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**STRATEGIC ALLIANCE WITH PEPSICO INC.  
DISCLOSEABLE ACQUISITION  
DISCLOSEABLE DISPOSAL AND CONNECTED TRANSACTION  
POSSIBLE MAJOR DISPOSAL  
POSSIBLE MAJOR ACQUISITION, POSSIBLE MAJOR DISPOSAL  
AND CONNECTED TRANSACTION  
POSSIBLE NON-EXEMPT  
CONTINUING CONNECTED TRANSACTIONS  
AND  
RESUMPTION OF TRADING**

**THE STRATEGIC ALLIANCE**

On 4 November 2011, the Company and PepsiCo entered into the following agreements for their strategic alliance in the beverage business in the PRC:

1. the Contribution Agreement;
2. the Commercial Agreements; and
3. the agreements comprising the Strategic Alliance Arrangements.

Under the terms of the Contribution Agreement:

- (a) PepsiCo's wholly-owned subsidiary, FEB, has agreed to contribute its entire interest in PepsiCo's non-alcoholic beverage bottling businesses in the PRC to TAB in exchange for a 9.5% direct interest in MKB, which is the holding company of the Group's beverage business in the PRC, as a result of which FEB will hold a 5% indirect interest in TAB; and

(b) FEB will be granted the Issue Option to increase its indirect interest in TAB to 20% on a fully diluted basis.

The principal terms of the Contribution Agreement and the Issue Option are set out in the section headed “1. The Contribution Agreement” in this announcement.

The Commercial Agreements set out the principles and the terms governing:

- (i) the appointment by PepsiCo of TAB as its franchise bottler, which together with the Pepsi Bottlers, will manufacture, package, bottle, distribute and sell on an exclusive basis, and advertise and promote on a non-exclusive basis, CSD products under certain trademarks owned by PepsiCo in the PRC;
- (ii) the licensing of TAB to manufacture, package, bottle, distribute and sell, on an exclusive basis, and advertise and promote on a non-exclusive basis, sports drink products under certain Gatorade trademarks in the PRC;
- (iii) the licensing of TAB to manufacture and distribute pure juices, nectars/blended juices and juice drinks under the Tropicana brand, and co-branded juice drinks in the PRC on an exclusive basis; and
- (iv) the granting of a non-exclusive and royalty-free license to TAB to manufacture, package, distribute, sell, advertise and promote non-carbonated water beverage products under certain Aquafina trademarks in the PRC.

These agreements will take effect upon Closing. Their principal terms are set out in the section headed “2. Commercial Agreements” in this announcement.

PepsiCo is granted the Call Option to acquire the assets and/or undertakings solely or primarily used in the production of CSD or sports drink products or products licensed to any member of the TAB Group under the Gatorade Exclusive Bottling Agreement in the event of the occurrence of certain termination events, including the termination of the CCT Agreements. TAB has an option to put certain of such assets and/or undertakings to any Affiliate of PepsiCo upon the occurrence of certain termination events, including the termination of the CCT Agreements.

The Strategic Alliance Arrangements (i) govern the ongoing relationship between MKB, as a direct shareholder in TAB, and the other existing shareholders of TAB; and (ii) protect FEB’s indirect and minority shareholder rights. If certain termination events occur, including the early termination of the CCT Agreements and the Strategic Alliance Arrangements, (i) FEB has, under the Option Agreement, the Put Option exercisable at its discretion to require the Company to buy all of its interest in MKB and TAB as at the relevant time at fair market value, and (ii) the Company also has an option to require FEB to sell all of its shares in MKB and TAB as at the relevant time at fair market value.

## **LISTING RULES IMPLICATIONS**

### *Chapter 14 of the Listing Rules*

#### **Disclosable Acquisition**

The contribution of PepsiCo's entire interests in the beverage bottling business in the PRC to TAB in exchange for an indirect 5% interest in TAB through the holding of a 9.5% interest in MKB constitutes an acquisition and a deemed disposal by the Company. As the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 5% but are below 25%, each of the contribution and the deemed disposal constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **Possible Major Disposal**

The relevant percentage ratios for the grant of the Issue Option, when aggregated with the issue of the 9.5% interest in MKB upon Closing, are more than 25% but are less than 100%. The grant of the Issue Option constitutes a possible major transaction (deemed disposal) of the Company under Chapter 14 of the Listing Rules and is subject to shareholders' approval.

#### **Possible Major Acquisition and Possible Major Disposal**

The relevant percentage ratios for the grant of the Put Option and the Call Option may be more than 25% but will be less than 100%. The grant of the Put Option and the Call Option therefore constitutes a possible major acquisition and a possible major disposal (respectively) of the Company and is subject to shareholders' approval.

### *Chapter 14A of the Listing Rules*

#### **Discloseable Disposal And Connected Transaction**

Under Rule 14A.13(b)(i), the Contribution Agreement will constitute a connected transaction of the Company given the 17.999% interest in TAB held by Ting Hsin, a controlling shareholder of the Company.

