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TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

PROPOSED ISSUE OF CONVERTIBLE BONDS

SUMMARY

Tingyi (Cayman Islands) Holding Corp. ("**Company**") is considering an issue of fixed rate convertible bonds in an aggregate principal amount of US\$90 million (equivalent to approximately HK\$702 million) ("**Convertible Bonds**"). The Company is finalising the terms of a conditional subscription agreement ("**Subscription Agreement**") proposed to be entered into with Morgan Stanley & Co. International Limited ("**Morgan Stanley**") in connection with the issue of the Convertible Bonds. If the Company and Morgan Stanley enter into the Subscription Agreement, the Convertible Bonds to be issued pursuant to the Subscription Agreement shall be convertible into fully-paid ordinary shares of US\$0.005 each in the share capital of the Company ("**Shares**"). The Company has made an application for the listing of the Convertible Bonds on the Luxembourg Stock Exchange. The Company also intends to apply for the listing of the Shares to be issued upon conversion of the Convertible Bonds on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

If the Subscription Agreement is entered into, the Company will also grant to Morgan Stanley an option ("**Option**") to require the Company, on one occasion only, to issue up to a further US\$10 million (equivalent to approximately HK\$78 million) in aggregate principal amount of the Convertible Bonds. In the case the Option is granted and is exercised in full, the aggregate principal amount of the Convertible Bonds would be US\$100 million (equivalent to approximately HK\$780 million).

If the Convertible Bonds are issued, the Convertible Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing in securities, in compliance with any applicable laws and regulations. None of the Convertible Bonds are to be offered to the public in Hong Kong and none of the Convertible Bonds will be placed to any connected persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**")) of the Company.

Potential placees were contacted. To avoid uneven dissemination of price-sensitive information, at the request of the Company, trading in the securities of the Company on the Stock Exchange has been suspended from 2:30 p.m. on Monday, 27 May 2002 pending the release of this announcement.

The directors of the Company consider that the information set out in this announcement is sufficient to enable the shareholders of the Company and the public to appraise the position of the Company and hence, in compliance with Rule 6.05 of the Listing Rules, application has been made by the Company to the Stock Exchange for resumption of trading in the securities of the Company on the Stock Exchange with effect from 9:30 a.m. on Tuesday, 28 May 2002.

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

CONVERTIBLE BONDS

Introduction

The directors of the Company wish to announce that the Company is finalising the terms of the Subscription Agreement proposed to be entered into with Morgan Stanley in connection with the issue of the Convertible Bonds in an aggregate principal amount of US\$90 million (equivalent to approximately HK\$702 million).

A further announcement will be made by the Company upon the entering into of the Subscription Agreement between the Company and Morgan Stanley.

It is currently proposed that should the Company and Morgan Stanley enter into the Subscription Agreement, the Convertible Bonds to be issued shall be convertible into Shares in accordance with the terms of the Convertible Bonds. Furthermore, the Company has made an application for the listing of the Convertible Bonds on the Luxembourg Stock Exchange and should the Subscription Agreement be entered into, the Company intends to apply for the listing of the Shares to be issued upon conversion of the Convertible Bonds on the Stock Exchange.

If the Subscription Agreement is entered into, the Company will also grant to Morgan Stanley the Option to require the Company, on one occasion only, to issue up to a further US\$10 million (equivalent to approximately HK\$78 million) in aggregate principal amount of the Convertible Bonds. In the case the Option is granted and is exercised in full, the aggregate principal amount of the Convertible Bonds would be US\$100 million (equivalent to approximately HK\$780 million).

The Convertible Bonds if issued will be offered and sold to not less than six persons whose ordinary business involves buying, selling or investing in securities, in compliance with any applicable laws and regulations. None of the Convertible Bonds are to be offered to the public in Hong Kong and none of the Convertible Bonds will be placed to any connected persons (as defined in the Listing Rules) of the Company.

Interest

If the Subscription Agreement is entered into and the Convertible Bonds are issued, the Convertible Bonds will bear interest from (and including) the issue date of the Convertible Bonds ("**Issue Date**") at a rate to be determined on the date of the Subscription Agreement ("**Pricing Date**"), which is expected to be 3% per annum on the principal amount of each Convertible Bond, payable semi-annually in arrear up to and including the expected maturity date of the Convertible Bonds in June 2005 ("**Maturity Date**").

Conversion of the Convertible Bonds

If the Subscription Agreement is entered into and the Convertible Bonds are issued, the holders of the Convertible Bonds will have the right at any time on and after 40 days after the Issue Date up

to the close of business 14 days before the Maturity Date to convert the Convertible Bonds into Shares. The number of Shares issued on conversion will be determined by dividing the principal amount of the Bond to be converted by the conversion price in effect on the date of conversion.

The initial conversion price at which a Share will be issued on conversion will be determined on the Pricing Date and is expected to be at a premium of between 12% - 17% to the closing price of the Shares on the Pricing Date. The conversion price will be subject to adjustment as provided in the terms and conditions of the Convertible Bonds.

Use of Proceeds

The estimated proceeds from the issue of the Convertible Bonds are expected to amount to approximately US\$100 million (approximately HK\$780 million) before deducting expenses, assuming the Option is exercised in full. The proceeds are currently intended to be used for capital expenses incurred in connection with the Company's planned expansion of its production capacity at its existing production and new facilities.

Suspension and Resumption of Trading

Potential placees were contacted. To avoid uneven dissemination of price-sensitive information, at the request of the Company, trading in the securities of the Company on the Stock Exchange has been suspended from 2:30 p.m. on Monday, 27 May 2002 pending the release of this announcement.

The directors of the Company consider that the information set out in this announcement is sufficient to enable the shareholders of the Company and the public to appraise the position of the Company and hence, in compliance with Rule 6.05 of the Listing Rules, application has been made by the Company to the Stock Exchange for resumption of trading in the securities of the Company on the Stock Exchange with effect from 9:30 a.m. on Tuesday, 28 May 2002.

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

By Order of the board of directors of
Tingyi (Cayman Islands) Holding Corp.
Wei Ing-Chou
Chairman

Hong Kong, 27 May 2002

In this announcement certain amounts quoted in US dollars have been converted into Hong Kong dollars at the reference rate of US\$1.00 to HK\$7.80 for information purposes only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.