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TINGYI (CAYMAN ISLANDS) HOLDING CORP.

(Incorporated in the Cayman Islands with limited liability)

**ISSUE OF 3.5% CONVERTIBLE BONDS DUE 2005
IN THE AGGREGATE PRINCIPAL AMOUNT OF US\$90 MILLION**

The directors of Tingyi (Cayman Islands) Holding Corp. (“Company”) announce that the Company has entered into a conditional subscription agreement dated 28 May 2002 (“Subscription Agreement”) whereby Morgan Stanley & Co. International Limited (“Morgan Stanley”) has agreed to subscribe for an initial aggregate principal amount of US\$90 million (approximately HK\$702 million) convertible bonds (“Convertible Bonds”) to be issued by the Company for placing to not less than six placees at a conversion price of HK\$2.5875 per Share (“Conversion Price”) (subject to adjustment). Assuming full conversion of the Convertible Bonds at the Conversion Price, the Convertible Bonds will be convertible into 271,304,347 fully-paid ordinary shares of US\$0.005 each in the share capital of the Company (“Shares”), representing approximately 4.8545% of the issued share capital of the Company as at the date of this announcement and approximately 4.6298% of the enlarged issued share capital of the Company.

In addition, the Company has granted Morgan Stanley an option (“Option”) to require the Company to issue up to a further US\$10 million (approximately HK\$78 million) of aggregate principal amount of the Convertible Bonds, exercisable on one occasion at any time up to and including 30 days after 4 June, 2002. If the Option is exercised in full, the aggregate principal amount of the Convertible Bonds would be US\$100 million (equivalent to approximately HK\$780 million) and assuming full conversion of the Convertible Bonds at the Conversion Price, the Convertible Bonds will be convertible into 301,449,275 fully-paid Shares representing approximately 5.3939% of the issued share capital of the Company as at the date of this announcement and approximately 5.1178% of the enlarged issued share capital of the Company. A further announcement shall be made by the Company if the Option is exercised by Morgan Stanley.

Subject to certain conditions set out in the Subscription Agreement, completion of the arrangements contemplated under the Subscription Agreement and the issue of the Convertible Bonds are expected to take place on or about 4 June, 2002.

At the request of the Company, trading in the Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended from 9:30 a.m. on Wednesday, 29 May 2002 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Thursday, 30 May 2002.

INTRODUCTION

The directors of the Company refer to the announcement made by the Company dated 27 May 2002 relating to the possible issue of convertible bonds of the Company and announce that the Company has entered into the Subscription Agreement whereby Morgan Stanley has agreed to subscribe for an initial aggregate principal amount of US\$90 million (approximately HK\$702 million) Convertible Bonds to be issued by the Company for placing to not less than six placees and which are convertible into Shares. In addition, the Company has granted Morgan Stanley the Option to require the Company to issue up to a further US\$10 million (approximately HK\$78 million) in aggregate principal amount of the Convertible Bonds. If the Option is exercised in full, the aggregate principal amount of the Convertible Bonds would be US\$100 million (equivalent to approximately HK\$780 million). A further announcement shall be made by the Company if the Option is exercised by Morgan Stanley.

New Shares will be issuable upon conversion of the Convertible Bonds and will rank pari passu in all respects with existing Shares and will be issued pursuant to the general mandate given to the Directors by resolution of the shareholders of the Company at the Annual General Meeting of the Company held on 21 May 2001. Application will be made to The Hong Kong Stock Exchange Limited (“Stock Exchange”) for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Convertible Bonds.