### **Possible Major Acquisition, Possible Major Disposal and Connected Transaction**

If FEB and PepsiCo (and their respective associates) increase their shareholding in MKB to 10 per cent. or more through an acquisition of existing or new shares or upon exercise of the Issue Option, FEB will become a substantial shareholder of a non-wholly owned subsidiary of the Company. Accordingly, FEB will be a connected person of the Company and the arrangements under the Commercial Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and the transfer of the direct and indirect interest in TAB to the Company upon the exercise of the Put Option and the acquisition of the assets and/or undertakings under the Call Option will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

### **Possible Non-Exempt Continuing Connected Transactions**

Based on the historical transaction values between PepsiCo and the Pepsi Bottlers, it is expected that the relevant percentage ratios under Rule 14.07 of the Listing Rules (other than the profit ratio) in respect of the transactions under the CCT Agreements will, on an annual basis, be more than 5%. Assuming the Issue Option is exercised or FEB otherwise acquires more shares and becomes a connected person of the Company, the transactions under the CCT Agreements will constitute non-exempt continuing connected transactions and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Rule 14A.35(1) of the Listing Rules provides that the duration of the continuing connected transaction agreements must be fixed and reflect normal commercial terms and, except in special circumstances, must not exceed three years. The Company has engaged an independent financial adviser to explain and justify that it would be normal business practice for agreements in the nature of the CCT Agreements to have a term that is longer than three years, to satisfy the Stock Exchange that special circumstances exist in compliance with Rule 14A.35(1) of the Listing Rules.

Rule 14A.35(2) of the Listing Rules provides that an annual cap must be set and such annual cap must be expressed in terms of monetary value rather than a percentage of the Company's annual revenue. The Company has applied to the Stock Exchange and received a waiver allowing the annual cap for the CCT Agreements to be expressed as a percentage of TAB's turnover in the relevant financial year for the term of the CCT Agreements on the condition that the Company will disclose the turnover of TAB in its annual reports during the term of the CCT Agreements.

Whilst the House of Tropicana Agreement and the Aquafina License Agreement will also constitute continuing connected transactions of the Company if FEB becomes a connected person of the Company, they will be exempted continuing connected transactions under Rule 14A.33(3) of the Listing Rules.

## **GENERAL**

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Contribution Agreement, the CCT Agreements, the Put and Call Option Agreements. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Contribution Agreement, the CCT Agreements and the Option Agreements. Ting Hsin and its associates will abstain from voting on the resolution proposed at the EGM to approve the Contribution Agreement, the CCT Agreements and the Option Agreement given its 17.999% interest in TAB.

Sanyo has given an undertaking to the Company to cast all of its voting rights in respect of an aggregate of 1,854,827,866 Shares, representing approximately 33.2% of the issued share capital of the Company as of the date of this announcement in favour of the resolutions to approve the Contribution Agreement, the CCT Agreements and the Option Agreement proposed at the EGM.

A circular containing, among other things, (a) further particulars of the Contribution Agreement, the CCT Agreements and the Option Agreement, (b) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Contribution Agreement, the CCT Agreements and the Option Agreement (c) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Contribution Agreement, the CCT Agreements and the Option Agreement, and (d) a notice convening the EGM to approve the Contribution Agreement, the CCT Agreement and the annual cap for the transaction amounts under the CCT Agreements will be dispatched to the Shareholders on or before 2 December 2011.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 4 November 2011 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 7 November 2011.

## THE STRATEGIC ALLIANCE

### 1. The Contribution Agreement

On 4 November 2011, the Company, PepsiCo, MKB, FEB and TAB entered into the Contribution Agreement in connection with their strategic alliance in the beverage business in the PRC.

#### (a) *Contribution of the beverage bottling business*

Under the terms of the Contribution Agreement, FEB has agreed to contribute its equity interest in CBL to TAB in exchange for an indirect 5% interest in TAB, to be held through MKB.

Upon Closing:

- (i) MKB, which is an investment holding company of the Group that holds the Group's interest in TAB, will be owned as to 90.5% by the Company and as to 9.5% by FEB;
- (ii) TAB, which is an investment holding company that holds the Group's beverage business, will be owned as to 52.5% by MKB, as to 30.4% by AIB and as to 17.1% by Ting Hsin;
- (iii) FEB, which is an investment holding company of PepsiCo will therefore have an indirect 5% interest in TAB; and
- (iv) CBL, which holds PepsiCo's bottling assets in the PRC, will become a wholly-owned subsidiary of TAB and an indirect non wholly-owned subsidiary of the Company.

FEB has agreed to transfer to TAB the entire equity interest in CBL, which holds PepsiCo's equity interests in its 24 bottlers in the PRC. The parties have agreed that upon Closing the book value of CBL will be US\$600 million based on the audited closing accounts prepared for this purpose. The unaudited combined before- and after-tax losses based on US GAAP of CBL for the financial years ended 31 December 2009 and 2010 were US\$38.5 million and US\$45.5 million, and US\$175.7 million and US\$175.6 million, respectively. The significant increase in raw materials costs in 2009 and 2010 impacted the profitability of CBL in these periods.

As at 30 June 2011, the unaudited consolidated net asset value of the TAB Group was approximately US\$1.1 billion. The book value of the 5% interest in TAB is equivalent to approximately US\$55 million and the exchange of such interest for

CBL as contemplated under the Contribution Agreement constitutes a deemed disposal of a 9.5% interest in MKB as well as a deemed disposal of a 2.5% interest in TAB. The deemed gain on the disposal is estimated to be US\$257 million which is based on the unaudited consolidated net asset value of TAB as at 30 June 2011 and the adjusted aggregate book value of CBL. The Company expects the deemed gain or loss to be recognized in its income statement will be different as the estimated deemed gain of US\$257 million disclosed in this announcement is only based on the latest available financial information.

