release of this announcement. Trading in the Shares will resume at 9:30 a.m. on 5 January 2004.

I. AGREEMENT DATED 27 DECEMBER, 2003

1. Parties

Vendor	The Company
Purchaser	A-I China Breweries Co Ltd, being an independent third party not connected with the Company, directors, chief executive, substantial shareholders of the Company, its subsidiaries or their respective associates (as defined in the Listing Rules) and held as to 80% by Asahi and as to 20% by Itochu
Purchaser’s Guarantors	Asahi and Itochu, each being an independent third party not connected with the Company, directors, chief executive, substantial shareholders of the Company, its subsidiaries or their respective associates (as defined in the Listing Rules)

2. Interest to be transferred

50% of the issued share capital of Tingyi-Asahi-Itochu Beverages.

The Co-operation is subject to the Reorganisation having been effected in accordance with the applicable laws and regulations. Upon completion of the Reorganisation, Tingyi-Asahi-Itochu Beverages shall become the holding company of the Subsidiaries.

3. Consideration

The consideration for the Co-operation is an amount equal to 50% of the difference between (i) US\$950 million (equivalent to HK\$7,410 million) being a valuation of Tingyi-Asahi-Itochu Beverages arrived at after arm’s length negotiation of the parties with reference to the prospect of Tingyi-Asahi-Itochu Beverages and the prevailing market conditions of the beverages industry in the PRC; and (ii) the actual amount of unaudited pro-forma consolidated net debts of the Subsidiaries as at 31 December 2003 as shown in the Accounts assuming that the Reorganisation had been completed (the “Equity Value”). The Accounts will be available on or before 19 January, 2004. Based on the unaudited accounts of the Subsidiaries as at 30 September 2003, the consolidated net debts of the Subsidiaries were approximately US\$180.5 million (equivalent to HK\$1,407.9 million). As a result, the estimated Equity Value and consideration for the Co-operation would be US\$769.5 million (equivalent to HK\$6,002.1 million) and US\$384.8 million (equivalent to HK\$3,001.1 million) respectively. The consideration is arrived at after arm’s length negotiation between the parties. The Directors are of the view that the consideration is fair and reasonable.

The consideration will be payable by the Purchaser to the Company in full by cash at Completion.

4. Completion

Completion is conditional on (i) the obtaining of the approval of the Co-operation by the Shareholders at the EGM; and (ii) the Reorganisation having been effected in accordance with the applicable laws and regulations of the PRC and the Cayman Islands.

It is expected that the Agreement will be completed on the 15th business day after fulfilment of the conditions.

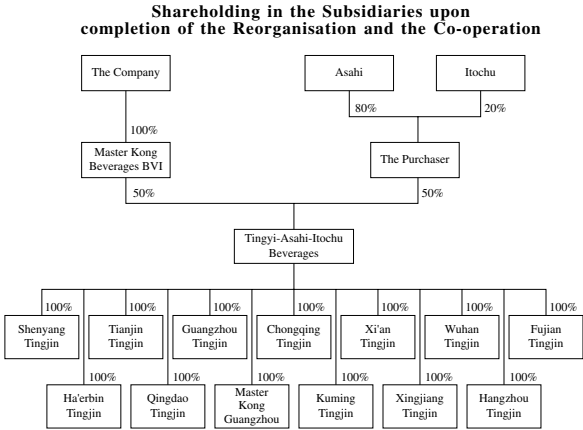
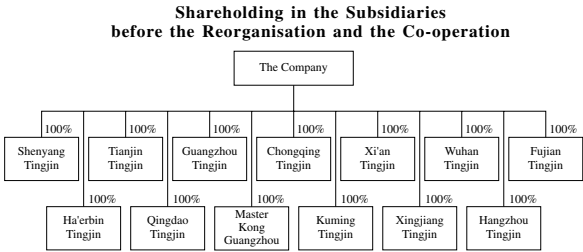
In the event that the conditions of the Agreement are not fulfilled on or before 24 June 2004, the Agreement will cease and terminate.

II. INFORMATION ON TINGYI-ASAHI-ITOCHU BEVERAGES AND THE SUBSIDIARIES

Tingyi-Asahi-Itochu Beverages is a company to be incorporated in the Cayman Islands and will be the holding company of the Subsidiaries upon completion of the Reorganisation.

