THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tingyi (Cayman Islands) Holding Corp., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

康師傅控股有限公司*
TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0322)

RENEWAL OF

CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

CENTURION CORPORATE FINANCE LIMITED

A letter from the Board is set out on pages 4 to 12 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 13 of this circular. A letter from Centurion Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 39 of this circular.

A notice convening an EGM to be held at the Conference Room, No.1688, Wuzhong Road, Minhang District, Shanghai City, PRC on Thursday, 29 December 2016, at 9:00 a.m. is set out on pages 46 to 47 of this circular. A proxy form for use by the Shareholders for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's principal place of business in Hong Kong at Suite 5607, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

** For identification purposes only*

8 December 2016

CONTENTS

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

"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong and the PRC;
"Centurion" or the "Independent Financial Adviser"	Centurion Corporate Finance Limited, a licensed corporation to carry out type 1 (dealing in securities), 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supply Agreements and the transactions contemplated thereunder;
"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;
"EGM"	the extraordinary general meeting to be convened to approve the TZCI Supply Agreement and the TFS Supply Agreement;
"Existing Supply Agreements"	the Existing TFS Supply Agreement and the Existing TZCI Supply Agreement;
"Existing TFS Supply Agreement"	the agreement entered into between TFS and the Company dated 15 November 2013 in relation to the purchase of TFS Products for the three years ended 31 December 2016;
"Existing TZCI Supply Agreement"	the agreement entered into between TZCI and the Company dated 15 November 2013 in relation to the purchase of TZCI Materials for the three years ended 31 December 2016;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors to be appointed by the Board to advise the Independent Shareholders in relation to the TZCI Supply Agreement and the TFS Supply Agreement;
"Independent Shareholders"	independent shareholders of the Company;
"Latest Practicable Date"	6 December 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China, excluding Hong Kong, Macao Special Administrative Region of the PRC and the Republic of China for the purpose of this circular;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholder(s)"	shareholder(s) of the Company;
"Shares"	ordinary shares of US$0.005 each in the capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supply Agreements"	the TFS Supply Agreement and the TZCI Supply Agreement;
"TFS Products"	modified potato starch, modified cassava starch and seasoning flavour products supplied by TFS;
"TFS Supply Agreement"	the agreement entered into between TFS and the Company dated 15 November 2016;
"TFS"	Tianjin Ting Fung Starch Development Co., Ltd., a wholly owned foreign enterprise established in the PRC and as the date of this circular is owned as to 51% by Great System Holding Limited ("Great System"), a company owned by Mr. Wei Ing-Chou, an Executive Director of the Company, and his associates, and as to 49% by East One Holding Limited, an independent third party not connected with the Company and its connected person;

"TZCI Group"	TZCI and its subsidiaries, namely, Tianjin Tingzheng Print&Packing Material Co., Ltd. (天津頂正印刷包材有限公司), Hangzhou Tingzheng Packing Material Co., Ltd. (杭州頂正包材有限公司), Chongqing Tingzheng Packing Material Co., Ltd. (重慶頂正包材有限公司) Nanjing Tingzheng Packing Material Co., Ltd. (南京頂正包材有限公司) and Tianjin Dingcai Packaging Co., Ltd. (天津頂彩包裝有限公司), each of them is established in the PRC and ultimately wholly owned by TZCI;
"TZCI Materials"	flexible plastic packaging materials and plastic products supplied by TZCI;
"TZCI Supply Agreement"	an agreement entered into between TZCI and the Company dated 15 November 2016;
"TZCI"	Tingzheng (Cayman Islands) Holding Corp., a company incorporated in the Cayman Islands with limited liability and as at the date of this circular owned as to 60.8% by Mr. Wei Ing-Chou, an Executive Director of the Company, and his associates, and 39.2% by Joint Force Technology Limited, an independent third party not connected with the Company and its connected person;
"US$"	United States dollar, the lawful currency of the United States;
"%"	per cent.

* *For identification purposes only*

康師傅控股有限公司*
TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0322)

Executive Directors:
Mr. Wei Ing-Chou *(Chairman)*
Mr. Junichiro Ida *(Vice-Chairman)*
Mr. Wu Chung-Yi
Mr. Teruo Nagano
Mr. Wei Hong-Ming
Mr. Koji Shinohara

Independent Non-executive Directors:
Mr. Hsu Shin-Chun
Mr. Lee Tiong-Hock
Mr. Hiromu Fukada

Registered Office:
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

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Minhang District
Shanghai City 201103
PRC

Hong Kong Office
Suite 5607, 56th Floor, Central Plaza
18 Harbour Road,
Wanchai,
Hong Kong

8 December 2016

To: the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 15 November 2016. On 15 November, the Company entered into the Supply Agreements to renew the Existing Supply Agreements.

The purpose of this circular is to:

(i) provide the Shareholders with details of the Supply Agreements and their respective annual cap amounts;

(ii) set out the opinion of the Independent Financial Adviser in respect of the terms of the Supply Agreements;

(iii) set out the recommendation of the Independent Board Committee in respect of the terms of the Supply Agreements and their respective annual cap amounts; and

(iv) give you notice of the EGM.

THE TZCI SUPPLY AGREEMENT

Date: 15 November 2016

Parties: (1) TZCI

(2) the Company

Subject: Pursuant to the terms of the TZCI Supply Agreement, TZCI Group will supply the TZCI Materials to the Group.

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

Price:

i. the prevailing market price of the same or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality offered by other suppliers;

ii. if there are not sufficient comparable transactions in (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 to independent third parties.

Payment for the materials supplied will be made within 90 days of delivery.

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

	Year ended 31 December 2017	**Year ended 31 December 2018**	**Year ended 31 December 2019**
	RMB	*RMB*	*RMB*
Transaction amount	2,700,000,000	3,100,000,000	3,500,000,000

The annual caps for the TZCI Supply Agreement were determined based on the historical transaction amount under the Existing TZCI Supply Agreement and taking into account the growth of the Company. In considering the historical transaction amounts, the Company considered that the year-on-year decrease in the actual transaction amounts for the two years ended 31 December 2015 was mainly attributable to the overall decrease in revenue of the Group and in particular, a drop in the revenue from the sale of instant noodles and beverages as disclosed in the 2015 annual report of the Company dated 22 March 2016. As such, the proposed annual caps under the TZCI Supply Agreement are lower than the actual amounts for the two years ended 31 December 2015 and the annual cap for the year ended 31 December 2016. Separately, in 2015 and 2016, the cost of raw materials for the TZCI Materials decreased but the Company expects that the cost of raw materials will increase by approximately 15% in 2017 and 5% between 2018 and 2019 taking into account (i) the trend of increase in the price of crude oil, the main raw material of TZCI Materials, in 2016 (recording a lowest of USD28 per barrel to about USD50 per barrel) and the Company expects that the price of crude oil will maintain at about USD50 to USD60 per barrel in 2017; (ii) the expected increase in demand based on the year-on-year projections for 2017 World Economic Outlook Update published by the IMF in July 2016 which increased the projection by 0.1 compared to the April 2016 update; (iii) the expected depreciation of the RMB; (iv) the expected increase in logistics costs (including shipping and road transport); and (v) the expected increase in cost to comply with statutory environmental standards and requirements. Furthermore, the Company expects a year- on- year growth of approximately 7% to 10% for the three years ended 31 December 2019 taking into account that (i) in 2014 to 2016, the Company made some strategic adjustments to ensure the long term sustainable growth of the Group, the process of which affected the overall performance of the Group; (ii) the intention of the Company to continue to focus on and strengthen its leading position in the food and beverages market (B&F); (iii) the overall performance of the Group has achieved significant improvement in the third quarter of 2016 after the adoption of certain measures by the Group between 2015 and 2016; (iv) the expected GDP growth of approximately 6.4% in the PRC in 2017 and not less than 6.0% in 2018 and 2019; (v) the intention of the Company to adopt various measures to achieve a growth in the sales volume of instant noodles and beverages of approximately 6% to 8% (including but not limited to strengthening the modern trade and e-commerce channel, enhancement of packaging technologies, rolling out high-end health products). In line with the expected overall growth of the Company as explained above and the Company's confidence and continued emphasis in F&B market, the Company targets a growth of approximately 13%-15% per year in the demand for TZCI Materials for the three years ended 31 December 2019. As such, the Company proposes a year-on-year increase in annual caps.

The table below summarises the actual purchases of the TZCI Materials by the Group from TZCI Group for the two years ended 31 December 2015 and the ten months ended 31 October 2016:

	Year ended 31 December 2014	**Year ended 31 December 2015**	**Ten months ended 31 October 2016**
	US$	*US$*	*US$*
Annual Cap	583,000,000	670,000,000	771,000,000 *(Note 1)*
Actual transaction amount	391,594,120 (approximately RMB 2,408,303,838)	343,131,245 (approximately RMB 2,159,084,734)	280,800,362 (approximately RMB 1,854,854,871) *(Note 2)*

Note 1: For the entire year of 2016

Note 2: Amounts denominated in US$ have been translated, for illustration purposes only, into RMB using the exchange rate of US$1.00 = RMB6.15 (for the year ended 31 December 2014); US$1.00 = RMB6.29 (for the year ended 31 December 2015) and US$1.00 = RMB6.61 (for the ten months ended 31 October 2016).

THE TFS SUPPLY AGREEMENT

Date: 15 November 2016

Parties: (1) TFS

(2) the Company

Subject: Pursuant to the terms of the TFS Supply Agreement, TFS will supply the TFS Products to the Group.