(b) *The Issue Option*

FEB has been granted the Issue Option to subscribe in cash for additional shares in MKB to enable FEB to increase its indirect interest in TAB to 20% on a fully-diluted basis. No premium is payable by FEB for the Issue Option. The Issue Option is exercisable in full by FEB any time from Closing up to 31 October 2015 at a price determined by reference to the date of exercise of the Issue Option. The exercise price is initially based on a US\$15 billion valuation of the TAB Group if the Issue Option is exercised on or before 31 October 2013. The US\$15 billion valuation has been agreed through arm's length negotiations based on the business prospects of TAB. The exercise price will be adjusted upward with reference to an increase in the valuation of the TAB Group by 15% in each subsequent years until 2015.

The proceeds will be injected into TAB as equity capital and TAB will issue new shares to MKB. MKB will in turn issue new shares to FEB thereby increasing its indirect interest in TAB to 20%. As at 30 June 2011, the unaudited consolidated net asset value of the TAB Group was approximately US\$1.1 billion. The book value of the 15% interest in TAB is equivalent to approximately US\$165 million and the exercise of the Issue Option will constitute a deemed disposal of a 23.8% interest in MKB as well as a deemed disposal of a 7.5% interest in TAB. Assuming that the Issue Option is exercised in 2011, the deemed gain on the disposal is estimated to be US\$997 million which is based on the unaudited consolidated net asset value of TAB as at 30 June 2011, the adjusted aggregate book value of CBL and the proceeds from the subscription of additional shares in MKB. The Company expects the deemed gain or loss to be recognized in its income statement will be different as the estimated deemed gain of US\$997 million is only based on the latest available financial information.

(c) **Conditions**

Closing of the Contribution Agreement will be conditional on the following conditions having been fulfilled:

- (a) clearance of the proposed transaction having been obtained from, or no objection having been raised by, MOFCOM in accordance with the Anti-Monopoly Law of the PRC without being subject to any conditions unacceptable by any party; and
- (b) the Shareholders having passed a resolution to approve the Contribution Agreement, the CCT Agreements and the Option Agreement at a duly constituted general meeting of the Company.

**2. The Commercial Agreements**

On 4 November 2011, PepsiCo, TAB and their respective subsidiaries have also entered into four commercial agreements, which will take effect upon Closing. The Commercial Agreements set out the principles and the terms governing:

- (i) the appointment by PepsiCo of TAB as its franchise bottler, which with the Pepsi Bottlers, will manufacture, package, bottle, distribute and sell on an exclusive basis, and advertise and promote on a non-exclusive basis, CSD products under certain trademarks owned by PepsiCo in the PRC;
- (ii) the licensing of TAB to manufacture, package, distribute and sell on an exclusive basis, and advertise and promote on a non-exclusive basis, sports drink products under certain Gatorade trademarks in the PRC;
- (iii) the granting of the exclusive license to manufacture and distribute pure juices, nectars/blended juices and juice drinks under the Tropicana brand and co-branded juice drinks in the PRC; and
- (iv) the granting of a non-exclusive and royalty-free license to manufacture, package, distribute, sell, advertise and promote non-carbonated water beverage products under certain Aquafina trademarks in the PRC.

(a) ***Framework Exclusive Bottling Agreement***

The Framework Exclusive Bottling Agreement has been entered into by PepsiCo, CMCI (a wholly-owned subsidiary of PepsiCo) and TAB pursuant to which TAB will be appointed by PepsiCo as its franchise bottler, and with the Pepsi Bottlers, will exclusively manufacture, bottle, package, distribute and sell, and non-exclusively advertise and promote, CSD products in the PRC under certain trademarks owned by PepsiCo and members of its group, and to provide certain bottling procurement and contract management services to PepsiCo.

Under the Framework Exclusive Bottling Agreement, PepsiCo and CMCI (or their nominated supplier) will supply concentrate to the TAB Group. Concentrate price is calculated by reference to a percentage of the total net wholesale price of all CSD products sold by TAB and the Pepsi Bottlers in the PRC to wholesale and retail customers. Discounts, allowances, rebates and returns granted by TAB and the Pepsi Bottlers to their customers are netted off from the invoice price to arrive at the net wholesale price. The actual concentrate price payable by TAB and the Pepsi Bottlers is fixed from time to time according to the relative market share of TAB and the Pepsi Bottlers as compared with TAB's principal competitor in the PRC in the relevant period. The price will be settled on a monthly basis. The Framework Exclusive Bottling Agreement will expire on 31 December 2050.

PepsiCo is granted the Call Option to acquire assets and/or undertakings solely or primarily used in the production of CSD or sports drink products or products licensed to any member of the TAB Group under the Gatorade Exclusive Bottling Agreement in the event of the occurrence of certain termination events, including the termination of the CCT Agreements. TAB has an option to put certain of such assets and/or undertakings to any Affiliate of PepsiCo upon the occurrence of certain termination events, including the termination of the CCT Agreements.

Upon termination, TAB will provide assistance to PepsiCo to ensure an orderly transition of operations of the CSD bottling business from TAB to PepsiCo and continuity of supply of CSD products in the PRC. The assistance would include the return of materials and data and the provision of records in connection with the CSD business.

(b) ***Gatorade Exclusive Bottling Agreement***

The Gatorade Exclusive Bottling Agreement has been entered into between Stokely-Van Camp, Inc. (a wholly-owned indirect subsidiary of PepsiCo) and TAB pursuant to which TAB will be licensed (with the right to sublicense) to exclusively manufacture, bottle, package, distribute and sell, and non-exclusively advertise and promote, sports drinks under certain Gatorade trademarks in the PRC.

