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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS PRODUCTS SUPPLY AGREEMENT

On 22 October 2020, the Company and Ting Chuan entered into the Products Supply Agreement in relation to the supply of products of the Group to Ting Chuan and its subsidiaries (together, the “Retailer”), and for the Retailer to provide related sales promotion services to the Group for a term of three financial years ending 31 December 2023.

Ting Chuan operates the “Family Mart” convenient stores in the PRC. It is beneficially and wholly-owned by Ting Hsin, which is a substantial shareholder holding approximately 33.48% of the issued share capital of the Company as at the date of this announcement. Accordingly, Ting Chuan is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules and transactions under the Products Supply Agreement constitutes 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 Products Supply Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Products 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 14 December 2017 in relation to the 2017 Agreement.

As the term of the 2017 Agreement is due to expire on 31 December 2020, the Products Supply Agreement is being entered into to enable the Group to continue to supply products to the Retailer, and for the Retailer to provide related sales promotion services to the Group.

THE PRODUCTS SUPPLY AGREEMENT

The principal terms of the Products Supply Agreement are set out below.

- Date : 22 October 2020
- Parties : (1) the Company; and
(2) Ting Chuan
- Subject : The Group will supply products to the Retailer, and for the Retailer to provide related sales promotion services to the Group.
- Term : Three financial years commencing from 1 January 2021 and ending on 31 December 2023.
- Pricing : The price of the products supplied by the Group to the Retailer, and related sales promotion services provided by the Retailer to the Group 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 supplied by the Group to its independent third party retailers, and the prevailing market price for the same or substantially similar sales promotion services provided by the Retailer to its 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 or services with comparable quantities; and

(iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously supplied by the Group and similar services previously provided by the Retailer, 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 and services under the Products Supply Agreement will be calculated on a monthly basis upon delivery of the products or completion of the services, with additional credit terms of 45 days. The payment for the services provided by the Retailer to the Group will be made on the monthly payment day specified by the Group after the end of the credit terms. The same payment procedures that have been implemented under the 2017 Agreement will continue to be applicable under the Products Supply Agreement.

Cap amount : Pursuant to the Products Supply Agreement, the Group has agreed to supply products to the Retailer based on the pricing policy stated above during the term of the Products Supply Agreement subject to the following annual caps:

	Financial year ending		
	31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	200,000	220,000	250,000

The annual caps for the supply of products under the Products Supply Agreement were determined based on the historical transaction amount with the Retailer and the Retailer's expected demand for the products of the Group.

The historical purchases by the Retailer for the two financial years ended 31 December 2019 and the nine months ended 30 September 2020 are set out below:

	For the year ended 31 December		For the nine months ended 30 September
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Annual cap	170,000	195,000	224,000
Purchases by the Retailer	134,914	146,039	96,886 <i>(Note 1)</i>

Note:

1. For the entire year of 2020.

Pursuant to the Products Supply Agreement, the Group has agreed to procure sales promotion services from the Retailer based on the pricing policy stated above during the term of the Products Supply Agreement subject to the following annual caps:

	Financial year ending 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transaction amount	70,000	80,000	90,000

The annual caps for the procurement of sales promotion services under the Products Supply Agreement were determined based on the historical transaction amount with the Retailer and the Group's expected demand for such services by the Retailer.

The historical sales promotion services provided by the Retailer for the two financial years ended 31 December 2019 and the nine months ended 30 September 2020 are set out below:

	For the year ended 31 December		For the nine months ended 30 September
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Annual cap	59,000	71,000	85,000
Sales promotion services provided by the Retailer	50,624	41,197	34,582 <i>(Note 1)</i>

Note:

1. For the entire year of 2020.

Condition

The Products 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 Products Supply Agreement

The Group is principally engaged in the production and distribution of instant noodle and beverage products in the PRC. Ting Chuan operates the "Family Mart" convenient stores in the PRC. The supply of products to convenient stores and procurement of related sales promotion services from the retailers are in the ordinary course of business of the Group. As the term of the 2017 Agreement is due to expire on 31 December 2020, the Products Supply Agreement is being entered into to enable the Group to continue to supply products to the Retailer and procure related sales promotion services from the Retailer.

