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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 9 December 2022, the Company entered into the Supply Agreement with Ting Fung in relation to the Group's purchases of modified potato starch, modified cassava starch and seasoning flavour products from Ting Fung for a term of three financial years ending 31 December 2025.

Ting Fung 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. Ting Fung is hence a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and the transactions contemplated under the Supply Agreement 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 Supply Agreement are expected to exceed 0.1% but less than 5%, the transactions contemplated under the Supply Agreement are subject to the reporting, annual review and announcement requirements and exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 16 December 2019 in relation to the 2019 Agreement. As the 2019 Agreement is due to expire on 31 December 2022, the Company entered into the Supply Agreement to enable the Group to continue to purchase modified potato starch, modified cassava starch and seasoning flavour products from Ting Fung for the Group’s operation requirements in the upcoming three years. The principal terms of the Supply Agreement are set out below:

THE SUPPLY AGREEMENT

Subject: The Group will purchase modified potato starch, modified cassava starch and seasoning flavour products from Ting Fung.

Term: Three financial years commencing on 1 January 2023 and ending on 31 December 2025.

Price: The price of the products to be supplied by Ting Fung to the Group will be based on the quoted price for the products to be supplied. Such quoted price will be determined on a quarterly basis based on arm’s length negotiations between the parties and on normal commercial terms 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 independent third party 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 quality; and
- iii. if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously purchased 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 products under the Supply Agreement will be calculated on a monthly basis upon delivery of the products, with additional credit terms of 60 days. The payment will be made on the monthly payment day specified by the Group after the end of the credit terms.

The same payment procedures as described above that have been implemented under the 2019 Agreement will continue to be applicable under the Supply Agreement, and such payment procedures are the same as those applicable to independent third party suppliers with comparable size. As such, the payment terms under the Supply Agreement are no less favourable to the Group than those applicable to independent third party suppliers, and that it will not result in adverse impact on the Group.

Cap amount: Pursuant to the Supply Agreement, the Group has agreed to purchase products from Ting Fung based on the pricing policy stated above during the term of the Supply Agreement subject to the following annual caps:

	Financial year ending 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	400,000	450,000	500,000

The annual caps for the Supply Agreement were determined based on the historical transaction amount with Ting Fung, and are projected mainly with reference to:

- a) the Group's demand for modified potato starch, modified cassava starch and seasoning flavour products supplied by Ting Fung in the coming three years, with reference to:
 - i. the expected growth in the overall sales of the Group's instant noodle products;
 - ii. the increase in the Group's sourcing of modified potato starch, modified cassava starch and seasoning flavour products from independent third party suppliers, with a view to increase the level of diversification of the Group's purchases of modified potato starch, modified cassava starch and seasoning flavour products, and to obtain more favourable commercial terms from all the suppliers;

- b) the unit cost of raw materials for modified potato starch, modified cassava starch and seasoning flavour products is expected to sustain moderate growth in the coming three years.

The historical transaction amount of the products supplied by Ting Fung for the two financial years ended 31 December 2021 and the nine months ended 30 September 2022 are set out below:

	For the year ended 31 December		For the nine months ended 30 September
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual cap	370,000	430,000	500,000 ^(Note)
Actual purchases from Ting Fung	324,227	288,318	165,150

Note: The annual cap for 2022 is for the whole financial year.

Condition

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

REASONS FOR THE SUPPLY AGREEMENT

Ting Fung has been supplying modified potato starch, modified cassava starch and seasoning flavour products to the Group for more than twenty years. Such products are being used for the manufacturing of the Group's products in the ordinary and usual course of business of the Group.

The Group has always been committed to food safety and quality guarantee, and has high requirements for its suppliers, such as the ability to provide stable and sufficient quantities of high quality products in a timely manner. The Group has been satisfied with the quality of the products supplied by Ting Fung, and has not encountered any issue in relation to the quality of the products supplied by Ting Fung. As the 2019 Agreement is due to expire on 31 December 2022, the Supply Agreement is being entered into to enable the Group to continue to purchase modified potato starch, modified cassava starch and seasoning flavour products from Ting Fung for the Group's operation requirements in the upcoming three years.