Stokely Van-Camp, Inc. (or its nominated supplier) will supply concentrate to the TAB Group at a price to be determined by reference to the aggregate net wholesale price (being the total invoiced price of all Gatorade products sold by the TAB Group to customers (wholesale and retail) in the PRC less certain qualified deductions). The price will be settled on a monthly basis.

The Gatorade Exclusive Bottling Agreement will expire on 31 December 2050.

(c) ***House of Tropicana Agreement***

The House of Tropicana Agreement has been entered into between the Company, FEB and TAB, pursuant to which each of FEB and the Company will grant to TAB an exclusive, royalty-free license (with the right to sublicense) to manufacture, bottle, package, distribute, sell, advertise and promote certain juice and juice drinks in the PRC branded under “Tropicana” or co-branded with “Daily C” or “康師傅” (Kang Shifu\* or Master Kong). The House of Tropicana Agreement will expire on 31 December 2050.

(d) ***Aquafina License Agreement***

The Aquafina License Agreement has been entered into between FEB and TAB, pursuant to which FEB will grant to TAB of a non-exclusive, royalty-free license (with the right to sublicense) to manufacture, bottle, package, distribute, sell, advertise and promote non-carbonated water beverage products under certain Aquafina trademarks in the PRC. The Aquafina License Agreement will expire on 31 December 2050.

The amount payable by TAB under the CCT Agreements will be subject to an annual cap of 12% of the turnover of TAB for the relevant financial year. The Company will seek the approval of the independent shareholders if there are changes to the annual cap for the CCT Agreements or the basis of determining the annual cap for the CCT Agreements.

### 3. The Strategic Alliance Arrangements

Following Closing, FEB will become an indirect shareholder in TAB. The Company and, amongst others, PepsiCo, MKB, FEB and TAB will enter into certain Strategic Alliance Arrangements in connection with their ongoing relationship and the protection of FEB's indirect and minority shareholder rights.

To preserve TAB as the platform for the strategic alliance, each of the Company and PepsiCo agrees not to compete with TAB in the non-alcoholic beverage business in the PRC.

If certain termination events occur, such as early termination of the CCT Agreements or the Strategic Alliance Arrangements should cease, FEB has, under the Option Agreement, the Put Option exercisable at its discretion to require the Company to buy all of its interest in MKB and TAB as at the relevant time at fair market value. The Company also has the Call Option to require FEB to sell all of its shares in MKB and TAB as at the relevant time at fair market value.

The fair market value will be determined by assessing the business prospects of TAB.

No premium is payable by either FEB or the Company in respect of the options under the Option Agreement. The exercise period of the options under the Option Agreement will end on the first anniversary of the termination of the Framework Exclusive Bottling Agreement.

Pursuant to Rule 14.76(1) of the Listing Rules, the Company will inform the Stock Exchange of the actual monetary value of the exercise price, the value of the underlying assets and the profits and revenue attributable to such assets upon the option is exercised and if the actual monetary value results in the transaction falling within a higher classification than the possible major transaction as currently contemplated, the Company will announce this fact and comply with the additional requirements of such higher classification.

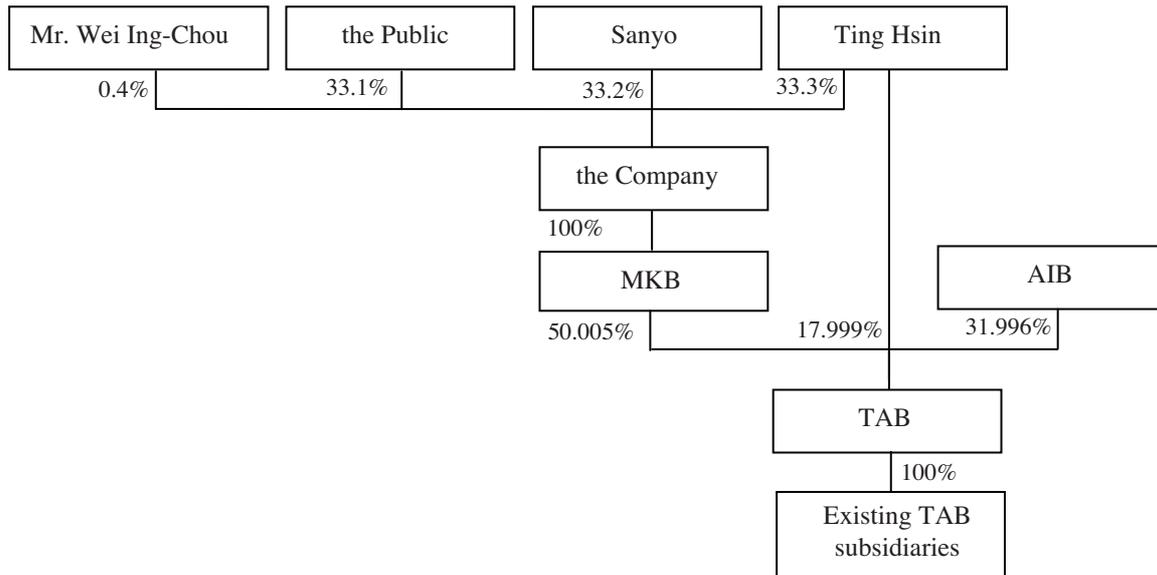
To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, at the date of the Contribution Agreement, the CCT Agreements and the Option Agreement, PepsiCo and FEB and their respective beneficial owners are independent of, and not connected with, the Company and its connected persons.

