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# 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)**

## CONTINUING CONNECTED TRANSACTIONS

On 12 May 2017, the Company entered into the Master Supply Agreement with Marine Vision Investment Inc. in relation to the Group's purchase of carton boxes from the Supplier for a period of three financial years ending on 31 December 2019.

As the Supplier is beneficially owned by Mr. Wei Ing-Chou, the Chairman of the Company and an executive Director, and his associates, the Master Supply Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the annual transaction amount in respect of the Master Supply Agreement is expected to exceed 0.1% but less than 5% of the applicable ratios, the Master Supply Agreement will be subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 12 May 2017, the Company entered into the Master Supply Agreement in respect of the Continuing Connected Transactions.

### THE MASTER SUPPLY AGREEMENT

Date: 12 May 2017

Parties: (1) Marine Vision Investment Inc., as the supplier; and  
(2) the Company

The Supplier is beneficially owned by Mr. Wei Ing-Chou and his associates. Mr. Wei Ing-Chou is an executive Director and the Chairman of the Company. Accordingly, the Supplier is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

Subject: Pursuant to the terms of the Master Supply Agreement, the Group will purchase carton boxes from the Supplier and its subsidiaries.

Term: The Master Supply Agreement has a term of three financial years ending on 31 December 2019.

Price: The price of the carton box products supplied by the Supplier to the Group will be based on the quoted price for the products to be supplied by the Supplier. Such quoted price will be determined based on arm's length negotiations between the parties and on normal commercial terms on a quarterly basis with reference to:

- i. the prevailing market price for the same or substantially similar products, taking into account the price of the same or substantially similar products with comparable order quantities and quality offered by other suppliers;
- ii. if there are insufficient comparable transactions to (i) above, on normal commercial terms comparable to those received from independent third parties in respect of the same or substantially similar products with comparable quantities; and
- iii. if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously purchased by the Company, and on normal commercial terms which are no less favourable to the Company than that are available from independent third parties.

Payment for the products under the Master Supply Agreement will be on a monthly basis with 60 days' credit terms.

Cap amount: Pursuant to the Master Supply Agreement, the Company has agreed to purchase carton boxes from the Supplier and its subsidiaries based on the pricing policy stated above during the term of the agreement subject to the following annual caps:

	<b>Financial year ending 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	1,800,000	1,900,000	2,000,000

The annual caps for the Master Supply Agreement were determined based on the historical transaction amount with the Supplier with an annual rate of increase of approximately 4-6%. The rate of increase was based on the Company's expected growth in demand for carton box products of the Supplier and the increase in prices of the products as a result of an increase in the cost of raw materials for carton boxes.

The Supplier was previously owned by an independent third party and the transactions with the Supplier and its subsidiaries were not connected transactions of the Company. Great System Holdings Limited, a company beneficially owned by Mr. Wei Ing-Chou, an executive Director, and his associates, acquired the Supplier in May 2017 and the Supplier became a connected person of the Company. The historical purchases from the Supplier for the three financial years ended 31 December 2016 and the three months ended 31 March 2017 are set out below:

	For the year ended 31 December			For the three months ended 31 March
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchases from the Supplier	1,782,511	1,623,506	1,725,475	537,936

To ensure that the terms of purchase offered by the Supplier are no less favourable to the Group than those available from independent third parties, the Company has a set of internal procedures in place under which:

- i. the Company maintains a list of carefully selected suppliers. The list is regularly reviewed and updated. For a supplier to become listed, the Company will initially conduct and must be satisfied with the factory visits to the supplier, the supplier must also have a good track record with the Company in terms of the quality of the products which is reviewed by the quality assurance team of the Company (the “Quality Assurance Department”). The supplier must have also had a track record of at least one year. Further, if the supplier has not supplied any goods to the Company for more than a year, the supplier will be delisted from the Company’s supplier list and the Company will initiate the full selection procedure (including factory visits and quality checks) for the supplier to be relisted onto the suppliers list;

- ii. with respect to any potential orders, the research and development department of the Company (the “R&D Department”) will first discuss and formulate the details of the specifications of the order (including materials, safety, functions, design for packaging materials and the specification for the relevant products);
- iii. after such formulation by the R&D Department, based on their experience and taking into account similar purchases made by the Company, the Purchasing Department will obtain quotations from the Supplier and also select not less than two and on average about three suppliers from the Company’s suppliers list which are independent third parties for quotations in order to ascertain the prevailing market price;
- iv. the selection criteria of the suppliers will be based on their quotation, delivery times, payment terms, specifications, quality, safety and recent performance;
- v. upon delivery of the products (whether by the Supplier or independent third party suppliers), the Quality Assurance Department will conduct checks to review (in terms of including but not limited to quality and safety) and assess whether the products have been supplied in accordance with the terms of each contract.

The Board considers that with the above internal procedures in place, the Company will be able to ensure that the transactions with the Supplier will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the independent Shareholders.

## **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The Supplier and its subsidiaries have been supplying carton box products to the Group for approximately 20 years. The carton boxes are used for the packaging of the Group’s products for the operation needs of the Group. The Master Supply Agreement is being entered into to enable the Supplier to continue to supply carton box products to the Group for the Group’s operation needs.

As the Master Supply Agreement is being entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm’s length basis and on normal commercial terms, with the purchase price of the products being based on prevailing market price of similar products offered by other suppliers, the Directors (including the independent non-executive Directors but excluded Mr. Wei Ing-Chou and Mr. Wei Hong-Ming, who are interested in the transactions contemplated under the Master Supply Agreement and have abstained from voting

from the Board resolution for the approval of the Master Supply Agreement) consider that the transactions between the Company and the Supplier and the proposed annual caps for the transactions under the Master Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE SUPPLIER**

The Supplier is a limited liability company established in the British Virgin Islands. It is an investment holding company and has 17 wholly-owned subsidiaries principally engaged in the manufacture and sale of carton boxes in the PRC.

The Supplier was previously owned by an independent third party. It was acquired by Great System Holdings Limited in May 2017. Great System Holdings Limited is beneficially owned by Mr. Wei Ing-Chou, an executive Director, and his associates. Upon completion of the acquisition, the Supplier became a connected person of the Company.

## **IMPLICATION UNDER THE LISTING RULES**

Upon completion of the acquisition of the Supplier by Great System Holdings Limited, the Supplier became a connected person of the Company and transactions between the Group and the Supplier became connected transactions for the Company.

Mr. Wei Ing-Chou and Mr. Wei Hong-Ming are considered to be interested in the transactions contemplated under the Master Supply Agreement and have abstained from voting on the Board resolution approving the Master Supply Agreement.

As the annual transaction amount in respect of the Master Supply Agreement is expected to exceed 0.1% but less than 5% of the applicable ratios, the Master Supply Agreement will be subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Board”	the board of Directors;
“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;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Supply Agreement”	the agreement entered into between Marine Vision Investment Inc. and the Company dated 12 May 2017 in relation to the purchase of carton boxes by the Company from the Supplier and its subsidiaries;
“PRC”	the People’s Republic of China and for the purpose this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary shares 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;
“Supplier”	Marine Vision Investment Inc., an investment holding company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wei Ing-chou and his associates; and
“%”	per cent.

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

Tokyo, Japan, 12 May 2017

*As at the date of this announcement, Mr. Wei Ing-Chou, Mr. Junichiro Ida, Mr. Wu Chung-Yi, Mr. Teruo Nagano, Mr. Wei Hong-Ming and Mr. Koji Shinohara 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.*

*\* For identification purposes only*

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