As the Supply Agreement is being entered into in the ordinary and usual 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 the same or substantially similar products offered by independent third party suppliers, 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) consider that the transactions under the Supply Agreement and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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, are considered to be interested in the transactions contemplated under the Supply Agreement and have avoided discussion and abstained from voting from the Board resolution to approve the Supply Agreement.

Ms. Tseng Chien, an executive Director of the Company, although having no interest in the transactions contemplated under the Supply Agreement, has voluntarily elected to avoid discussion and abstain from voting from the Board resolution to approve the Supply Agreement.

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 a set of internal control procedures in place 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 of the Group must also have a good track record with the Group in terms of the quality of the products supplied or the services provided, which is reviewed by the quality assurance team of the Group (the “**Quality Assurance Department**”). The supplier or service provider of the Group must have also had 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 supplier/service provider 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 supplier/service provider list;

- (ii) with respect to any potential orders, the research and development department of the Group (the "**R&D Department**") or the purchasing department (the "**Purchasing Department**") will first discuss and formulate the details of the specifications of the order (including materials, safety, functions and 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 or services procured by the Group, the Purchasing Department will obtain quotations from the supplier or service provider on a quarterly basis and also select not less than two and on average about three suppliers or service providers from the Group's supplier/service provider 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 time, payment terms, specifications, quality, safety and recent performance;
- (v) upon delivery of the products or upon completion of the services (whether connected person or independent third party), the Quality Assurance Department will conduct checks to review and assess (including but not limited to quality and safety) whether the products have been supplied or the services have been provided in accordance with the terms of each agreement; and
- (vi) the price of the products supplied by the suppliers and services provided by the service providers will be determined based on the pricing policies set out in the section headed "THE SUPPLY AGREEMENT".

Internal review policies

- (i) the pricing policy 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 the products or services, the Group will assess the scope and scale of the products or services and obtain reference quotations from independent third party suppliers or service providers for setting the prevailing market price;
- (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 policy; 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.

INFORMATION ON THE PARTIES

The Group

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

Ting Fung

Ting Fung is a limited liability company incorporated in the PRC and is principally engaged in the manufacture and sale of modified potato starch, modified cassava starch and seasoning flavour products in the PRC.

Ting Fung is beneficially owned by four discretionary trusts, of which: Ms. Wei Chang Lu-Yun is the settlor of one of the discretionary trusts with Mr. Wei Ing-Chou and Ms. Wei Chang Lu-Yun as discretionary objects, Ms. Lin Li-Mien is the settlor of one of the discretionary trusts with Mr. Wei Ying-Chiao and Ms. Lin Li-Mien as discretionary objects, Ms. Wei Hsu Hsu-Mien is the settlor of one of the discretionary trusts with Mr. Wei Yin-Chun and Ms. Wei Hsu Hsu-Mien as discretionary objects, and Ms. Wei Tu Miao is the settlor of one of the discretionary trusts with Mr. Wei Yin-Heng and Ms. Wei Tu Miao as discretionary objects. Mr. Wei Ing-Chou and Ms. Wei Chang Lu-Yun are the parents 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. Mr. Wei Ying-Chiao, Ms. Lin Li-Mien, Mr. Wei Yin-Chun, Ms. Wei Hsu Hsu-Mien, Mr. Wei Yin-Heng and Ms. Wei Tu Miao are 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.

IMPLICATION UNDER THE LISTING RULES

Ting Fung 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. Ting Fung is hence a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and the transactions contemplated under the Supply Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Save for Mr. Wei Hong-Ming and Mr. Wei Hong-Chen, no other Director is interested in the transactions contemplated under the Supply Agreement.

As the applicable percentage ratios in respect of the annual transaction amount under the Supply Agreement are expected to exceed 0.1% but less than 5%, the transactions contemplated under the Supply Agreement are subject to the reporting, annual review and announcement requirements and exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2019 Agreement”	the supply agreement dated 16 December 2019 between the Company and Ting Fung;
“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;

“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;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supply Agreement”	the supply agreement entered into between the Company and Ting Fung dated 9 December 2022;
“Ting Fung”	Tianjin Ting Fung Starch Development Co., Ltd., a limited liability company incorporated in the PRC; and
“%”	per cent.

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

Hong Kong, PRC, 9 December 2022

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.

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

** For identification purposes only*