## SHAREHOLDING AND GROUP STRUCTURE OF THE TAB GROUP

The following charts show the shareholding and structure of the TAB Group before and upon Closing and upon the exercise of the Issue Option.

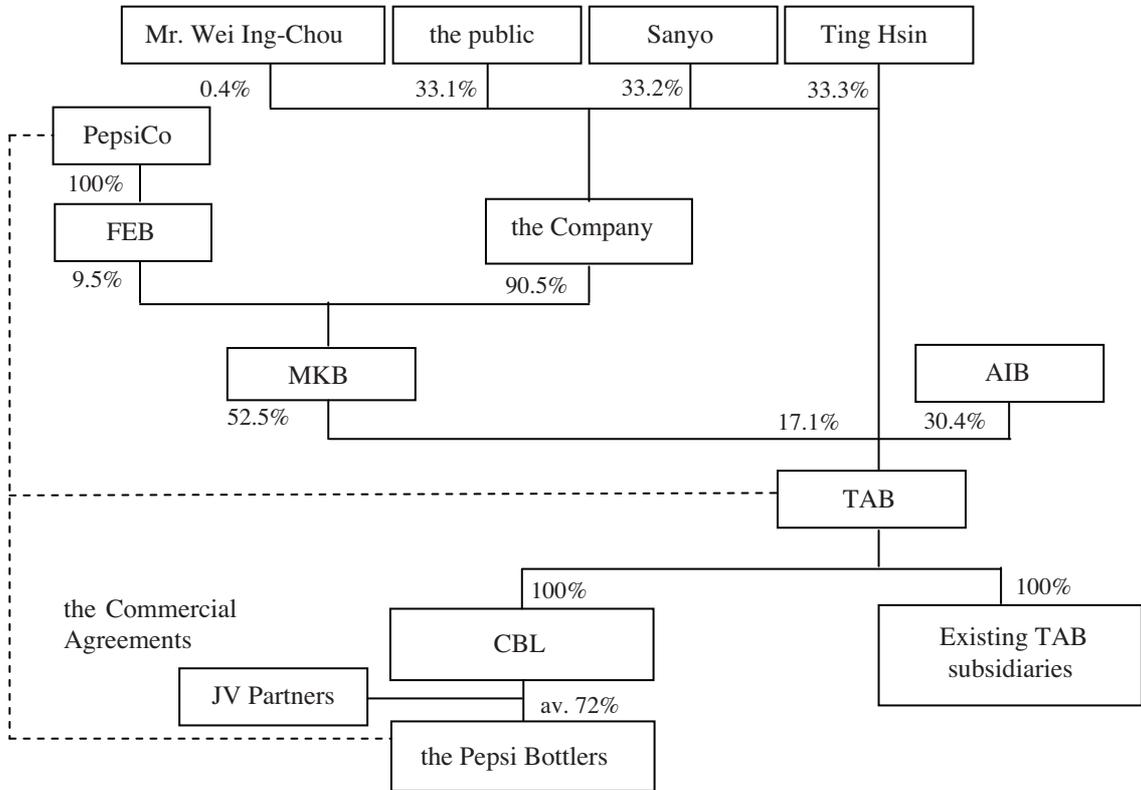
### (a) Current structure

As at the date of this announcement, the shareholding structure of the TAB Group is as follows:



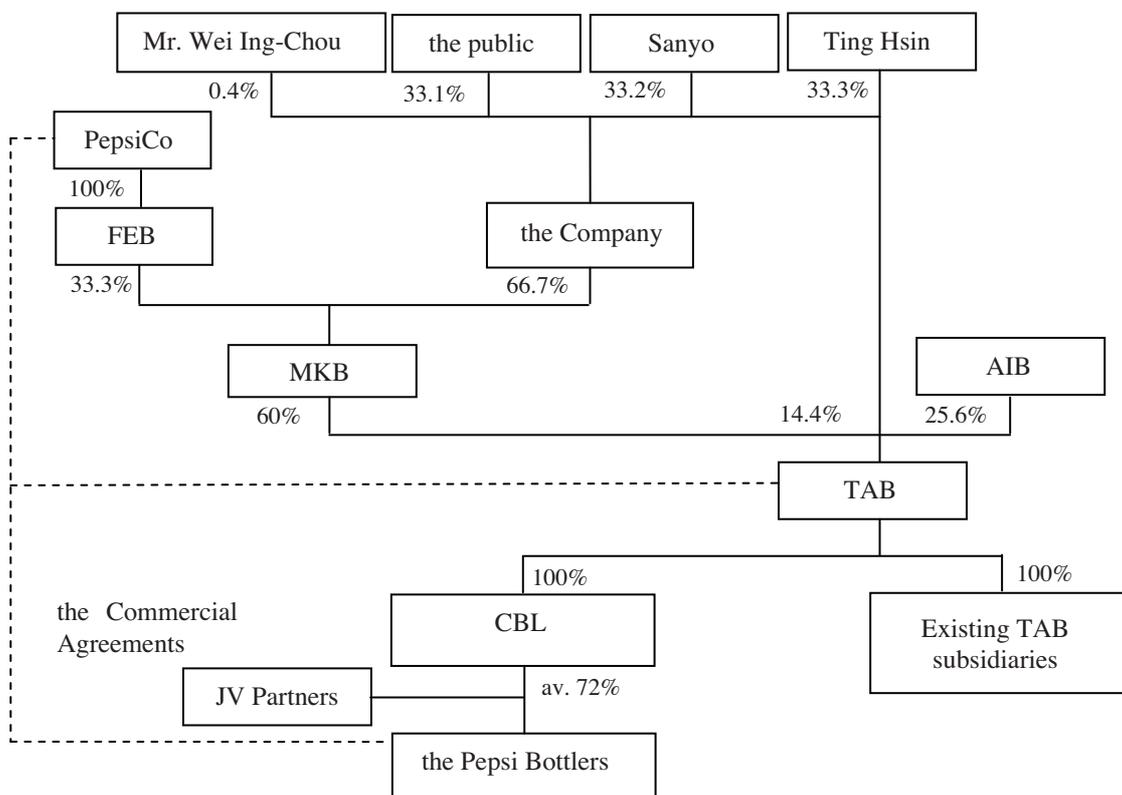
**(b) Upon Closing**

The shareholding and structure of the TAB Group immediately upon Closing will be as follows:



**(c) Upon the exercise of the Issue Option**

The shareholding and structure of the TAB Group immediately upon exercise of the Issue Option (assuming that the shareholdings of AIB, MKB and Ting Hsin in TAB and FEB and the Company in MKB, remain the same prior to the exercise of the Issue Option) will be as follows:



**REASONS FOR AND BENEFITS OF THE STRATEGIC ALLIANCE**

Under the strategic alliance, TAB, together with the Pepsi Bottlers, will be exclusively responsible for manufacturing, bottling, packaging, selling and distributing PepsiCo’s CSD and Gatorade branded products, and PepsiCo will retain branding and marketing responsibilities.

TAB will also co-brand its juice products under the Tropicana brand under a license from PepsiCo. TAB, together with the Pepsi Bottlers, will have the exclusive right to manufacture and distribute PepsiCo’s non-carbonated beverage products in the PRC. In addition, PepsiCo will provide access to its global beverage innovation pipeline.

The Board believes that the strategic alliance with PepsiCo is expected to bring a variety of important benefits, including:

- bringing innovative new products to market faster across PepsiCo and the Company brand offerings and improving choice for consumers;

- improving operating efficiency and reducing costs by combining local and global expertise in manufacturing and distribution;
- providing better localised service to PepsiCo's national retail and food service customers in the PRC through the Company's distribution expertise;
- supporting new opportunities to develop local economies in interior and western PRC;
- extending the national distribution of PepsiCo's carbonated soft drink and non-carbonated beverage brands; and
- increasing the investment made in PepsiCo's brand portfolio and marketing in the PRC.

The results of the TAB Group will continue to be consolidated into the accounts of the Group after Closing, the exercise of the Issue Option and, if exercised, the Put Option. Each of MKB and TAB will remain a subsidiary of the Group after Closing, the exercise of the Issue Option and, if exercised, the Put Option.

The terms of the Contribution Agreement, the CCT Agreements and the Option Agreement were determined after arm's length negotiations between the Company and PepsiCo. The relative valuation of TAB and CBL was determined by reference to, among other things, historical financial performance of both CBL and TAB, the growth potential of CBL and TAB, the potential synergies between TAB and CBL, and the book value of CBL.

The Directors (excluding Mr. Wei Ing-Chou and Mr. Wei Ying-Chiao, who have interests in Ting Hsin and have abstained from voting and the independent non-executive Directors who will provide their view after having obtained the advice from the independent financial adviser) are of the opinion that the terms of the Contribution Agreement, the CCT Agreements and the Option Agreement are fair and reasonable.

## **INFORMATION ON THE COMPANY**

The Company specialises in the production and distribution of instant noodles, beverages and baked goods in the PRC. For three consecutive years from 2008 to 2010, the Company was named one of the 50 best listed companies in Asia by Forbes for its solid financial track record and excellent management and entrepreneurial skills. The Company is listed on the Stock Exchange and had a market capitalization of approximately HK\$116,274 million as of 3 November 2011.

The TAB Group runs the Company's beverage business. The business of the TAB Group covers mainly ready-to-drink tea, juice, and bottled water, and other beverage products. The book value of MKB and TAB as at 30 June 2011 were US\$62,504,000 and US\$1,120,378,000, respectively, and the before- and after-tax profits of MKB and TAB for the financial years ended 31 December 2009 and 2010 on were as follows:

|     | <b>For the year ended<br/>31 December 2009</b> |  | <b>For the year ended<br/>31 December 2010</b> |  |
|-----|--|--|--|--|
|     | <b>Before-tax<br/>profit<br/>US\$'000</b>      | <b>After-tax<br/>profit<br/>US\$'000</b> | <b>Before-tax<br/>profit<br/>US\$'000</b>      | <b>After-tax<br/>profit<br/>US\$'000</b> |
| MKB | 42,780   | 42,780                                   | 54,333   | 54,333                                   |
| TAB | 276,172  | 228,746                                  | 325,672  | 263,129                                  |

## **INFORMATION ON PEPSICO**

PepsiCo offers the world's largest portfolio of billion-dollar food and beverage brands, including 19 different product lines that generate more than US\$1 billion in annual retail sales each. In addition to PepsiCo's main businesses - Quaker, Tropicana, Gatorade, Frito-Lay, and Pepsi Cola, PepsiCo also make hundreds of other enjoyable foods and beverages that are respected household names throughout the world.