The Subsidiaries are principally engaged in the research, development, manufacture, distribution and sale of beverages under the brand names of 康師傅 and 鮮の毎日 C in the PRC.

Based on the unaudited consolidated financial statements of the Subsidiaries for the year ended 31 December 2001, the year ended 31 December 2002 and the nine months ended 30 September 2003, their unaudited consolidated net profit before and after taxation, minority interest and extraordinary items amounted to approximately US\$24.4 million (equivalent to HK\$190.32 million) and approximately US\$24.4 (equivalent to HK\$190.32 million), approximately US\$44.4 million (equivalent to HK\$346.32 million) and approximately US\$44.3 million (equivalent to HK\$345.54 million), and approximately US\$9.0 (equivalent to HK\$70.2 million) and approximately US\$8.7 million (equivalent to HK\$67.86) respectively and their unaudited consolidated net asset value as at 31 December 2001, 31 December 2002 and 30 September 2003 approximately US\$77.5 million (equivalent to HK\$604.5 million), approximately US\$120.6 million (equivalent to HK\$940.68 million) and approximately US\$154.5 million (equivalent to HK\$1,205.1 million) respectively.



III. REASON FOR THE CO-OPERATION

The Co-operation represents an excellent opportunity for the Company to partner with two premier Asian industry leaders, namely Asahi and Itochu. The Company can leverage on the partners’ respective expertise and strengths to significantly enhance its competitiveness in product development, manufacturing, raw material procurement and overall business management. The Company, Asahi and Itochu will continue to hold cooperation discussion to explore and develop new business opportunities. The Directors consider that the terms of the Agreement are fair and reasonable and the Co-operation is in the interests of the Group as a whole.

Asahi is a leading Japanese manufacturer of alcoholic beverages and soft drinks. Its product portfolio ranges from tea-based beverages, such as Asahi Juroku-Cha and canned coffee Wonda, to soft drinks, such as Mitsuya Cider and Bireley’s. Itochu is one of the leading trading companies in Japan with offices in over 80 countries and operations that cover a broad spectrum of industries. The securities of Asahi and Itochu are both listed on the Tokyo Stock Exchange, with current market capitalization of approximately JPY502 billion (equivalent to approximately HK\$37 billion) and JPY561 billion (equivalent to approximately HK\$41 billion) respectively.

With the Co-operation, Tingyi-Asahi-Itochu Beverages will continue to be a subsidiary of the Company. The board of Tingyi-Asahi-Itochu Beverages shall consist of 8 directors. Each of the Company and the Purchaser shall be entitled to appoint half of the number of directors. The Company shall also have the right to nominate the Chairman and the chief executive officer of Tingyi-Asahi-Itochu Beverages.

IV. USE OF PROCEEDS

The Group is principally engaged in the research, development, manufacture, distribution and sale of instant noodles, bakery products and beverages in the PRC. The gross proceeds from the Co-operation are expected to amount to approximately US\$384.8 million and will be used mainly for the continued investment in the Group’s core business in instant noodle to further enhance its already leading market position in the PRC market. The proceeds will also be used in the development of other investment opportunities and the repayment of the Group’s borrowings.

V. GENERAL

Pursuant to the Listing Rules, the Co-operation constitutes a major transaction for the Company and is subject to the approval of the Shareholders at the EGM. A circular containing, inter alia, details of the Co-operation and a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

VI. SUSPENSION AND RESUMPTION OF TRADING OF SECURITIES

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9:30 a.m. on Monday, 29 December 2003 pending release of this announcement. Trading in the Shares will resume at 9:30 a.m. on 5 January 2004.