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

Price:

i. the prevailing market price of the same or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality offered by other suppliers;

ii. if there are not sufficient comparable transactions in (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 to independent third parties.

Payment for the products supplied will be made within 90 days of delivery.

Cap amount: Pursuant to the TFS Supply Agreement, the Company has agreed to purchase the TFS Products from TFS based on the pricing policy stated above during the term of the TFS Supply Agreement subject to the following annual caps:

	Year ended 31 December 2017 *RMB*	**Year ended 31 December 2018** *RMB*	**Year ended 31 December 2019** *RMB*
Transaction amount	330,000,000	380,000,000	440,000,000

The annual caps for the TFS Supply Agreement were determined based on the historical transaction amount under the Existing TFS Supply Agreement and taking into account the growth of the Company. In considering the historical transaction amounts, the Company considered that the year-on-year decrease in the actual transaction amounts for the two years ended 31 December 2015 was mainly attributable to the overall decrease in revenue of the Group and in particular, a drop in the revenue from the sale of instant noodles and beverages as disclosed in the 2015 annual report of the Company dated 22 March 2016. However, (i) the VT0200 to be supplied under the TFS Supply Agreement is a new addition to the Existing TFS Supply Agreement;(ii) the Company expects that the price of the raw materials for the TFS Products will have a year-on-year increase by 10% to 15% taking into account (a) the prolonged drought in the Northwest of the PRC resulting in a 40% drop in potato production; and (b) the earlier drought in the Northeast resulting in poorer quality potatoes; and (iii) the Company expects a year-on-year growth of approximately 7% to 10% as explained under the "cap amount" of the section on "THE TZCI SUPPLY AGREEMENT", the Company expects a more than 100% growth in transaction amount with TFS in 2017 and approximately a 15% growth in transaction amount for 2018 and 2019. As such, the Company proposes a year-on-year increase in annual caps. The VT0200 to be supplied under the TFS SupplyAgreement is a new addition to the Existing TFS Supply Agreement and hence the Company expects a substantial growth in the transaction amount in 2017 with TFS as compared to the expected transaction amount in 2016, and for the subsequent years of 2018 and 2019, the Company expects a natural growth rate of approximately15% per year.

The table below summarises the actual purchases of the TFS Products made by the Group from TFS for the two years ended 31 December 2015 and the ten months ended 31 October 2016:

	Year ended 31 December 2014 *US$*	**Year ended 31 December 2015** *US$*	**Ten months ended 31 October 2016** *US$*
Annual Cap	18,166,000	20,891,000	24,025,000 *(Note 1)*
Actual transaction amount	12,608,212 (approximately RMB 77,540,504)	10,454,191 (approximately RMB 65,780,906)	18,982,968 (approximately RMB 125,393,893) *(Note 2)*

Note 1: For the entire year of 2016

Note 2: Amounts denominated in US$ have been translated, for illustration purposes only, into RMB using the exchange rate of US$1.00 = RMB6.15 (for the year ended 31 December 2014); US$1.00 = RMB6.29 (for the year ended 31 December 2015) and US$1.00 = RMB6.61 (for the ten months ended 31 October 2016).

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

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 modified potato & cassava starch or 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 TZCI or TFS (as applicable) 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 TZCI or TFS 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 respect to TZCI Materials and TFS Products will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority shareholders.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

TZCI and TFS have been suppliers to the Group for a long period of time.

TFS is a modified starch manufacturer, specialized in producing modified starch, especially from potato and cassava. The core products, P-170 and VT0200, are based on unique formulas specifically tailored for manufacturing the Group's high-end instant noodle products.

The Directors believe that it is in the benefit of the Company and the Shareholders as a whole to continue to acquire the TZCI Materials and the TFS Products from TZCI and TFS, respectively, on the basis of the high quality of the TZCI Materials and the TFS Products and their competitive prices.

As the Existing Supply Agreements are due to expire soon, the Directors consider that the entering into of the Supply Agreements are in the ordinary and usual course of business of the Group. Given that the Supply Agreements are entered into under normal commercial terms, that the terms have been reached after arm's length negotiations, the Directors consider that the Supply Agreements and their respective annual caps are fair and reasonable and in the interest of the Shareholders and the Company as a whole. The view of the independent non-executive Directors, after considering the advice from the independent financial adviser, is set out in the letter from the Independent Board Committee on page 13 of this circular.

INFORMATION ON TZCI GROUP AND TFS

TZCI is incorporated in the Cayman Islands with limited liability and is an investment holding company. TZCI's principal assets are its interests in its subsidiaries which are principally engaged in the business of manufacture and sale of flexible plastic packaging materials and plastic products used in instant noodles and beverage products.

TFS is incorporated in the PRC. It is principally engaged in the business of manufacture and sale of modified potato starch, modified cassava starch and seasoning flavours.

IMPLICATION UNDER THE LISTING RULES

As both TZCI and TFS are majority owned by Mr. Wei Ing-Chou, who is the Chairman and an Executive Director of the Company and his associates, each of TZCI and TFS are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the TZCI Supply Agreement and the TFS Supply Agreement will constitute continuing connected transactions of the Company under the Listing Rules, respectively.

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

As the aggregate annual transaction amount in respect of the TZCI Supply Agreement and the TFS Supply Agreement is expected to exceed 5% of the applicable ratios, the TZCI Supply Agreement and the TFS Supply Agreement will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Supply Agreements. Centurion has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Supply Agreements.

The Company will seek approvals from the Independent Shareholders of the Supply Agreements and the proposed cap amounts thereunder in accordance with the requirements of the Listing Rules. The voting at the EGM will be by poll.

As at the Latest Practicable Date, Mr. Wei Ing-Chou and Mr. Wei Hong-Ming and their respective associates were deemed to be interested in 1,896,169,866 Shares and 1,882,927,866 Shares, respectively, representing approximately 34.12% and 33.61% of the issued share capital of the Company, respectively. Mr. Wei Ing-Chou and Mr. Wei Hong-Ming and their respective associates will abstain from voting on the proposed resolutions approving the Supply Agreements at the EGM.

Except for Mr. Wei Ing-Chou and Mr. Wei Hong-Ming and their respective associates, no other Shareholder of the Company is interested in the transactions contemplated under the Supply Agreements and is required to abstain from voting on the proposed resolutions approving the Supply Agreements at the EGM.

EGM

A notice convening the EGM to be held at 9:00 a.m. on 29 December 2016 at the Conference Room, No.1688, Wuzhong Road, Minhang District, Shanghai City, PRC is set out on pages 46 to 47 of this circular.

A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business in Hong Kong at Suite 5607, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular which contains its recommendation to the Independent Shareholders on the Supply Agreements and the relevant cap amounts thereunder. Your attention is also drawn to the letter of advice from Centurion which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supply Agreements and the relevant cap amounts thereunder.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the Supply Agreements and the transactions contemplated thereunder are fair and reasonable, and executed in normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee contained in this circular) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Your attention is also drawn to the general information set out in the appendix of this circular.

By order of the Board of
Tingyi (Cayman Islands) Holding Corp.
Mr. Wei Ing-Chou
Chairman and Executive Director

康 師 傅 控 股 有 限 公 司*
TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0322)

8 December 2016

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 8 December 2016 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Supply Agreements and the relevant cap amounts thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Centurion Corporate Finance Limited ("**Centurion**"), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supply Agreements and the relevant cap amounts thereunder as set out on pages 14 to 39 of the Circular and the letter from the Board set out on pages 4 to 12 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Centurion as stated in its letter of advice, we consider that the terms of the Supply Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and the relevant cap amounts under the Supply Agreements are reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Supply Agreements and the relevant cap amounts thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Tingyi (Cayman Islands) Holding Corp.
Mr. Hsu Shin-Chun
Mr. Lee Tiong-Hock
Mr. Hiromu Fukada
Independent Non-executive Directors

* *For identification purposes only*

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Centurion dated 8 December 2016 for incorporation in this circular:-

CENTURION CORPORATE FINANCE LIMITED
盛百利財務顧問有限公司

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8 December 2016

To the Independent Board Committee and
the Independent Shareholders of Tingyi (Cayman Islands) Holding Corp.

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms of the non-exempt continuing connected transactions contemplated under the Supply Agreements, details of which are outlined in the "Letter From The Board" set out from pages 4 to 12 of the circular dated 8 December 2016 to the Shareholders ("**Circular**") of which this letter forms a part. We have been appointed to give an opinion as to whether the terms of the Supply Agreements, the continuing connected transactions contemplated thereunder and the relevant annual caps will be carried out in the ordinary and usual course of business, will be of normal commercial terms and that the terms of such transactions will be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Company announced on 15 November 2016 regarding the entering into of the Supply Agreements and pursuant to which, the proposed purchases of the TZCI Materials and TFS Products by the Group from TZCI and TFS respectively and the proposed annual cap amounts arising thereof, after the expiry of the Existing Supply Agreements.

As both TZCI and TFS are majority owned by Mr. Wei Ing-Chou, who is the Chairman and an executive Director, and his associates, each of TZCI and TFS is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the entering into of the Supply Agreements, the transactions contemplated thereunder respectively and the proposed annual cap amounts will constitute continuing connected transactions of the Company under the Listing Rules. As the aggregate annual transaction amount in respect of the Supply Agreements is expected to exceed 5% of the applicable ratios, the Supply Agreements, the transactions respectively contemplated thereunder and the proposed annual cap amounts will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Supply Agreements, the transactions contemplated thereunder respectively and the proposed annual cap amounts.

