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## Tingyi (Cayman Islands) Holding Corp.

(Incorporated in the Cayman Islands with limited liability)

### Potential Event of Default under the Bonds

#### Summary

The Company has on 26 April 2002 sent the Notice to the Trustee notifying the Trustee that the Company has become aware that the Security Arrangements involving its assets and the assets of certain of its subsidiaries in the PRC constitute a breach of the Conditions which in turn, constitutes a Potential Event of Default. The occurrence of the Potential Event of Default means that the Trustee may under the Conditions, give notice to the Company that the Bonds are immediately due and payable prior to the Maturity Date at their Early Redemption Amount together with accrued interest.

Pursuant to the Notice, the Company has requested that the Trustee (a) waives the breach of the Conditions constituted by the Security Arrangements and (b) determine that the Potential Event of Default will not be treated as such on the basis that it is a default which is not materially prejudicial to the interests of the holders of the Bonds. Accordingly, the Company intends, on 29 April 2002, to remit an amount of US\$128,540,859.27 (representing the total amount required to redeem the Bonds together with accrued interest on the Maturity Date) to the Trustee on the instructions that the Trustee pays such funds to the holders of the Bonds on the Maturity Date in accordance with the Conditions.

#### Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

The Board wishes to emphasise that it does not consider the Potential Event of Default to materially affect market activity in, and the price of, the shares of the Company. As the Notice was sent on 26 April 2002 to the Trustee, this announcement is being made to enable the shareholders of the Company and the public to be informed on the same basis as the Trustee and the holders of the Bonds.

#### Introduction

The Company has recently become aware that the Security Arrangements constitute a breach of the Conditions of the Bonds which in turn constitute a Potential Event of Default. The total approximate unaudited amount of the loans secured by the Security Arrangements is US\$68.4 million, which represents approximately 12.63 per cent. of the Company's audited consolidated tangible net worth of US\$541.6 million as at 31 December 2001.

#### Nature of the Potential Event of Default

The Conditions contain a negative pledge given by the Company which provides, inter alia, that so long as any Bond remains outstanding, neither the Company nor any of its subsidiaries shall create or permit to exist any Lien (as defined in the Conditions) upon the whole or any part of its property, assets or revenues, present or future, to secure any Obligation (as defined in the Conditions) except as permitted in Condition 3. The relevant indebtedness of the Company and certain of its subsidiaries which is secured by the Security Arrangements constitute Obligations (as defined in the Conditions). The Security Arrangements constitute Liens (as defined in the Conditions) and constitute a breach of a part of the negative pledge contained in the Conditions.

As a result of the occurrence of the Potential Event of Default, the Trustee may, pursuant to the Conditions, give notice to the Company that the Bonds are immediately due and payable prior to the Maturity Date at their Early Redemption Amount together with the accrued interest.

#### Opinion of the Board

The Board is of the view that the Company has sufficient funds sourced from the operating cashflow of the Group for redemption of the Bonds at their maturity on 17 July 2002. As at 31 March 2002, the unaudited cash position level of the Group is approximately over US\$199 million. Although the Security Arrangements constitute a Potential Event of Default, they are not, and will not be, prejudicial to the interests of the holders of the Bonds. The Company has never defaulted upon any payments in respect of the Bonds. The Security Arrangements were entered into in the ordinary course of business of the Company and its subsidiaries, and are considered to be standard security arrangements for similar companies to the Company operating in the PRC. The underlying loans secured by the Security Arrangements have been used for the Group's working capital and capital expenditure, and the Company and its subsidiaries have never defaulted upon any payments in respect of such loans.

The Board wishes to emphasise that it does not consider the Potential Event of Default to materially affect market activity in, and the price of, shares of the Company. As the Notice was sent on 26 April 2002 to the Trustee, this announcement is being made to enable the shareholders of the Company and the public to be informed on the same basis as the Trustee and the holders of the Bonds.

#### Waiver requested from the Trustee

The Company has on 26 April 2002 sent the Notice to the Trustee, notifying the Trustee of a Potential Event of Default. Under the Conditions, the Trustee may, without the consent of the holders of the Bonds and without prejudice to its rights in respect of any subsequent breach, waive on such terms and conditions as seem expedient to it, any breach or potential breach of the Company of any of the Conditions which is not materially prejudicial to the interests of holders of the Bonds. Pursuant to the Notice, the Company has requested that the Trustee (a) waives the breach of the Conditions constituted by the Security Arrangements and (b) determine that the Potential Event of Default will not be treated as such, on the basis it is a default which is not materially prejudicial to the interests of the holders of the Bonds. Accordingly, the Company intends, on 29 April 2002, to remit an amount of US\$128,540,859.27 (representing the total amount required to redeem the

Bonds together with accrued interest on the Maturity Date) on the instructions that the Trustee pays such funds to the holders of the Bonds on the Maturity Date in accordance with the Conditions.

A further announcement shall be made when the Company receives the response from the Trustee as to whether or not it will waive the Potential Event of Default or when any other major development occurs.

#### Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

#### No other disclosure

The Board also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, and, save as disclosed in this announcement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

#### Definitions

"Board"	board of directors of the Company
"Bonds"	the US\$130,000,000 1 5/8 per cent. convertible bonds due 2002 issued by the Company which are listed on the Luxembourg Stock Exchange, details of their issue having been announced by the Company on 7 July 1997, 11 July 1997 and 18 July 1997. As at 26 April 2002, the outstanding principle amount of the Bonds is US\$95,721,000
"Company"	Tingyi (Cayman Islands) Holding Corp., a company incorporated with limited liability in the Cayman Islands, the securities of which are listed on The Stock Exchange of Hong Kong Limited
"Conditions"	the terms and conditions of the Bonds
"Group"	the Company and its subsidiaries
"Early Redemption Amount"	the principal amount of the Bonds plus an amount of premium determined in accordance with the Conditions
"Maturity Date"	17 July 2002, being the maturity date of the Bonds under the Conditions
"Notice"	the notice issued by the Company to the Trustee on 26 April 2002 notifying the Trustee of a Potential Event of Default
"Potential Event of Default"	a potential event of default under Condition 10(ii) of the Conditions
"PRC"	People's Republic of China
"Security Arrangements"	certain security arrangements involving the assets of the Company and certain of its subsidiaries in the PRC (the unaudited value of such assets as at 31 March 2001 is approximately US\$115.5 million) which secure the indebtedness of the Company and certain of its subsidiaries (all save one, being wholly-owned subsidiaries of the Company)
"Trust Deed"	the trust deed dated 17 July 1997 between the Company and the Trustee in relation to the Bonds
"Trustee"	DB Trustees (Hong Kong) Limited (formerly BT Trustees (Hong Kong) Limited), the trustee of the Trust Deed

By Order of the Board  
Tingyi (Cayman Islands) Holding Corp.  
Wei Ing Chau  
Chairman

Hong Kong, 26 April 2002