DEFINITIONS

The following terms have the following meanings in this announcement:

“Accounts”	the unaudited pro-forma consolidated accounts of Tingyi-Asahi-Itochu as at 31 December, 2003 assuming that the Reorganisation had been completed
“Agreement”	the sale and purchase agreement dated 27 December, 2003 entered into between the Company, the Purchaser, Asahi and Itochu in relation to the Co-operation
“Asahi”	Asahi Breweries, Ltd., a company incorporated in Japan with limited liability and an independent third party not connected with the Company, directors, chief executive, substantial shareholders of the Company, its subsidiaries or their respective associates (as defined in the Listing Rules), the securities of which are listed on the Tokyo Stock Exchange
“Chongqing Tingjin”	重慶頂津食品有限公司 (Chongqing Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 27 December 1995 and a wholly-owned subsidiary of the Company
“Company”	Tingyi (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands, the shares of which are currently listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement
“Co-operation”	the co-operation with Asahi and Itochu by the transfer of a 50% interest in Tingyi-Asahi-Itochu Beverages to the Purchaser

“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company for the purpose of approving the Co-operation
“Fujian Tingjin”	福建頂津食品有限公司 (Fujian Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 15 October 2002 and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Tingjin”	廣州頂津食品有限公司 (Guangzhou Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 23 November 1995 and a wholly-owned subsidiary of the Company
“Ha’erbin Tingjin”	哈爾濱頂津食品有限公司 (Ha’erbin Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 5 July 2002 and a wholly-owned subsidiary of the Company
“Hangzhou Tingjin”	杭州頂津食品有限公司 (Hangzhou Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 13 March 1996 and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Itochu”	Itochu Corporation, a company incorporated in Japan and an independent third party not connected with the Company, directors, chief executive, substantial shareholders of the Company, its subsidiaries or their respective associates (as defined in the Listing Rules), the securities of which are listed on the Tokyo Stock Exchange
“Kunming Tingjin”	昆明頂津食品有限公司 (Kunming Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 18 July 2002 and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Kong Beverages BVI”	a company to be incorporated in the British Virgin Islands with limited liability which will be wholly owned by the Company
“Master Kong Guangzhou”	康師傅(廣州)飲品有限公司 (Master Kong (Guang Zhou) Beverage Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 23 August 2002 and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Purchaser”	A-I China Breweries Co., Ltd., a company incorporated in Japan with limited liability which is held as to 80% by Asahi and as to 20% by Itochu
“Qingdao Tingjin”	青島頂津食品有限公司 (Qingdao Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 17 October 2002 and a wholly-owned subsidiary of the Company
“Reorganisation”	the establishment of Tingyi-Asahi-Itochu Beverages in the Cayman Islands and the transfer of the entire equity interest in each of the Subsidiaries to Tingyi-Asahi-Itochu Beverages
“Subsidiaries”	13 wholly-owned subsidiaries of the Company, namely (i) Tianjin Tingjin; (ii) Guangzhou Tingjin; (iii) Wuhan Tingjin; (iv) Hangzhou Tingjin; (v) Chongqing Tingjin; (vi) Xi’an Tingjin; (vii) Shenyang Tingjin; (viii) Xingjiang Tingjin; (ix) Kunming Tingjin; (x) Ha’erbin Tingjin; (xi) Qingdao Tingjin; (xii) Fujian Tingjin; and (xiii) Master Kong Guangzhou
“Shareholders”	holders of the Shares
“Shares”	shares of US\$0.005 each in the share capital of the Company
“Shenyang Tingjin”	瀋陽頂津食品有限公司 (Shenyang Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 30 October 1995 and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tingyi-Asahi-Itochu Beverages”	Tingyi-Asahi-Itochu Beverages Holding Co. Ltd., a company to be incorporated in the Cayman Islands with limited liability which will become the holding company of the Subsidiaries upon completion of the Reorganisation
“Tianjin Tingjin”	天津頂津食品有限公司 (Tianjin Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 18 December 1995 and a wholly-owned subsidiary of the Company
“Wuhan Tingjin”	武漢頂津食品有限公司 (Wuhan Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 28 March 1996 and a wholly-owned subsidiary of the Company
“Xi’an Tingjin”	西安頂津食品有限公司 (Xi’an Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 18 January 1996 and a wholly-owned subsidiary of the Company
“Xingjiang Tingjin”	新疆頂津食品有限公司 (Xingjiang Tingjin Food Co., Ltd.), a wholly-owned foreign enterprise incorporated in the PRC on 26 June 2002 and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“JPY”	Yen, the lawful currency of Japan
“US\$”	United States dollar, the lawful currency of the United States of America

In this announcement, the exchange rates of HK\$7.8 to US\$1.00 and HK\$1.00 to JPY13.7 are used.

By Order of the Board
Wei Ing-Chou
Chairman

Hong Kong, 2 January 2004