



TINGYI (CAYMAN ISLANDS) HOLDING CORP.

頂益（開曼島）控股有限公司

(incorporated in the Cayman Islands with limited liability)

Connected Transaction

On 15th February 2001, five service agreements were entered into between Sanyo and each of the five wholly owned subsidiaries of the Company, that is, Tianjin Tingyi, Guangzhou Tingyi, Hangzhou Tingyi, Chongqing Tingyi and Shenyang Tingyi. Under the service agreements, Sanyo agrees to provide training on the instant noodle production skills, techniques and quality management to the above subsidiaries during the period from 16th February 2001 to 31st December 2005.

The total amount of training fees as set out in the Agreements will be Japanese Yen (“¥”) 160,000,000 (approximately HK\$10,718,000 at the exchange rate of HK\$1:¥14.93) for the period from 16th February 2001 to 31st December 2005. The above subsidiaries will second 10 trainees in total to Sanyo two times per calendar year for about 2 weeks each time and Sanyo will second 2 trainers to each of the above subsidiaries two times per calendar year for about 2 weeks each time.

Sanyo is one of the substantial shareholders of the Company. Sanyo currently holds about 33.16% equity interest in the Company.

Pursuant to Paragraph 14.23 of the Listing Rules, the transactions under the above service agreements constitute connected transactions of the Company. However, the considerations payable under the above service agreements are larger than 0.03% but less than 3% of the Group’s net tangible assets. Accordingly, the transactions do not require independent shareholders’ approval. The Company will include details of the transactions in the next published annual report and accounts of the Company in accordance with Paragraph 14.25 of the Listing Rules.

Five service agreements (the “Agreements”) made on 15th February 2001:

Parties:

Tianjin Tingyi International Food Co., Ltd. (“Tianjin Tingyi”) is a wholly owned subsidiary of Tingyi (Cayman Islands) Holding Corp. (the “Company”).

Guangzhou Tingyi International Food Co., Ltd. (“Guangzhou Tingyi”) is a wholly owned subsidiary of the Company.

Hangzhou Tingyi International Food Co., Ltd. (“Hangzhou Tingyi”) is a wholly owned subsidiary of the Company.

Chongqing Tingyi International Food Co., Ltd. (“Chongqing Tingyi”) is a wholly owned subsidiary of the Company.

Shenyang Tingyi International Food Co., Ltd. (“Shenyang Tingyi”) is a wholly owned subsidiary of the Company.

Sanyo Foods Co., Ltd. (“Sanyo”) is a limited company incorporated in Japan which became one of the substantial shareholders of the Company on 7th July 1999. Sanyo currently holds about 33.16% equity interest in the Company.

Terms:

1. Tianjin Tingyi, Guangzhou Tingyi, Hangzhou Tingyi, Chongqing Tingyi and Shenyang Tingyi will second 10 trainees in total to Sanyo two times per calendar year for about 2 weeks each time and Sanyo will second 2 trainers to each of the above subsidiaries two times per calendar year for about 2 weeks each time to provide training on the instant noodle production skills, techniques and quality management to each of the above subsidiaries during the period from 16th February 2001 to 31st December 2005.

2. The total amount of training fees payable by the Company and its subsidiaries (the “Group”) to Sanyo during the period from 16th February 2001 to 31st December 2005 will be ¥160,000,000 (approximately HK\$10,718,000 at the exchange rate of HK\$1:¥14.93). The actual charge of training fees are based on estimated cost for salaries of the trainers and the compensation for the interruption of Sanyo’s production during training.

The training fees will be settled by 5 instalments in the first quarter of each calendar year. In the first year, the interruption of Sanyo’s production during training will be larger than in the second to fifth years. Accordingly, the training fees payable in cash in 2001 will be ¥100,000,000 (approximately HK\$6,698,000 as the exchange rate of HK\$1:¥14.93). During the period from 2002 to 2005, the training fee payable in cash will be ¥15,000,000 each calendar year (approximately HK\$1,005,000 at the exchange rate of HK\$1:¥14.93).

In addition, the accommodation and other related expenses incurred by the trainees seconded to Sanyo will be paid by the respective subsidiaries. Except for salaries of the trainers, the accommodation and other related expenses incurred by the trainers seconded to the above subsidiaries will be paid by the respective subsidiaries.

3. The Company has an obligation to maintain the training information in secret and must not disclose the information to other party without any consent by Sanyo.

The training fees were negotiated on an arm’s length basis and on normal commercial terms after considering the estimated cost of the trainers and loss arising from the interruption of Sanyo’s production during training. No quotations have been obtained from other independent training firms as most of these training firms do not possess such specialized expertise and some of them are competitors of the Company.

Rationale for the transactions:

The Group is principally engaged in the manufacturing, distribution and sales of instant noodles in the People’s Republic of China.

As Sanyo has participated in the management of the Company since 7th July 1999, Sanyo is familiar with the business operations of the Group. The Agreements will therefore enable the above subsidiaries to obtain better training for improving the instant noodle production skill, techniques and quality management of the Group.

The directors of the Company (including the independent non-executive directors) consider that the terms of the Agreements are fair, reasonable and based on normal commercial terms so far as the Company’s independent shareholders as a whole are concerned. Further announcement will be made if the Agreements are renewed.

Pursuant to Paragraphs 14.23 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “Listing Rules”), the transactions under the Agreements constitute connected transactions of the Company. However, the considerations payable under the Agreements are larger than 0.03% but less than 3% of the Group’s net tangible assets. Accordingly, the transactions do not require independent shareholders’ approval. The Company will include details of the transactions in the next published annual report and accounts of the Company in accordance with Paragraph 14.25 of the Listing Rules.

By Order of the Board
Ip Pui-Sum Lin Yuan-Kun
Company Secretaries