The ordinary resolutions to be proposed at the EGM will be determined by way of poll by the Independent Shareholders. As set out in the "Letter From The Board", Mr. Wei Ing-Chou and Mr. Wei Hong-Ming and their respective associates shall abstain from voting on the proposed resolutions approving the Supply Agreements and the respective transactions contemplated thereunder at the EGM. In this regard, please refer to the sections headed "Implication Under the Listing Rules" as set out in the "Letter From The Board" for further details.

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Supply Agreements, the respective transactions contemplated thereunder and the proposed annual caps. Such continuing connected transactions are also subject to the annual review requirements of Rules 14A.37 to 14A.40 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Circular and other documents (including but not limited to the Supply Agreements and sample invoices), which have been provided by the executive Directors and to the extent such documents were prepared by the Group, they shall take full responsibility. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true at the time they were made and continued to be true at the date of this Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular are reasonably made after due and careful enquiry.

In respect of the financial information of each of the Group, the TZCI Group and TFS, we have relied principally on their respective audited and/or unaudited financial statements, ledgers or invoices. Such documents were all prepared by the Company and for which the Directors take full responsibility. We have also sought and obtained confirmation from the Company that no material

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have reviewed sufficient financial information to enable us to reach an informed view and to justify reliance on the accuracy of the financial information of the Group as contained in the Circular. We have not, however, conducted any form of independent or in-depth investigation into the businesses and affairs of the prospects of the Group, TZCI Group, TFS, or any of their respective controlling shareholders, subsidiaries or associates, or the cap amounts sought, nor have we independently verified any of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background

1.1 *Information of the Group*

The Company, headquartered in Tianjin, the PRC, and its subsidiaries specialize in the production and distribution of instant noodles, beverages and instant food products in the PRC. These three main product segments have established leading market shares in certain segments of the food industry in the PRC. The Group is best known in the PRC for its "Master Kong" ("康師傅") brand name which appears on the packaging of most of its products and the Company believes such brand name is one of the best known brands among consumers in the PRC. As set out in the Company's 2015 annual report, the Group distributed its products throughout the PRC through its extensive sales network consisting of 606 sales offices and 73 warehouses serving 30,095 wholesalers and 116,036 direct retailers as at 31 December 2015. In March 2012, the Group further expanded its beverage business by forming a strategic alliance with PepsiCo for the beverage business in the PRC. The Group exclusively manufactures, bottles, packages, distributes and sells PepsiCo non-alcoholic drinks in the PRC (excluding Hong Kong).

As set out in the Company's 2015 annual report, for the years ended 31 December 2014 and 2015 respectively, the Group's audited segmented turnovers and results of its operations as extracted from its 2015 annual report are as follows:-

Table A: Group's revenue and segment results

	Revenue from external customers		**Segment results after finance costs**	
	2015	**2014**	**2015**	**2014**
(US$'000)	**(Audited)**	**(Audited)**	**(Audited)**	**(Audited)**
Instant noodles	3,612,742	4,137,736	391,326	484,203
Beverages	5,244,232	5,801,005	93,976	220,538
Instant food	136,855	178,729	(14,641)	(7,540)
Others	247,146	211,569	(15,059)	(8,221)
Inter-segment elimination	(138,165)	(91,057)	1,216	(2,118)
Total	9,102,810	10,237,982	456,818	686,862

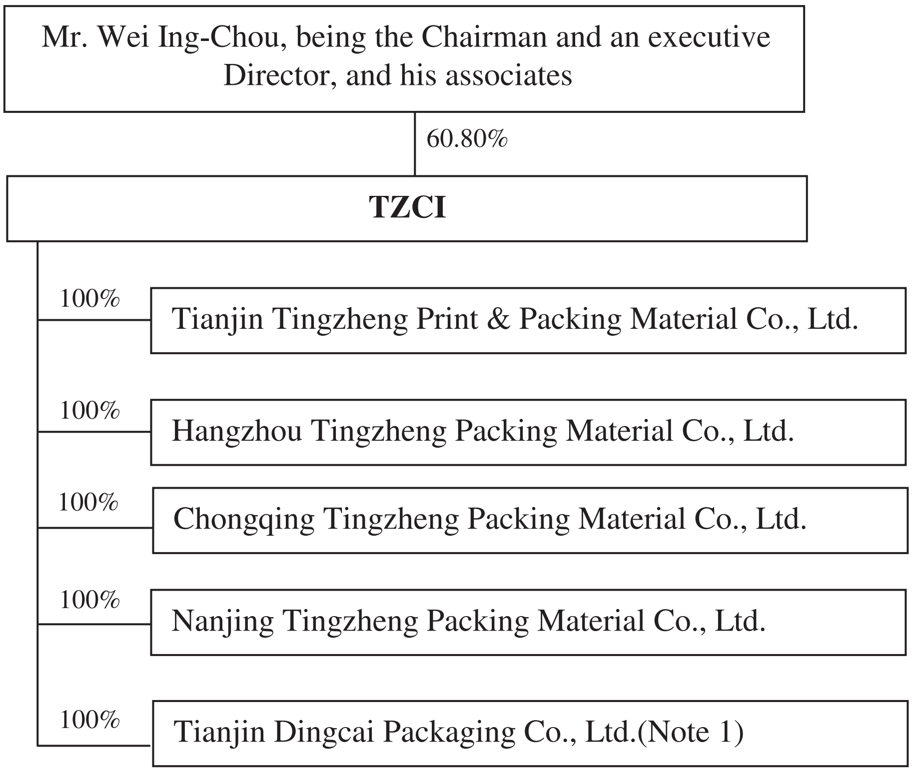
(Source: 2015 annual report of the Company)

Instant noodles and beverage businesses, which accounted for approximately 40% and 58% respectively of the Group's turnover for the year ended 31 December 2015, accounted for 86% and 21% respectively in so far as segment results of these two businesses for the same year are concerned. Instant noodles and beverage businesses are thus the principal businesses of the Group.

As set out in the 2015 annual report of the Company, according to Nielsen SCAN TRACK EXPRESS, based on its sales volume for the year ended 31 December 2015, the Group was the market leader in instant noodles, ready-to-drink teas and egg rolls, having gained 46.5%, 55.4% and 15.4% market shares respectively. In bottled water and the overall juice drink market, the Group gained 17.6% and 20.0% market shares respectively, ranked No. 2 in the market. According to Canadean December 2015 data, based on sales volume, Pepsi carbonated drinks had 28.8% market share and held a second position.

1.2 ***Information of the TZCI Group***

TZCI is incorporated in the Cayman Islands with limited liability and is an investment holding company. TZCI is owned as to 60.8% by Mr. Wei Ing-Chou, being the Chairman and an executive Director, and his associates, details of which are set out in the "Letter From The Board". TZCI's principal assets are its interests in its subsidiaries which are principally engaged in the business of manufacture and sale of flexible plastic packaging materials and plastic products used in instant noodles and beverage products. The following is a structure chart of TZCI Group.



(*Note 1:* indirectly owned)

(Source: TZCI's audited accounts for the year ended 31 December 2015)

The TZCI Group is the major provider of flexible plastic packaging materials and plastic products used in the Group's instant noodle and beverage products. The key cost factor for flexible plastic packaging materials and plastic products i.e. the TZCI Materials, is dependent on the crude oil price.

The following information shows the importance of the business relationship between the Company and the TZCI Group and that the Group's total purchases of the TZCI Materials accounted for approximately 77% and 72% of the total audited turnover of the TZCI Group for the two years ended 31 December 2014 and 2015 respectively.

Table B: Sales of TZCI Materials as a percentage to total turnover of the TZCI Group

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the nine months ended 30 September 2016
Actual transaction amount of the purchase of TZCI Materials by the Group from TZCI	US$391,594,120 (approximately RMB2,408,303,838)	US$343,131,245 (approximately RMB2,159,084,734)	US$268,888,464 (approximately RMB1,771,278,857)
Consolidated turnover of the TZCI Group	US$507,090,035 (approximately RMB3,118,603,715)	US$475,822,354 (approximately RMB2,994,016,998)	US$375,855,354 (approximately RMB2,475,909,558)
Percentage of the abovementioned actual transaction amount to consolidated turnover of TZCI	**77%**	**72%**	**71%**

(Source: the Company and TZCI audited accounts)

It is thus obvious from the above table that turnover of TZCI was heavily dependent on the purchase orders from the Group and in fact, given the growth in the Group's turnover over the years, TZCI had to rapidly expand its flexible plastic packaging capacity to meet the packaging needs of the Group and insofar as TZCI's production lines are concerned, such expansion resulted in the considerable increase in capital expenditures to fund new production lines. Given that (i) TZCI's supply relationship with the Group and the aforesaid market positions of the Group's products; and (ii) TZCI's audited consolidated turnovers as set out in the table above, TZCI is one of the leading manufacturers in the flexible plastic packaging industry in the PRC.

1.3 ***Information of TFS***

TFS is a wholly-owned foreign enterprise established in the PRC and is principally engaged in the business of manufacture and sale of modified potato starch, modified cassava starch and seasoning flavours. TFS is owned as to 51% by Mr. Wei Ing-Chou, being the Chairman and an executive Director, and his associates, details of which are set out in the "Letter From The Board". Each of TFS's core products, namely modified potato starch (P-170) and modified cassava starch (VT0200), is manufactured based on unique formulas specifically tailored for manufacturing the Group's high-end instant noodle products. TFS is principally focused on satisfying and supplying the modified starch demand from the Group only. For the years ended 31 December 2014 and 2015, we understand that there was no external sale to any independent third party by TFS in respect of the P-170 and VT0200 core products it sold to the Group.