As the Products Supply Agreement is being entered into in the usual and ordinary course of business of the Group and the terms have been negotiated on an arm's length basis 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, Mr. Wei Hong-Chen and Ms. Tseng Chien, executive Directors of the Company, who are

considered to be interested in the transactions contemplated under the Products Supply Agreement and have avoided discussion and abstained from voting for the resolution proposed to approve the Products Supply Agreement) consider that the transactions under the Products 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.

INTERNAL CONTROL PROCEDURES

In addition to the strict pricing terms set out in the paragraph “Pricing” above, to ensure that the terms of transactions with the Retailer are fair and reasonable and no less favourable to the Group than those available to/from independent third parties, the Group has the following internal control procedures in place under which:

- (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 supplied to the Retailer and the related sales promotion services provided by the Retailer, the Group will assess the level of order to be placed and based on the size of the order, obtain reference quotations from independent third party retailers for setting the prevailing market price in accordance with the pricing policies as set out under the Products Supply 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 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 procedures 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 TING CHUAN

Ting Chuan is a limited liability company incorporated in the Cayman Islands. It is an investment holding company having subsidiaries principally engaged in the operation of the “Family Mart” convenient stores in the PRC. Ting Chuan is beneficially and wholly-owned by Ting Hsin. Ting Hsin is an investment holding company and is beneficially owned as to approximately 92.90% by Mr. Wei Ing-Chou and his brothers Mr. Wei Ying-Chiao, Mr. Wei Yin-Chun and Mr. Wei Yin-Heng, and their respective spouses Ms. Wei Chang Lu-Yun, Ms. Lin Li-Mien, Ms. Wei Hsu Hsu-Mien and Ms. Wei Tu Miao in equal proportions. Mr. Wei Ing-Chou is the father 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 Chuan is beneficially and wholly-owned by Ting Hsin, which is a substantial shareholder holding approximately 33.48% of the issued share capital of the Company as at the date of this announcement. Accordingly, Ting Chuan is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules and transactions under the Products Supply Agreement 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 Products Supply Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Products 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.

GENERAL

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

As Ting Hsin is beneficially owned as to approximately 92.90% by the family members and relatives of Mr. Wei Hong-Ming and Mr. Wei Hong-Chen, and Ms. Tseng Chien is an officer in an intermediate holding company of Ting Hsin, each of Mr. Wei Hong-Ming, Mr. Wei Hong-Chen and Ms. Tseng Chien has avoided discussion and abstained from voting for the resolution proposed to approve the Products Supply Agreement.

FURTHER INFORMATION IN RESPECT OF THE COMPANY'S ANNOUNCEMENT ON 25 SEPTEMBER 2020

Reference is also made to the announcement of the Company dated 25 September 2020 in relation to the continuing connected transactions on the purchase of sesame oil, animal oil and other sesame products from Nature Investment and its subsidiaries. Nature Investment is beneficially and wholly-owned by Mr. Wei Ing-Chou and his brothers Mr. Wei Ying-Chiao, Mr. Wei Yin-Chun and Mr. Wei Yin-Heng, and their respective spouses Ms. Wei Chang Lu-Yun, Ms. Lin Li-Mien, Ms. Wei Hsu Hsu-Mien and Ms. Wei Tu Miao in equal proportions.

DEFINITIONS

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

“2017 Agreement”	the agreement dated 14 December 2017 entered into between the Company and Ting Chuan in relation to the supply of products of the Group to Ting Chuan and its subsidiaries, and for Ting Chuan and its subsidiaries to provide related sales promotion services to the Group
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Products Supply Agreement”	the agreement dated 22 October 2020 entered into between the Company and Ting Chuan in relation to the supply of products of the Group to Ting Chuan and its subsidiaries, and for Ting Chuan and its subsidiaries to provide related sales promotion services to the Group
“Retailer”	Ting Chuan and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Ting Chuan”	Ting Chuan (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands with limited liability
“Ting Hsin”	Ting Hsin (Cayman Islands) Holding Corp., a company incorporated in Cayman Islands and a substantial shareholder holding approximately 33.48% of the issued share capital of the Company as at the date of this announcement
“%”	per cent.

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

Hong Kong, 22 October 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*