
IMPORTANT

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康師傅控股有限公司*

TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(在開曼群島註冊成立之有限公司)

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Mr. Wei Ing-Chou

(Chairman and Chief Executive Officer)

Mr. Takeshi Ida *(Vice-Chairman)*

Mr. Ryo Yoshizawa *(Executive Vice President)*

Mr. Wei Ying-Chiao

Mr. Wu Chung-Yi

Mr. Jun-Ichiro Ida

Hong Kong Office:

Suite 3807

38th Floor

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Independent Non-executive Directors:

Mr. Hsu, Shin-Chun

Mr. Katsuo Ko

12th May 2003

To the shareholders for information only

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES

Introduction

At the annual general meeting of the Company held on 24th June 2002 ordinary resolutions were passed giving general mandates to the Directors (i) to allot, issue and otherwise deal with shares up to a limit equal to (a) 20% of the shares of the Company in issue plus (b) (authorised by a separate ordinary resolution as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”)) the nominal amount of any shares repurchased by the Company; and (ii) to repurchase shares of the Company on the Stock Exchange of up to 10% of the issued share capital of the Company.

* For identification purposes only

Under the terms of the Listing Rules and the Companies Law (1995 Revision) of Cayman Islands (the “Companies Law”), these general mandates will lapse at the conclusion of the annual general meeting for 2003 (the “2003 Annual General Meeting”) unless renewed at that meeting.

The Directors wish to seek your approval of a resolution to be proposed at the 2003 Annual General Meeting to be held on 20th June 2003 to grant a general mandate to enable the Directors to exercise the powers of the Company to repurchase fully paid up shares of US\$0.005 each in the Company (the “Shares”). The resolution will be proposed as Ordinary Resolution 6 set out in the notice of the 2003 Annual General Meeting.

A separate ordinary resolution, as required by the Listing Rules, to add the aggregate amount of Shares which may be repurchased pursuant to the authority granted by Ordinary Resolution 6 to the general mandate granted by Ordinary Resolution 5 to the Directors to allot new shares of up to 20% of the issued share capital of the Company will be proposed as Ordinary Resolution 7 set out in the notice of the 2003 Annual General Meeting.

In accordance with the Listing Rules and the Companies Law, this circular also serves as the explanatory statement to provide you with the requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against resolutions 5 to 7 to be proposed at the Annual General Meeting.

1. **Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:—

(a) *Source of Funds*

Repurchases must be made out of funds which are legally available for such purpose in accordance with the laws of the Cayman Islands and the memorandum and articles of association of the company.

(b) *Maximum number of shares to be repurchased and subsequent issues*

A maximum of 10% of the issued share capital of the company as at the date of passing the relevant resolution granting the general mandate may be repurchased on the Stock Exchange.

(c) *Shares to be repurchased*

The Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

2. Share Capital

As at 9th May 2003, the latest practicable date prior to the printing of this document for ascertaining certain information referred to in this document (the “Latest Practicable Date”), the Company has 5,588,705,360 shares of US\$0.005 in issue.

Subject to the passing of the ordinary resolution to approve the repurchase mandate, and on the basis that no further shares will be issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the repurchase mandate to purchase a maximum of 558,870,536 fully paid up shares representing 10% of the issued share capital of the Company.

3. Reasons for Repurchases

Whilst the Directors do not presently intend to repurchase any shares of the Company, they believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase shares. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement in the value of the shares and/or earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

4. Funding of Repurchases

In repurchasing shares, the Company may only apply its available cash flow or working capital facilities which will be funds legally available for such purpose in accordance with the laws of the Cayman Islands and the Memorandum and Articles of Association of the Company. Such funds include profits available for distribution and the proceeds of fresh issues of shares made for the purpose of the repurchases.

If the repurchase mandate were exercised in full, there could be a material adverse effect on the working capital position of the Company and its subsidiaries (the “Group”) or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group (as compared with the position disclosed in the audited consolidated accounts as at 31st December 2002). The Directors therefore do not propose to exercise the repurchase mandate to such an extent unless the Directors determined that such repurchases were taking account of all relevant factors, in the best interests of the Group.

5. Share Prices

The highest and lowest prices at which shares have been traded on the Stock Exchange during each of the months from May 2002 to the Latest Practicable Date were as follows:—

	Price per share	
	Highest (HK\$)	Lowest (HK\$)
2002		
May	2.375	1.670
June	2.400	1.960
July	2.475	2.175
August	2.375	1.970
September	2.250	1.970
October	2.200	2.075
November	2.300	1.660
December	2.050	1.810
2003		
January	2.225	1.980
February	2.225	1.860
March	2.050	1.680
April	1.940	1.330
May [#]	1.500	1.350

[#] Up to and including the Latest Practicable Date.