Modified starch is a chemically processed form of raw starch into other starch properties (different from its original form) for the purpose of say, manufacturing of instant noodle, which requires a lower gelatinization temperature. Raw starch extracted from potato, cassava and corn have different applications and modified potato starch, due to its better taste and texture, is ideal for various food applications but is also the most expensive. Modified cassava starch (VT0200) is more competitive in cost and is becoming an important replacement product of the modified potato starch. Direct material costs for modified potato starch and cassava starch products manufactured by TFS are mainly driven by potato and cassava starch prices respectively. Modified starch production process can be undertaken by the so called wet process, which involves the following six stages:-

Mixing

- Mixing raw material with water, creating a pasty batch for reaction

↓

Reaction

- Adding chemicals (mainly acetic anhydride) to alter characteristics of starch
- Starch peak viscosity and gelatinization temperature are modified

↓

Washing

- Using water to wash away chemicals in a turbine machine

↓

Dehydration

- Lowering water content to certain percentage
- Potato starch uses vacuum spinning for dehydration, cassava starch uses shave spinning machine

↓

Drying

- Further lowering water content to certain percentage

↓

Packaging

- Packaging modified starch into tanks and bags for shipment

The core modified potato starch products of TFS are called STABI-A P-170 and P-150 which are sold to the Group only and are made from raw potato starch. P-150 is used to manufacture P-170 modified potato starch which alone accounted for a large majority of the total sales of TFS to the Group for the past two years and nine months ended 30 September 2016. P-170 modified starch is thus the most important product for TFS and it is used for the manufacturing of high-end instant noodle by the Group during the period under review. Going forward, VT0200, which is a modified cassava starch product and is considered to be of comparable or better taste than the modified potato starch product, will increase its importance as a replacement of the P-170.

The following information shows the importance of the business relationship between the Company and TFS and that the Group's total purchases of the TFS Products accounted for approximately 80% of the total turnover of TFS for the two years ended 31 December 2014 and 2015 respectively. For the nine months ended 30 September 2016, due to the demand for the new VT0200, total turnover of TFS and purchases of the TFS Products increased and total purchase of the TFS Products accounted for approximately 84% of the total turnover of TFS.

Table C: Sales of TFS Products as a percentage to total turnover of TFS

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the nine months ended 30 September 2016
Actual transaction amount of the purchase of TFS Products by the Group from TFS	US$12,608,212 (approximately RMB77,540,504)	US$10,454,191 (approximately RMB65,780,906)	US$17,236,675 (approximately RMB113,545,065)
Consolidated turnover of the TFS	RMB96,813,772	RMB82,307,818	RMB135,655,932
Percentage of the abovementioned actual transaction amount to consolidated turnover of TFS	**80%**	**80%**	**84%**

(Source: the Company and audited and management accounts of TFS)

The above table shows that turnover of TFS was also heavily dependent on the purchase orders from the Group. Due to change in the production approach of the Group and the need to source VT0200 from independent third party suppliers as TFS was not able to supply VT0200 in the quality and quantity required by the Group prior to 2016 and as a result, sales of TFS had been declining over the past two years ended 31 December 2015.

2. **Principal terms of the Supply Agreements**

Principal terms

As set out in the "Letter From The Board", the Supply Agreements have a three-year term ending on 31 December 2019 and under each of which, pricing is as follows:

i. the prevailing market price of the same or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality offered by other suppliers;

ii. if there are not sufficient comparable transactions in (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 to independent third parties.

Internal procedures to ensure the principal terms are adhered to

As set out in the "Letter From The Board", to ensure that the terms of purchase offered by the TZCI Group or TFS are no less favourable to the Group than those available from independent third parties, the Company has a set of internal procedures in place:

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 also have 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 suppliers 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 specifications for modified potato and cassava starch or 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 TZCI Group or TFS (as applicable) 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 TZCI or TFS 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 respect to the purchases of the TZCI Materials and TFS Products will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its Independent Shareholders.

3. Transaction values and cap amounts of the TZCI Supply Agreement

3.1 *Historical transaction values and proposed cap amounts*

For the two years ended 31 December 2015 and the ten months ended 31 October 2016, as stated in the "Letter From The Board", the Group purchased the TZCI Materials from TZCI at market price. Pursuant to the TZCI Supply Agreement, the Company has agreed to purchase the TZCI Materials from TZCI based on the pricing policy stated above during the three-year term of the TZCI Supply Agreement.

The table below summarises the historical transaction amounts incurred for the two years ended 31 December 2015 and the ten months ended 31 October 2016 for the purchase of the TZCI Materials by the Group from TZCI and the relevant annual caps approved:

Table D: Historical transaction amounts and annual caps for the purchase of TZCI Materials

	Year ended 31 December 2014	**Year ended 31 December 2015**	**Ten months ended 31 October 2016**
Actual transaction amount which constituted continuing connected transactions	US$391,594,120 (approximately RMB2,408,303,838)	US$343,131,245 (approximately RMB2,159,084,734)	US$280,800,362 (approximately RMB1,854,854,871)
			Year ending 31 December 2016
Annual cap. amount approved	US$583,000,000	US$670,000,000	US$771,000,000

(Source: the Company)

Based on the historical transaction amounts and taking into account continued growth of the Company, the Directors expect that the annual amount payable by the Group under the TZCI Supply Agreement will increase at a higher rate, when compared to those in 2014 through 2016.

The following is a summary of the bases and assumptions for the determination of the new annual cap amounts for the purchase of TZCI Materials for the three years ending 31 December 2019, details of which are set out on page 6 in the "Letter From The Board":-

- The annual caps for the TZCI Supply Agreement were determined based on the historical transaction amount under the Existing TZCI Supply Agreement. In considering the historical transaction amounts, the Company considered that the year-on-year decrease in the actual transaction amounts for the two years ended 31 December 2015 was mainly attributable to the overall decrease in revenue of the Group and in particular, a drop in the revenue from the sale of instant noodles and beverages as disclosed in the 2015 annual report of the Company. As such, the proposed annual caps under the TZCI Supply Agreement are lower than the actual amounts for the two years ended 31 December 2015 and the annual cap for the year ended 31 December 2016.

- In 2015 and 2016, the cost of raw materials for the TZCI Materials decreased but the Company expects that such cost of raw materials will increase by approximately 15% in 2017 and 5% between 2018 and 2019 taking into account (i) the trend in the price of crude oil per barrel, which had a record low in 2016 and the Company expects that such price to rebound to a much higher levels in 2017; (ii) the expected increase in demand for consumption, based on the projections published by the IMF; (iii) the expected depreciation of the RMB vs. US$; (iv) the expected increase in logistics costs (including shipping and road transport); and (v) the expected increase in cost to comply with statutory environmental standards and requirements.

- The Company expects a year-on-year growth of approximately 7% to 10% for the three years ended 31 December 2019, taking into account that (i) in 2014 to 2016, the Company made some strategic adjustments to ensure the long term sustainable growth of the Group, the process of which affected the overall performance of the Group; (ii) the intention of the Company to focus on its food and beverages sector; and (iii) the overall performance of the Group has achieved significant improvement in the third quarter of 2016 after the adoption of certain measures by the Group between 2015 and 2016; (iv) the expected GDP growth of approximately 6.4% in the PRC in 2017 and not less than 6.0% in 2018 and 2019; (iv) the Company intends to adopt various measures to achieve growth in the sales volume of instant noodles and beverages of approximately 6% to 8% (including but not limited to modern trade and e-commerce channel, enhancement of packaging technologies and rolling out high-end health products).

In line with the overall growth of the Company and the Company's confidence and continued emphasis in the food and beverages sector, the Company targets a growth of approximately 13%-15% per year in the demand for TZCI Materials for the three years ending 31 December 2019. As such, the Company proposes a year-on-year increase in annual caps, details of which are set out below.

Having considered the above bases and assumptions carefully, in particular of the following bases:-

- The Company has premised such increased purchases of the TZCI Materials on an annual growth assumption of approximately 7% to 10% for its revenue, which we find reasonable given the Company has undertaken comprehensive upgrading of its products over the recent years, including but not limited to upgrading the packaging of its instant noodle products, with the aim to reposition the Company's instant noodle and other products to a higher-end product positioning, details of which are set out in its 2015 annual report; and

- We have also reviewed a report prepared by an independent professional firm which supports the Board's position on the cost of raw materials for the TZCI Materials being directly affected by the volatility of the price of crude oil. TZCI Materials are plastic materials made from crude oil, such materials need to go through the printing, laminating. slitting and sealing process, in order to apply to end markets like food and beverage packaging. An upward trend in crude oil price as anticipated by the Company will therefore, result in pushing up the cost for the TZCI Materials,

we are of the view that the aforesaid bases and assumptions for the new annual cap amounts are fair and reasonable.

As set out above, the historical transaction amounts for the TZCI Materials were taken as reference. For the purpose of determining the annual caps for the three years ending 31 December 2019, the Company has used the purchases of the TZCI Materials for the first nine months of year 2016 and the estimated amount of such purchase for the full year ending 31 December 2016, plus an anticipated increase in demand for such materials of approximately 14.3%%, 14.8% and 12.9% per annum for the three years ending 31 December 2017, 2018 and 2019 respectively, which include a buffer of approximately 1% to 2%. The buffer is used with the intention to cope with any possible unforeseen events. Following our review of the bases and assumptions as set out above for these anticipated increases in annual caps, we are of the view that the percentage of increases in the annual caps sought for each of the three years ending 31 December 2019 are fair and reasonable.