## **LISTING RULES IMPLICATIONS**

### *Chapter 14 of the Listing Rules*

#### **Disclosable Acquisition**

The contribution of PepsiCo's entire interests in the beverage bottling business in the PRC to TAB in exchange for an indirect 5% interest in TAB through the holding of a 9.5% interest in MKB constitutes an acquisition and a deemed disposal by the Company. As the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 5% but are below 25%, each of the contribution and the deemed disposal constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **Possible Major Disposal**

The relevant percentage ratios for the grant of the Issue Option, when aggregated with the issue of the 9.5% interest in MKB upon Closing, are more than 25% but are less than 100%. The grant of the Issue Option constitutes a possible major transaction (deemed disposal) of the Company under Chapter 14 of the Listing Rules and is subject to shareholders' approval.

## **Possible Major Acquisition and Possible Major Disposal**

The relevant percentage ratios for the grant of the Put Option and the Call Option may be more than 25% but will be less than 100%. The grant of the Put Option and the Call Option therefore constitutes a possible major acquisition and a possible major disposal (respectively) of the Company and is subject to shareholders' approval.

### *Chapter 14A of the Listing Rules*

## **Discloseable Disposal And Connected Transaction**

Under Rule 14A.13(b)(i), the Contribution Agreement will constitute a connected transaction of the Company given the 17.999% interest in TAB held by Ting Hsin, a controlling shareholder of the Company.

## **Possible Major Acquisition, Possible Major Disposal and Connected Transaction**

If FEB and PepsiCo (and their respective associates) increases their shareholding in MKB to 10 per cent. or more, through an acquisition of existing or new shares or upon exercise of the Issue Option, FEB will become a substantial shareholder of a non-wholly owned subsidiary of the Company. Accordingly, FEB will be a connected person of the Company and the arrangements under the Commercial Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and the transfer of the indirect interest in TAB to the Company upon the exercise of the Put Option and the acquisition of the assets under the Call Option will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

## **Possible Non-Exempt Continuing Connected Transactions**

Based on the historical transaction values between PepsiCo and the Pepsi Bottlers, it is expected that the relevant percentage ratios under Rule 14.07 of the Listing Rules (other than the profit ratio) in respect of the transactions under the CCT Agreements will, on an annual basis, be more than 5%. Assuming the Issue Option is exercised

or FEB otherwise acquires more shares and becomes a connected person of the Company, the transactions under the CCT Agreements will constitute non-exempt continuing connected transactions and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Rule 14A.35(1) of the Listing Rules provides that the duration of the continuing connected transaction agreements must be fixed and reflect normal commercial terms and, except in special circumstances, must not exceed three years. The Company has engaged an independent financial adviser to explain and justify that it would be normal business practice for agreements in the nature of the CCT Agreements to have a term that is longer than three years, to satisfy the Stock Exchange that special circumstances exist in compliance with Rule 14A.35(1) of the Listing Rules.

Rule 14A.35(2) of the Listing Rules provides that an annual cap must be set and such annual cap must be expressed in terms of monetary value rather than a percentage of the Company's annual revenue. The Company has applied to the Stock Exchange and received a waiver allowing the annual cap for the CCT Agreements to be expressed as a percentage of TAB's turnover in the relevant financial year for the term of the CCT Agreements on the condition that the Company will disclose the turnover of TAB in its annual reports during the term of the CCT Agreements.

Whilst the House of Tropicana Agreement and the Aquafina License Agreement will also constitute continuing connected transactions if FEB becomes a connected person of the Company, they will be exempted continuing connected transactions under Rule 14A.33(3) of the Listing Rules.

## **GENERAL**

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Contribution Agreement, the CCT Agreements and the Option Agreement. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Contribution Agreement, the CCT Agreements and the Option Agreement. Ting Hsin and its associates will abstain from voting on the resolution proposed at the EGM to approve the Contribution Agreement, the CCT Agreements and the Option Agreement given its 17.999% interest in TAB.

Sanyo has given an undertaking to the Company to cast all of its voting rights in respect of an aggregate of 1,854,827,866 Shares, representing approximately 33.2% of the issued share capital of the Company as of the date of this announcement in favour of the resolutions to approve the Contribution Agreement, the CCT Agreements and the Option Agreement proposed at the EGM.

A circular containing, among other things, (a) further particulars of the Contribution Agreement, the CCT Agreements and the Option Agreement, (b) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Contribution Agreement, the CCT Agreements and the Option Agreement, (c) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Contribution Agreement, the CCT Agreements and the Option Agreement, and (d) a notice convening the EGM to approve the Contribution Agreement, the CCT Agreements, the Option Agreement and the annual cap for the transaction amount under the CCT Agreements will be dispatched to the Shareholders on or before 2 December 2011.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 4 November 2011 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 7 November 2011.

## **DEFINITIONS**

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

|                              |  |
|------------------------------|--|
| “Affiliate”                  | in relation to any party, any subsidiary or holding company of that party and any subsidiary of such holding company, in each case, from time to time;                                     |
| “AIB”                        | AI Beverage Holding Co., Ltd., a company incorporated in Japan with limited liability and, as at the date of this announcement held as to 100% by Asahi Group Holdings, Ltd.;              |
| “Aquafina License Agreement” | the agreement date 4 November 2011 between FEB and TAB, the brief particulars of which are set out in the section headed “(d) Aquafina License Agreement Agreements” in this announcement; |
| “associate”                  | has the meaning ascribed to it under the Listing Rules;  |
| “Board”                      | the board of directors of the Company;   |