6. Undertaking

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention to sell any shares to the Company or its subsidiaries under the repurchase mandate if such repurchase mandate is approved by shareholders.

The Directors have undertaken to the Stock Exchange that, they will exercise the repurchase mandate in accordance with the Listing Rules and the laws of the Cayman Islands.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell shares to the Company or have undertaken not to do so in the event that the repurchase mandate is approved by shareholders.

7. Hong Kong Code on Takeovers and Mergers

If as a result of a share repurchase by the Company, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at 9th May 2003, Ting Hsin (Cayman Islands) Holding Corp. ("Ting Hsin") held 1,854,827,866 shares of US\$0.005 each in the Company, representing approximately 33.1889% of the issued share capital of the Company. Ting Hsin is beneficially owned as to approximately 54.83% by Ho Te Investments Limited, as to approximately 12.68% by Wu Chung Yi, as to approximately 15.24% by Grand Sino King Corporation, and as to the remaining 17.25% by independent third parties. Ho Te Investments Limited is a company incorporated in the British Virgin Islands and is beneficially owned as to 25% by Wei Ing-Chou, 25% by Wei Ying-Chiao, and the remaining equally by Wei Yin-Chun and Wei Yin-Heng (brothers of the above two directors) respectively. Grand Sino King Corporation is a company incorporated in the British Virgin Islands. Wu Chung Yi is an object of a discretionary trust, the trustee of which owns the entire share capital of Grand Sino King Corporation. In addition, Sanyo Foods Co., Ltd. ("Sanyo") also held 1,854,827,866 shares of US\$0.005 each in the Company as at 25th April 2003. If the Company exercises the right to repurchase the maximum of 558,870,536 shares in the Company, the respective percentage of shareholdings held by each of Ting Hsin and Sanyo will increase from 33.1889% to 36.88%. Such increase may give rise to an obligation for Ting Hsin and Sanyo to make a mandatory offer under Rule 26 of the Takeovers Code. However, the Company may not repurchase shares which would result in the amount of shares held by the public being reduced to less than 25%. The Directors will be cautioned in exercising the repurchase mandate and have no intention to exercise the repurchase mandate to such extent which would result in Ting Hsin and Sanyo becoming obliged to make a mandatory offer.

8. Repurchases made by the Company

During the previous six months preceding the latest applicable date, the Company did not repurchase any shares of the Company through the Stock Exchange or otherwise.

9. General Mandate to Issue Shares

At the Annual General Meeting, an ordinary resolution will also be proposed that the Directors be given a general and unconditional mandate to issue further shares representing up to 20% of the aggregate nominal amount of the share capital of the Company in issue of the passing of the resolution. In addition, an ordinary resolution will be proposed to be passed to authorise the Directors to issue shares in an amount equal to the aggregate issued share capital purchased under the authority to repurchase shares referred to in this circular. The Directors of the Company wish to state that they have no present intention to issue any new shares pursuant to the above general mandates.

10. Resolutions to be Proposed at the Annual General Meeting

The ordinary resolution 5 to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors to issue new shares up to a maximum of 20% of the issued share capital of the Company as at the date of the passing of the resolution.

The ordinary resolution 6 to be proposed at the Annual General Meeting relates to the granting of the repurchase mandate to the Directors to repurchase, on the Stock Exchange, shares up to a maximum of 10% of the issued share capital of the Company.

The ordinary resolution 7 to be proposed at the Annual General Meeting relates to the extension of the general mandate to be granted to the Directors to issue new shares during the relevant period by adding to it the number of shares repurchased by the Company under the repurchase mandate, if any.

11. Notice of Meeting

Notice of the 2003 Annual General Meeting to be held on 20th June 2003 is sent to shareholders on the same date as this circular. A proxy form for use at the 2003 Annual General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are reminded to complete the proxy form in accordance with the instruction printed thereon and return it to the Hong Kong office of the Company at Suite 3807, 38th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong as soon as possible and, in any event, so as to be received not less than 48 hours before the time appointed for the holding of the meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

12. Recommendation

The Directors consider that the proposed repurchase mandates and the granting of general mandate to issue new shares are in the best interests of the Company and of the shareholders in general. Accordingly, the Directors recommend shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the 2003 Annual General Meeting, as those Directors who are also shareholders intend to do so in respect of their shareholdings in the Company.

Yours faithfully,
Wei Ing-Chou
Chairman