Having considered the bases and assumptions for the abovementioned caps, the fact that (i) historical transaction amounts based on the annualized 2016 amounts have been increasing, when compared to that of 2015; (ii) as set out in sub-section 1.1 above, based on sales volume, the Group has been the market leader in instant noodles, ready-to-drink teas and egg rolls and flexible plastic packaging such as the TZCI Materials are highly correlated with the growth of the end market application of such food and beverage sectors, in which the Group has a leading position in the PRC; (iii) the ongoing economic transformation in the PRC is aimed at transforming its export-driven growth to a more domestic consumption-driven growth and is expected to give rise to a more affluent middle class consumers who are increasingly concerned about health and food safety and as such, also bodes well for such annual cap growth assumption (set out in the Company's 2015 annual report to comprehensively upgrade its products, given this progress of change); and (iv) we have reviewed the bases and assumptions in determining the proposed new caps for the next three years, we are of the view that such bases and assumptions and the proposed new cap amounts are fair and reasonable.

For the three years ending 31 December 2019, the aggregate amount payable by the Group to TZCI under the TZCI Supply Agreement will be subject to the following annual caps:

Table E: Annual cap amounts for the proposed purchase of the TZCI Materials

	Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
Annual cap. amount to be sought	RMB2,700,000,000	RMB3,100,000,000	RMB3,500,000,000

3.2 ***Terms of the historical purchases of the TZCI Materials***

In determining whether the prices and terms for the TZCI Materials supplied by TZCI are comparable to market, the Purchasing Department of the Group will undertake certain checks and market research and the Company will also engage its auditors to conduct certain review pursuant to the Listing Rule requirements. In this regard, we have been advised by the Company that its Purchasing Department did indeed recently visit the factory of an independent third party supplier of the flexible plastic packaging materials, the pricing of which were used as quotations, when comparaed to those of the TZCI Materials.

Apart from the above and in order to further satisfy ourselves that the terms of the continuing connected transactions contemplated under the TZCI Supply Agreement will be, in general, carried out in the ordinary and usual course of business, and will be with reference to prevailing market price or on terms which are no less favorable to the Group than that available to independent third parties as set out in the "Letter From The Board", we have also reviewed (i) certain sample invoices involving purchases of the TZCI Materials from TZCI by the Group; (ii) audited accounts of the TZCI Group; and (iii) latest published audited income statements of other comparable listed issuers in packaging businesses.

We have been advised by the Company that purchases of the TZCI Materials by the Group and its purchases of other packaging materials from independent third parties whilst are generally less comparable to each other due to difference in printing, quantity and application, we are of the view that the internal control procedures as set out in section 2 above are effective to ensure compliance with the principal terms of the TZCI Supply Agreements. In this regard, we have reviewed samples quotations from independent third party packaging suppliers procured by the Company under such internal control procedures and we are satisfied with the result of our review.

For the bases and factors set out in this sub-section and a summary of which in the last paragraph of this sub-section, we are of the opinion that whilst there may be generally a lack of exact comparable sample purchases by the Group from independent third parties, we take the view that the Group's methods and internal control procedures are effective in determining the prices paid for the TZCI Materials are and will be conducted on normal commercial terms.

We have also reviewed sample invoices of (i) the Group involving an independent third party supplier of flexible plastic packaging materials sold to the Group; and (ii) TZCI involving independent third party purchasers of flexible plastic packaging materials from it. We further noted that the size and scale of such supplies of flexible plastic packaging materials to the Group from independent third parties have been growing in importance, when compared to those of TZCI. We understand from the Company that the new supply relationship with these independent suppliers began in or about 2013 (prior to such period, the Group only purchased packaging materials from TZCI).

In light of this rather special and exclusive supply relationship with TZCI and the resulting lack of sample invoices involving purchases from independent third parties by the Group with comparable quantity and quality, we have sought market comparables amongst other listed issuers with respect to appropriate profit margin in the marketplace, details of which are set out below.

In order to better understand the historical terms of the purchases of TZCI Materials by the Group, we have reviewed the gross profit margin of the TZCI Group as set out in its audited income statements for the three years ended 31 December 2013, 2014, and 2015 respectively. In light of the aforesaid lack of purchases from independent suppliers of packaging materials by the Group prior to 2013 and subsequently, the continuing specialized nature of the TZCI Materials supplied to the Group in such quantity and quality which rendered these purchases of TZCI Materials less comparable, we are of the opinion that as an alternative approach, the gross profit margin of TZCI Group can be viewed against other industry comparables, in order to consider whether or not its profit margins are generally in line with market comparables. This is because gross profit margins of other producers of flexible plastic packaging materials are also subject to market pricings willing to be paid by other players in the food and beverage end markets, which all share the same seasonality and other market conditions faced by the Group. This gross profit margin comparison also offers a summarized overview on the gross profit margins of the TZCI Group and that of other independent producers, having taken into account their respective costs of packaging materials sold vs. sale prices. Hence we take the view that such comparison is relevant to our findings as set out herein.

As TZCI is a private company and its profit margin is not in the public domain, we can confirm that its gross profit margin had declined moderately for the year ended 31 December 2014 from the previous 2013, but had since rebounded for the year ended 31 December 2015 to approximately the same as that in 2013. Against such historical gross profit margin of the TZCI Group, we have compared with the gross profit margins (as determined from the latest published audited accounts) of the following listed companies whose businesses are in our view, reasonably comparable to that of TZCI.

Table F: Gross profit margins of comparable listed companies of TZCI

Company	**Stock code**	**Listing venue**	**Reporting currency**	**Gross profit margin as determined from the latest published accounts**
Group 1				
Shanghai Zijiang Enterprise Group Co., Ltd.	600210	Shanghai Stock Exchange	RMB	18.0%
Zhuhai Zhongfu Enterprise Co., Ltd.	000659	Shenzhen Stock Exchange	RMB	18.7%
Huangshan Novel Co., Ltd.	002014	Shenzhen Stock Exchange	RMB	21.2%
China Flexible Packaging Holdings Limited	C59	Singapore Exchange Securities Trading Ltd.	RMB	(32.3)%
CPMC Holdings Limited	906	Hong Kong Stock Exchange	RMB	17.8%
Zhejiang Great Southeast Packaging Co., Ltd.	002263	Shenzhen Stock Exchange	RMB	4.7%
			Average (Group 1)	**8.0%**
			Adjusted average* (Group 1)	**18.9%**

Company	Stock code	Listing venue	Reporting currency	Gross profit margin as determined from the latest published accounts
Group 2				
Hung Hing Printing Group Limited	0450	Hong Kong Stock Exchange	HK$	14.9%
Starlite Holdings Limited	403	Hong Kong Stock Exchange	HK$	22.1%
Neway Group Holdings Limited	0055	Hong Kong Stock Exchange	HK$	17.9%
Southeast Asia Properties & Finance Limited	0252	Hong Kong Stock Exchange	HK$	22.1%
			Average (Group 2)	**19.3%**
			Average* (Groups 1 and 2)	**19.1%**
Group 3				
Malaysia Packaging Industry Berhad (*Noted 1*)	8095	Bursa Malaysia Securities Berhad	RM	33.5%
Toyo Seikan Group Holdings, Ltd.	5901	Tokyo Stock Exchange	Yen	14.9%
			Average (Group 3)	**24.2%**
			Average* (Groups 1, 2 and 3)	**20.1%**

(Sources: The above issuers' annual reports)

(Notes:-

* :- Adjusted by excluding those which had a negative or abnormally low "gross profit" margin and this resulted in two of the Group 1 comparable companies being excluded

Yen :- Japanese yen, the lawful currency of Japan

RM :- Malaysian Ringgit, the lawful currency of Malaysia

Note 1:- Became a subsidiary of Toyo Seikan Group Holdings, Ltd. on 30 March 2006)

In the above table, the comparable companies are classified into three different groups, on the basis of where they conduct their respective businesses i.e. the reporting currency. Our selection criteria is to include all relevant listed producers in Asia whose businesses include flexible plastic packaging or related packaging which have similarities in the nature of printing, laminating and other printing-related products. This approach is designed to give a more comprehensive overview of such market comparables so that the resulting findings thereof would be more representative on an "across-the-board" basis. Group 1 comparable companies, having RMB as their reporting currency, are in our view, most comparable to TZCI. Group 2 companies are Hong Kong-based and their products are less directly related to flexible packaging whereas there are similarities in the nature of printing, laminating and other printing-related products. Group 3 companies are two overseas packaging manufacturers belonging to the same Toyo Seikan Group and their products, in the case of Toyo Seikan Group Holdings, Ltd., are more diversified, a small portion of which includes flexible packaging products.

We are of the opinion that the comparable companies set out in the above table are reasonably exhaustive and meaningful. That said, it should be noted that each of these Groups 1, 2 and 3 comparable companies is different from TZCI in so far as major customer concentration, packaging materials manufactured, businesses model undertaken and mode of operation are concerned.

Following our review of the audited consolidated accounts of TZCI over the past three years ended 31 December 2015, we noted that the gross profit margin of TZCI for each of the two years ended 31 December 2014 and 2015 respectively were consistently comparable to the comparable companies in the table above. For the year ended 31 December 2015, TZCI's gross profit margin was comparable to the average gross profit margin of comparable companies in Groups 1, 2 and 3 of approximately 20.1%. The average of the abovementioned 3-year gross profit margin of TZCI was also in line with the average gross profit margin of comparable companies in Groups 1, 2 and 3 of approximately 20.1% as set out in the Table F above. For the year ended 31 December 2014, TZCI's gross profit margin declined from the previous year ended 31 December 2013 and as a result, was slightly lower than the higher end of 21.2% gross profit margin exhibited in Group 1 above. We understand this decline in gross profit margin in 2014 was due to outsourcing by TZCI which had adversely impacted its margins.