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| “Call Option”             | the option granted to PepsiCo to acquire assets and/or undertakings of TAB used solely or primarily in the production of CSD and sports drink products or products licensed to any member of the TAB Group under the Gatorade Exclusive Bottling Agreement as described in the section headed “3. Strategic Alliance Arrangements” in this announcement; |
| “CBL”                     | China Bottlers (Hong Kong) Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of FEB as of the date of this announcement;   |
| “CCT Agreements”          | the Framework Exclusive Bottling Agreement and the Gatorade Exclusive Bottling Agreement;  |
| “CMCI”                    | The Concentrate Manufacturing Company of Ireland, a corporation organised under the laws of Ireland and resident in Bermuda;   |
| “Commercial Agreements”   | the agreements, the brief particulars of which are set out in the section headed “2. The Commercial Agreements” in this announcement;  |
| “Company”                 | Tingyi (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;  |
| “Closing”                 | closing of the Contribution Agreement;   |
| “Contribution Agreement”  | the agreement dated 4 November 2011 between, among others, the Company and PepsiCo, the brief particulars of which are set out in the section headed “1. The Contribution Agreement” in this announcement;   |
| “connected person”        | has the meaning ascribed to it under the Listing Rules;  |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules;  |
| “CSD”                     | carbonated soft drink;   |
| “Directors”               | the directors of the Company;  |

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| “EGM”                                    | the extraordinary general meeting of the Company to be convened to approve, among others, the Contribution Agreement and the CCT Agreements or any adjournment of such meeting;                        |
| “FEB”                                    | Far East Bottlers (Hong Kong) Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of PepsiCo;   |
| “Framework Exclusive Bottling Agreement” | the agreement dated 4 November 2011 between PepsiCo, CMCI and TAB, the brief particulars of which are set out in the section headed “(a) Framework Exclusive Bottling Agreement“ in this announcement; |
| “Gatorade Exclusive Bottling Agreement”  | the agreement dated 4 November 2011 between FEB and TAB, the brief particulars of which are set out in the section headed “(b) Gatorade Exclusive Bottling Agreement“ in this announcement;            |
| “Group”                                  | the Company and its subsidiaries;  |
| “Hong Kong”                              | the Hong Kong Special Administrative Region of the People’s Republic of China;   |
| “House of Tropicana Agreement”           | the agreement dated 4 November 2011 between FEB, the Company and TAB, the brief particulars of which are set out in the section headed “(c) House of Tropicana Agreement“ in this announcement;        |
| “Independent Board Committee”            | an independent committee of the Board, comprising all the independent non-executive Directors to be appointed by the Board;  |
| “Independent Shareholders”               | any shareholder of the Company that will not be required under the Listing Rules to abstain from voting on the resolutions at the EGM;   |
| “Issue Option”                           | the option granted to FEB as described in the section headed “1. The Contribution Agreement — (b) The Issue Option” in this announcement;  |
| “Listing Rules”                          | the Rules Governing the Listing of Securities on the Stock Exchange;   |

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| “MKB”                             | Master Kong Beverages (BVI) Co. Ltd., a company incorporated in the British Virgin Islands with limited liability and, as of the date of this announcement, a wholly-owned subsidiary of the Company;  |
| “MOFCOM”                          | the Ministry of Commerce of the PRC;   |
| “Option Agreement”                | the agreement dated 4 November 2011 between the Company, PepsiCo and the Company in relation to the Put Option;  |
| “PepsiCo”                         | PepsiCo Inc., a company incorporated in North Carolina, the United States of America;  |
| “Pepsi Bottlers”                  | the 24 bottlers that are exclusively engaged by PepsiCo in the production and distribution of beverage products in the PRC;  |
| “PRC”                             | the People’s Republic of China excluding Hong Kong, Taiwan and the Special Administrative Region of Macau;   |
| “Put Option”                      | the option granted to FEB to sell its interest in MKB and TAB to the Company as described in the section headed “3. Strategic Alliance Arrangements” in this announcement;                             |
| “Share(s)”                        | share(s) of US\$0.005 each in the capital of the Company;  |
| “Shareholder(s)”                  | shareholder(s) of the Company;   |
| “Stock Exchange”                  | The Stock Exchange of Hong Kong Limited;   |
| “Strategic Alliance Arrangements” | the arrangements entered into by, amongst others, the Company, PepsiCo, MKB, FEB and TAB in connection with their ongoing relationship with respect to TAB;  |
| “substantial shareholder”         | has the meaning ascribed to it under the Listing Rules;  |
| “TAB”                             | Tingyi-Asahi Beverages Holding Co., Ltd., a company incorporated in the Cayman Islands with limited liability and, as at the date of this announcement, an indirect 50.005% subsidiary of the Company; |

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|-------------|--|
| “TAB Group” | TAB and its subsidiaries which will, upon Closing, include CBL and the Pepsi Bottlers;   |
| “Ting Hsin” | Ting Hsin (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands and a controlling shareholder of the Company; |
| “US\$”      | United States dollar, the lawful currency of the United States of America; and   |
| “%”         | per cent.  |

By order of the Board  
**Tingyi (Cayman Islands) Holding Corp.**  
**Wei Ing-Chou**  
*Chairman*

4 November 2011

*As at the date of this announcement, the executive Directors of the Company are Mr. Wei Ing-Chou, Mr. Takeshi Ida, Mr. Ryo Yoshizawa, Mr. Wei Ying-Chiao, Mr. Wu Chung-Yi and Mr. Junichiro Ida; the independent non-executive Directors of the Company are Mr. Hsu Shin-Chun, Mr. Lee Tiong-Hock and Mr. Daisuke Okada.*

website: <http://www.masterkong.com.cn>  
<http://www.irasia.com/listco/hk/tingyi>

*\* For identification purposes only*