The following table contains an analysis of the gross profit margin of the Company and the percentage of TZCI Materials purchased to the cost of sales of the Company over the last five years period. This should give an overview on the possible impact and trend that the purchase of TZCI Materials may have on the Group.

Table G: Trends on gross profit margin of the Group and percentage of purchase of TZCI Materials to cost of sales of the Group

Year ended 31 December	**2011**	**2012**	**2013**	**2014**	**2015**
Gross profit margin of the Group *(Note 1)*	26.5%	29.9%	30.3%	30.5%	31.9%
Sales of TZCI Materials as set out in the notes to TZCI audited financial statements *(Note 2)*	US$ 410,308,930	US$ 419,670,889 *(Note 2)*	US$ 468,924,892	US$ 394,293,837	US$ 345,826,960
Cost of sales of the Group *(Note 1)*	US$ 5,778,611,000	US$ 6,457,364,000	US$ 7,630,997,000	US$ 7,119,944,000	US$ 6,202,615,000
Sales of TZCI Materials to cost of sales of the Group (both as set out above)	7.1%	6.5%	6.2%	5.5%	5.6%

(Source: Annual reports of the Company and TZCI's audited accounts)

(*Note 1*: Extracted or computed from the audited accounts of the Group as set out in the annual reports)

(*Note 2*: These are not the actual transaction amounts as announced by the Company, which amounted to more than 99% of the aforesaid amounts set out in the notes to TZCI audited financial statements)

Based on the above overview, gross profit margins of the Group over the last five years ended 31 December 2015 were rather stable and indeed, peaked in 2015. The sales of TZCI Materials to the Group (as set out in the notes to audited financial statements of TZCI) as a percentage to the reported cost of sales of the Group actually has been steadily declining. This is because the Group has been seeking and expanding its supply of comparable plastic packaging materials from independent third party manufacturers since 2013.

In light of our aforesaid and in particular, the following bases:

(i) Whilst purchases of the TZCI Materials by the Group and its purchases of other plastic packaging materials from independent third parties are generally less comparable to each other due to difference in printing quality, quantity and application, both the Group and the TZCI Group have been able to reduce their past exclusive customer/supplier relationship prior to 2013 to a non-exclusive relationship with reasonable checks and balances. To illustrate, under Table B above, the percentage of transaction amounts for TZCI Materials to the turnover of the TZCI Group had been on a declining trend of 77%, 72% and 71% for the two years ended 31 December 2015 and nine months ended 30 September 2016 respectively. The Group has also begun to source from independent third party suppliers for its plastic packaging materials and in turn, able to make useful references to prices and terms charged by the TZCI Group.

(ii) Predicated by individual food and beverages customer's print quality and specification requirements, the food and beverages industry's practice is to seek for a long and stable packaging supplier relationship and apart from pricing, short lead time for delivery, quality issues and other qualitative factors may also be important for consideration.

(iii) Sample invoices involving purchases of the TZCI Materials from TZCI by the Group and sample invoices involving purchases of plastic packaging materials from an independent third party by the Group which provide certain references to the plastic packaging materials involved;

(iv) Gross profit margins comparison in Table F above; and

(v) the Company's internal procedures (as set out in section 2 above) are effective in ensuring pricing terms for purchases of TZCI Materials will be with reference to prevailing market prices and terms and its Purchase Department's visit to an independent third party supplier of the flexible plastic packaging materials as part of such measures,

we are thus of the view that the general terms of the proposed purchases of the TZCI Materials will be conducted with reference to the then prevailing market price and on terms which will be no less favorable to the Group than that available to independent third parties.

We recognize the sample size as represented by Group 1 comparables in Table F above has a total of six companies (four of which were used as comparables), such small sample size is indeed a reflection of the limited number of listed industry participants in the flexible plastic and related packaging industry.

4. **Transaction values and cap amounts of the TFS Supply Agreement**

4.1 ***Historical transaction values and proposed cap amounts***

For the two years ended 31 December 2015 and the nine months ended 30 September 2016, as stated in the "Letter From The Board", the Group purchased the TFS Products from TFS. Pursuant to the TFS Supply Agreement, the Company has agreed to purchase the TFS Products from TFS based on the pricing policy stated above during the three-year term of the TFS Supply Agreement.

The table below summarizes the historical transaction amounts incurred for the two years ended 31 December 2015 and the ten months ended 31 October 2016 for the purchase of the TFS Products by the Group from TFS and the relevant annual cap amounts approved:

Table H: Historical transaction amounts for the purchase of TFS Products

	Year ended 31 December 2014	**Year ended 31 December 2015**	**Ten months ended 31 October 2016**
Actual transaction amount which constituted continuing connected transactions	US$12,608,212 (approximately RMB77,540,504)	US$10,454,191 (approximately RMB65,780,906)	US$18,982,968 (approximately RMB125,393,893)
			Year ending 31 December 2016
Annual cap. amount approved	US$18,166,000	US$20,891,000	US$24,025,000

(Source: the Company)

Based on the historical transaction amounts, the fact that TFS is now able to manufacture VT0200 in the quality and quantity required by the Group and taking into account growth of the Group, the Directors expect that the annual amount payable by the Group under the TFS Supply Agreement will begin to increase as compared to historical purchases in 2014 through 2015. We understand apart from the introduction of the new modified cassava starch product (VT0200), rising raw material and labour cost are factors for such expected increase, details of which are set out below.

The following is a summary of the bases and assumptions for the determination of the new annual cap amounts for the purchase of TFS Products for the three years ending 31 December 2019, details of which are set out on page 8 in the "Letter From The Board":-

- The annual caps for the TFS Supply Agreement were determined based on the historical transaction amount under the Existing TFS Supply Agreement and taking into account the growth of the Company. In considering the historical transaction amounts, the Company considered that the year-on-year decrease in the actual transaction amounts for the two years ended 31 December 2015 was mainly attributable to the overall decrease in revenue of the Group and in particular, a drop in the revenue from the sale of instant noodles and beverages as disclosed in the 2015 annual report of the Company.

- However, (i) the VT0200 to be supplied under the TFS Supply Agreement is a new addition to the Existing TFS Supply Agreement;(ii) the Company expects that the price of the raw materials for the TFS Products will have a year-on-year increase by 10% to 15% taking into account the prolonged drought in the Northwest of the PRC resulting in a 40% drop in potato production and in poorer quality of potatoes; and (iii) the Company expects a year-on-year growth of revenue of the Group which will in turn, increase demand for the TFS Products.

- The VT0200 to be supplied under the TFS Supply Agreement is a new product which the Company also expects to drive a substantial growth of over 100% in the transaction amount in 2017, when viewed against the annualized transaction amount in 2016. For the subsequent years of 2018 and 2019, the Company expects a natural growth rate of approximately 15% per year.

As such, the Company proposes a year-on-year increase in annual caps details of which are set out below.

Having considered the above bases and assumptions carefully, in particular, the following bases:-

- Whilst year-on-year decrease in the actual transaction amounts for the TFS Products for the two years ended 31 December 2015 due to a drop in the revenue from the sale of instant noodles is noted above, as set out in sub-section 3.1, the Company has undertaken comprehensive upgrading of its products over the recent years, including but not limited to upgrading the packaging of its instant noodle products, with the aim to reposition the Company's instant noodle to a higher-end product positioning;

- In view of the fact that for the three years ending 31 December 2017, 2018 and 2019, an estimated increases in the purchase of the TFS Products of 118%, 15.2% and 15.8% were used in determining the new annual cap amounts, we have also reviewed both the actual transaction amounts for the TFS Products and the unaudited income statement of TFS for the nine months ended 30 September 2016, and viewed them against TFS's transaction amounts and audited income statements for the two years ended 31 December 2015. Table C above contains both such historical transactions amounts and consolidated turnovers of TFS for these two years and nine months period reviewed by us. We noted that if both the actual purchases of TFS Products and the consolidated turnover amount for the nine months ended 30 September 2016 are annualized on a 12-month basis, it would represent an approximately 120% jump, when viewed against historical purchases from, and audited consolidated turnover of TFS, for the year ended 31 December 2015 respectively. Following our inquiry, it was confirmed to us that such increases were driven mainly by the demand for VT0200 by the Group. We take the view that this increase trend supports the above basis and assumptions for the more than 100% increase in the annual cap amount for 2017 (and the moderate growth thereafter for 2018 and 2019);

- The VT0200 to be supplied is a new addition to the Existing TFS Supply Agreement; and

- The Company expects that the price of the raw materials for the TFS Products will have a year-on-year increase, having considered the prolonged drought situation which resulted in a 40% drop in potato production and in poorer quality of potatoes, the modified starch manufactured from which to become P-170,

we are of the view that the aforesaid bases and assumption for the new annual caps are fair and reasonable.

As set out above, the historical transaction amounts were taken as reference. For the purpose of determining the annual caps for the year ending 31 December 2017, the Company has used the purchases of the TFS Products (which included VT0200) for the first nine months of year 2016 and the estimated amount of purchase for the full year, plus an anticipated increase in demand for such materials and a buffer of approximately 1% to 2%. The buffer is for any possible unforeseen events. For the three years ending 31 December 2017, 2018 and 2019, an estimated increases in the purchase of the TFS Products of 118%, 15.2% and 15.8% per annum respectively were used in determining the annual caps for these three years. Following our review of the bases and assumptions as set out above for these anticipated increases in annual caps, we are of the view that the percentage of increases in the annual caps sought for each of the three years ending 31 December 2019 are fair and reasonable.

Based on the audited accounts of TFS, both the sales of TFS and the historical transaction amounts for the TFS Products registered a declining trend over the last two years ended 31 December 2015. TFS's gross profit margin has also declined for the year ended 31 December 2013, when compared to 2014, but since rebounded and began to level off for 2014 and 2015. The reason for the aforesaid decline in overall sales and historical transaction amounts was due to the inability of TFS to manufacture the modified cassava starch product (VT0200) in the quantity and quality required by the Group. TFS's declining sales for the two years ended 31 December 2015 also pushed up its cost of production and resulted in the aforesaid decline in gross profit margin, when compared to that of 2013.

The annual caps for the TFS Supply Agreement are therefore, set at a considerable higher percentage of increase in purchase, when compared to that of the actual amount of purchase of the TFS Products for the nine months ended 30 September 2016 and estimated on an annualized basis. The expected increase in purchases of the new modified cassava starch product (VT0200) is the reason for this anticipated increase. The Group has also been increasing its purchases of modified starch products from independent third party suppliers to meet its manufacturing needs (the Group expects to maintain such purchases from independent suppliers for the three years ending 31 December 2019). Hence, the 2017 annual cap of RMB330 million to be sought represents a 118% increase from the actual purchase of the TFS Products for the nine months ended 30 September 2016 and estimated on an annualized full year basis. The new caps to be sought do represent an anticipated considerable increase in purchase of the TFS Products, in particular VT0200, and a buffer.

Having considered (i) these bases and assumptions and the fact that sample invoices of modified starch products purchased from independent suppliers had been made available for our review; and (ii) the abovementioned projections, bases and assumptions in determining the proposed new caps for the three years ending 31 December 2019, we are of the view that these projections, bases and assumptions and the proposed cap amounts are fair and reasonable.

For the three years ending 31 December 2019, the aggregate amount payable by the Company to TFS under the TFS Supply Agreement will be subject to the following annual caps:

Table I: Annual cap amounts for the proposed purchase of the TFS Products

	Year ending 31 December 2017	**Year ending 31 December 2018**	**Year ending 31 December 2019**
Annual cap. amount to be sought	RMB330,000,000	RMB380,000,000	RMB440,000,000

4.2 ***Terms of the historical purchases of the TFS Products***

In determining whether the prices and terms for the TFS Products supplied by TFS are comparable to market, the Purchasing Department of the Group will undertake certain checks and market research in accordance with the Company's internal procedures set out in section 2 above and the Company will also engage its auditors to conduct certain review pursuant to the Listing Rule requirements.

In order to satisfy ourselves that the terms of the continuing connected transactions contemplated under the TFS Supply Agreement will be, in general, carried out in the ordinary and usual course of business, and will be with reference to prevailing market price on terms which are no less favorable to the Group than that available to independent third parties, we have reviewed (i) certain sample invoices involving purchases of the TFS Products by the Group, including randomly selected sample invoices of recent purchases (random sampling was used to better ensure a more representative sample of the invoices available for review); (ii) certain sample invoices involving recent purchases of modified starch products (including the high-end P-170 modified starch) by the Group from an independent third party supplier; (iii) sample invoices involving purchases of modified starch products by an independent third party from TFS; (iv) market prices of modified starch products in general; and (v) audited accounts of TFS.

Having considered the above sample invoices and market data and in particular, sample invoices of the P-170 modified starch products purchased from an independent third party supplier by the Group and sample invoices involving purchases of modified starch products by an independent third party from TFS, we are of the view that the pricings for the historical purchases of the TFS Products by the Group reviewed by us were in general, with reference to prevailing market price while reflecting the special needs and quality requirements of the Group. The pricing mechanism for purchases from TFS and from independent third party suppliers was the same, which was based on a unit price per kg of modified starch. This allows pricing for the TFS Products to be viewed against those charged by an independent supplier. In light of the above, we are of the view that the historical pricing terms under the TFS Supply Agreement were fair and reasonable. More details of our analysis on the pricings of the TFS Products are set out below. In order to save transportation costs, TFS has become one of the major providers of the TFS Products to the Group in the northern region of Yangtze River since 2008.

Following our review of the audited consolidated accounts of TFS over the past three years and as TFS is privately owned, its profit margins are not in the public domain, we can only confirm that the gross profit margin of TFS for each of the three years ended 31 December 2013, 2014 and 2015 respectively had initially declined slightly from 2013 to 2014 but had since leveled off. The decline in gross profit margin is attributable to the decline in sales which resulted in pushing up production cost due to the manufacturing capacity of TFS was underutilized and thus per unit production cost had arisen.

According to information provided by management of the Company, average selling price per ton of P-170 modified starch was approximately RMB9,000 to RMB10,000 in the recent months of 2016, and TFS did not sell the P-170 or VT0200 modified starch to any external party for the two years ended 31 December 2015. This pricing is comparable to the recent purchases of P-170 modified starch products by the Group from an independent third party supplier, the sample invoices of which were reviewed by us as abovementioned. Historically, TFS's principal focus is on the Group's needs, mainly due to the Group's requirement for higher quality modified starch product in the forms of P-170, P-150 and VT0200, which were supplied by TFS to the Group and accordingly, were not comparable to those sold externally by TFS to third parties for such reason. In addition, as confirmed by the Company, current market prices for various grades of potato starch per ton command a price range between RMB8,000 to RMB9,000.

Another advantage on the almost exclusive sales of the TFS Products to the Group is that such internal sales require no major advertising or promotional expenses, the benefit of which could hopefully, be passed on to the Group. Apart from selling the TFS Products to the Group, TFS also sell the small remaining percentage of its products (approximately 20%) to other parties.

Having considered the above information, in particular, (i) the higher pricing for TFS Products was attributable to the Group's requirement for higher quality modified starch products; (ii) the sample invoices of the modified starch purchased from independent third party suppliers by the Group under generally the same pricing mechanism used for the TFS Products and such independent third party pricings were used as reference; and (iii) the Company's existing internal procedures (as set out in sub-section 2 above) to ensure that pricing terms for the purchases of TFS Products will be based on prevailing market prices and on terms which are no less favorable to the Group than that available to independent third parties, we are of the view that the proposed purchases of the TFS Products will be generally with reference to the then prevailing market price (while reflecting the higher quality requirements of the Group) and on terms which will be no less favorable to the Group than that available to independent third parties.

We further noted that as set out above, factors like fluctuating potato and cassava price and underutilization of the production facilities of TFS had pushed down its profit margins for 2014 and 2015. These factors may change over the next three-year term of the TFS Supply Agreement. We are of the view that during their annual review of the continuing connected transactions under the TFS Supply Agreement pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, members of the Independent Board Committee should ensure that such gross profit margin would continue be in line with the then prevailing market margin.

5. Reasons for and bases of the proposed annual caps for the continuing connected transactions

5.1 ***Reasons***

The following reasons are as set out in the "Letter From The Board":-

TFS is a modified starch manufacturer, specialized in producing modified starch, especially from potato and cassava. Each of the core products, P-170 and VT0200, is based on unique formulas specifically tailored for manufacturing the Group's high-end instant noodle products.

The Directors believe that it is in the benefit of the Company and the Shareholders as a whole to continue to acquire the TZCI Materials and the TFS Products from TZCI and TFS, respectively, on the basis of the high quality of the TZCI Materials and the TFS Products and their competitive prices.

As the Existing Supply Agreements with respect to the supply of products from TZCI and TFS are due to expire soon, the Directors consider that the entering into of the Supply Agreements are in the ordinary and usual course of business of the Group. Given that the Supply Agreements are entered into under normal commercial terms, and that the terms have been reached after arm's length negotiations, the Directors consider that the Supply Agreements and their respective annual caps are fair and reasonable and in the interest of the Independent Shareholders and the Company as a whole.

5.2 ***Bases for the annual caps sought***

As set out in the "Letter From The Board", the annual caps for each of the TZCI Supply Agreement and TFS Supply Agreement were determined based on the historical transaction amount and taking into account the bases and assumptions set out above. The Company entered into an agreement with each of TZCI and TFS on 15 November 2016 on the purchase of the TZCI Materials and TFS Products respectively by the Group. Both Supply Agreements will expire on 31 December 2019.

Having considered the relevant bases and assumptions for such projected future purchases of the TZCI Materials and TFS Products as abovementioned, we are in concurrence with the executive Directors in their projected annual cap amounts sought for the continuing connected transactions and take the view that such bases are fair and reasonable.

5.3 ***Our views***

Independent Shareholders should take note of the special and close business relationship between the Group and each of the TZCI Group and TFS, details of which are set out above and in the "Letter From The Board".

We also understand from management of the Company that the whole supply chain arrangements of the Group with respect to the TZCI Materials and the TFS Products are driven by a combination of important factors like pricing, quality, stability of supply and other supply chain factors like logistics services and supports, these are therefore the reasons for the proposed continuing connected transactions under the TZCI Supply Agreement and the TFS Supply Agreement respectively, and the annual cap amounts of such transactions as sought by the Company.

In the light of the above, in particular, having considered that Master Kong's instant noodles and high-end packet noodles have achieved a leading position in the PRC marketplace and that Master Kong's ready-to-drink tea, bottled water and fruit juice products have also achieved significant positions in their respective marketplaces in the PRC, all of these achievements have been supported by the TZCI Group and TFS, we are of the view that the proposed continuing connected transactions under the TZCI Supply Agreement and the TFS Supply Agreement and the respective annual cap amounts of such transactions are vital to the Group's continuing success.

The risk of relying on another major supplier of TZCI Materials and TFS Products other than TZCI and TFS respectively is simply too high for the Group and is therefore uncommercial. We are thus in concurrence with the abovementioned reasons as cited by the executive Directors that it is in the benefit of the Company and the Shareholders as a whole to continue to acquire the TZCI Materials and the TFS Products from TZCI and TFS respectively.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the TZCI Supply Agreement and the TFS Supply Agreement are entered into under normal commercial terms and such agreement is entered into in the ordinary and usual course of business of Group. On the basis of terms of the historical purchases of the TZCI Materials and the TFS Products by the Group from the TZCI Group and TFS respectively as set out above, we are also of the view that the entering into the TZCI Supply Agreement and the TFS Supply Agreement, the continuing connected transactions respectively contemplated thereunder and the relevant annual cap amounts will be carried out under normal commercial terms and that the terms of such transactions will be fair and reasonable and in the interests of the Shareholders as a whole. We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving each of the TZCI Supply Agreement and the TFS Supply Agreement, the continuing connected transactions contemplated thereunder and the relevant annual cap amounts for the three years ending 31 December 2017, 2018 and 2019 respectively, at the EGM.

Yours faithfully,
for and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

(*Note*: Mr. Baldwin Lee, the author of this letter of independent advice, has over 26 years of experience in investment banking and corporate finance. He has been the managing director of our firm since 1994. Prior to his present posting, he was a director at Sun Hung Kai International Limited, the investment banking arm of Sun Hung Kai & Co. Limited. Prior to his return to Hong Kong in early 1991 from Canada, he was a corporate finance professional at the Toronto's head office of Walwyn Stodgell Cochran Murray Limited, an investment banking firm in Canada. He holds an M.B.A. degree and a B. Comm. Degree from Canadian universities and he is also a Fellow member of the Institute of Canadian Bankers and a Senior Fellow member of the Hong Kong Securities and Investment Institute.)

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

	Number of ordinary shares			
Name	**Personal interests**	**Corporate interests** *(Note 1)*	**Percentage of the issued share capital**	**Number of underlying shares held under share options** *(Note 2)*
Directors				
Wei Ing-Chou	13,242,000	1,882,927,866	34.12%	15,250,000
Wei Hong-Ming	—	1,882,927,866	33.61%	
Chief Executive Officer				
James Chun-Hsien Wei	—	—	—	8,358,000

(b) **Long position in shares of associated corporation**

Name of Directors	**Name of associated Corporation**	**Number of shares of the associated corporation** *(Note 3)*	**Percentage of the issued share capital** *(Note 3)*	**Number of interest** *(Note 3)*
Wei Ing-Chou	Tingyi-Asahi Beverages Holding Co. Ltd.	180,008 shares	17.10%	Corporate
Wei Hong-Ming	Tingyi-Asahi Beverages Holding Co. Ltd.	180,008 shares	17.10%	Corporate

Notes:

1. These 1,882,927,866 shares are held by and registered under the name of Ting Hsin (Cayman Islands) Holding Corp. ("Ting Hsin"). Ting Hsin is beneficially owned as to approximately 44.761% by Ho Te Investments Limited ("Ho Te"), as to approximately 30.239% by Rich Cheer Holdings Limited ("Rich Cheer"), as to 17.835% by Itochu Gorp., and 6.482% by China Foods Investment Corp., a subsidiary of Asahi Group Holdings, Ltd., and as to the remaining 0.683% by unrelated third parties. Ho Te and Rich Cheer were owned as to 100% by Profit Surplus Holdings Limited ("Profit Surplus"). Profit Surplus is the trustee of a unit trust, which is in turn held by four discretionary trusts in equal proportions. HSBC International Trustee Limited is the trustee of each of the above four discretionary trusts, the settlors and discretionary objects of the above four discretionary trusts are as follows:

    - Wei Chang Lu-Yun is the settlor of one of the above discretionary trusts with Wei Chang Lu-Yun's family members (including Wei Hong-Ming) as discretionary objects;

    - Lin Li-Mien is the settlor of one of the above discretionary trusts with Lin Li-Mien's family members as discretionary objects;

    - Wei Hsu Hsiu-Mien is the settlor of one of the above discretionary trusts with Wei Hsu Hsiu-Mien's family members as discretionary objects; and

    - Wei Tu Miao is the settlor of one of the above discretionary trusts with Wei Tu Miao's family members as discretionary objects.

2. Wei Ing-Chou is also personally interested in 13,242,000 shares and holds 15,250,000 share options under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008. Wei Chang Lu-Yun, being the spouse of Wei Ing-Chou, is also deemed to be interested in the shares and the underlying shares held by Wei Ing-Chou.

    James Chun-Hsien Wei holds 8,358,000 share options under the share option scheme of the Company passed by an extraordinary general meeting of the Company held on 20 March 2008.

3. These 180,008 shares are held by and registered under the name of Ting Hsin. Please refer to note 1 for the shareholding structure of Ting Hsin.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive officer of the Company, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company, or were required, pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

(c) **Directors' service contracts**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

(d) **As at the Latest Practicable Date:**

(i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

(ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(e) **Directors' interests in competing businesses**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company under section 336 of the SFO, the persons other than a Director or chief executive of the Company who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Capacity	Number of shares held	% of the issued share capital
Ting Hsin *(see note 1)*	Beneficial owner	1,882,927,866(L)	33.61
Ho Te Investments Limited *(see note 1)*	Interest of controlled company	1,882,927,866(L)	33.61
Rich Cheer Holdings Limited *(see note 1)*	Interest of controlled company	1,882,927,866(L)	33.61
Profit Surplus Holdings Limited *(see note 1)*	Trustee of a unit trust	1,882,927,866(L)	33.61
HSBC International Trustee Limited *(see note 1)*^	Trustee of discretionary trusts	1,882,927,866(L)	33.61
Wei Chang Lu-Yun *(see notes 1 & 2)*	Settlor of a discretionary trust	1,911,419,866(L)	34.12
Lin Li-Mien *(see note 1)*	Settlor of a discretionary trust	1,882,927,866(L)	33.61
Wei Hsu Hsiu-Mien *(see note 1)*	Settlor of a discretionary trust	1,882,927,866(L)	33.61
Wei Tu Miao *(see note 1)*	Settlor of a discretionary trust	1,882,927,866(L)	33.61
Sanyo Foods Co., Ltd.	Beneficial owner	1,882,927,866(L)	33.61

Note: (L) : Long Position

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save for Mr. Wei Ing-Chou and Mr. Wei Hong-Ming, who are directors of Ting Hsin, none of the Directors is a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company and any of its subsidiaries.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited accounts of the Company were made up.

6. EXPERT'S QUALIFICATION AND CONSENT

Centurion has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

Name	Qualification
Centurion Corporate Finance Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

As at the Latest Practicable Date, Centurion did not have any direct or indirect interest in any asset which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Centurion was not interested in any Share or share in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

7. MISCELLANEOUS

The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is at Suite 5607, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company's Hong Kong branch share registrar and transfer office is Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong during normal business hours from the date of this circular and up to and including 29 December 2016:

(a) the letter of recommendation from the Independent Board Committee to the Independent Shareholders as set out in this circular;

(b) the letter from Centurion, the text of which is set out in this circular;

(c) the written consent referred to in the paragraph headed "Expert's qualification and consent" in this Appendix;

(d) the TZCI Supply Agreement and the TFS Supply Agreement; and

(e) this circular.

康師傅控股有限公司*
TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0322)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("the **EGM**") of Tingyi (Cayman Islands) Holding Corp. (the "**Company**") will be held at 9:00 a.m. on 29 December 2016 at the Conference Room, No.1688, Wuzhong Road, Minhang District, Shanghai City, PRC for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the supply agreement dated 15 November 2016 (the "**TZCI Supply Agreement**") entered into between the Company and Tingzheng (Cayman Islands) Holding Corp. ("**TZCI**"), a copy of which is tabled at the meeting and marked "**A**" and initialed by the chairman of the meeting for identification purpose, pursuant to which, TZCI and its subsidiaries will supply the TZCI Materials (as defined in the circular of the Company dated 8 December 2016 (the "**Circular**")) to the Company and its subsidiaries (the "**Group**") for a term of three financial years ending 31 December 2019, be and is hereby approved, ratified and confirmed;

   (b) the cap amounts in relation to the supply of the TZCI Materials for the three financial years ending 31 December 2019 as set out in the Circular, be and are hereby approved; and

   (c) any one director of the Company be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the TZCI Supply Agreement and the transactions contemplated thereunder."

2. "**THAT:**

   (a) the supply agreement dated 15 November 2016 (the "**TFS Supply Agreement**") entered into between the Company and Tianjin Ting Fung Starch Development Co., Ltd. ("**TFS**"), a copy of which is tabled at the meeting and marked "**B**" and initialed by the chairman of the meeting for identification purpose, pursuant to which, TFS will supply the TFS Products (as defined in the Circular) to the Group for a term of three financial years ending 31 December 2019, be and is hereby approved, ratified and confirmed;

** For identification purposes only*

(b) the cap amounts in relation to the supply of the TFS Products for the three financial years ending 31 December 2019 as set out in the Circular, be and are hereby approved; and

(c) any one director of the Company be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the TFS Supply Agreement and the transactions contemplated thereunder."

By Order of the Board
Tingyi (Cayman Islands) Holding Corp.
Ip Pui-Sum
Company Secretary

Hong Kong, 8 December 2016

Notes:

1. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one