USE OF PROCEEDS

The net proceeds from the issue of the Convertible Bonds (assuming no exercise of the Option), expected to be approximately US\$86 million (approximately HK\$670.8 million) after deducting expenses, will be used for the expenses in connection with the Company’s planned expansion of its production capacity at its existing and new production facilities, through the acquisition of new production lines and general corporate purposes (including the repayment of existing indebtedness and other capital expenditures). Since 31 December 2001, the Company has added 16 new PET beverage production lines and one new noodle production line. In addition, the Company may also add several instant noodle production lines and one muffin production line in the second half of 2002. The Company expects to spend a total of approximately US\$100 million (approximately HK\$780 million) in 2002 out of the proceeds from the issue of the Convertible Bonds and the working capital of the Company in connection with its expansion plans.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS AND THE ISSUE

The principal terms of the Convertible Bonds and the basis on which the Convertible Bonds will be issued may be summarised as follows:

Issue:	US\$90 million (approximately HK\$702 million) aggregate principal amount of Convertible Bonds due 2005, convertible into Shares at the option of the holders of the Convertible Bonds. The Convertible Bonds will be in registered form in the denomination of US\$1,000 each or integral multiples thereof and constituted by a trust deed to be entered into by the Company and DB Trustees (Hong Kong) Limited as trustee (“Trust Deed”). The Convertible Bonds will be issued at par.
Option:	In addition, Morgan Stanley is entitled on one occasion at any time up to and including 30 days after 4 June, 2002 to require the Company to issue up to a further US\$10 million (approximately HK\$78 million) in aggregate principal amount of the Convertible Bonds.
Interest:	The Convertible Bonds will bear interest at a rate of 3.5% per annum payable semi-annually in arrear on 4 June and 4 December in each year.
Conversion Period:	At any time from and including 14 July, 2002 up to and including 21 May, 2005 or if such Bond shall have been called for redemption before 21 May, 2005, then up to a date no later than seven business days prior to the date fixed for redemption thereof.
Conversion Price:	HK\$2.5875 per Share (with a fixed rate of exchange on conversion of HK\$7.8000=US\$1.00), representing a premium of 15 per cent. to the closing price of HK\$2.25 per Share as quoted on the Stock Exchange on 28 May, 2002, and a premium of approximately 24.64 per cent. to the average of the closing price of HK\$2.076 per Share as quoted on the Stock Exchange for the 10 trading days ended 28 May, 2002. The Conversion Price will be subject to adjustment for, amongst other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilution events. Shares issued on conversion will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.
Final Redemption:	Unless previously purchased and cancelled, converted or redeemed in certain circumstances, each Convertible Bond will be redeemed at 111.0360 per cent. of its principal amount on 4 June, 2005.
Redemption at the option of the Company:	The Convertible Bonds may be redeemed in whole (but not in part) at the option of the Company at any time on or after 4 June, 2004 (in the case of (i) below) or 14 July, 2002 (in the case of (ii) below) and in each case prior to 4 June, 2005 at the Early Redemption Amount together with accrued interest if either (i) the closing price of the Shares on the Hong Kong Stock Exchange for each of 20 dealing days falling within a period of 30 consecutive dealing days, the last day of which period occurs no more than five dealing days prior to the date upon which notice of such redemption is given, was a price such that the value of the aggregate number of Shares deliverable on conversion of one Convertible Bond, converted into U.S. dollars at the prevailing rate, was at least 130% of the Early Redemption Amount in respect of one Convertible Bond applicable on the day such notice was given or (ii) at least 90% in principal amount of the Convertible Bonds have already been converted or purchased and cancelled.

“Early Redemption Amount” of a Convertible Bond shall be its principal amount plus an amount of premium determined in accordance with the following formula:

U.S.\$1,000 x 0.11036 x Days Elapsed / 1,080

where “Days Elapsed” means the number of days from, and including, 4 June, 2002 to, but excluding, the date for early redemption.

Listing:

The Company has made an application for the listing of the Convertible Bonds on the Luxembourg Stock Exchange. Application will also be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Convertible Bonds.

Conditions:

Completion of the Subscription Agreement will be conditional upon:

- (a) the Luxembourg Stock Exchange having agreed to list the Convertible Bonds subject only to the issue of the Convertible Bonds;
- (b) the Stock Exchange granting listing of, and permission to deal in, the Shares to be issued upon conversion of the Convertible Bonds;
- (c) The Depository Trust Company (“DTC”) granting acceptance of the U.S. global certificate representing the Convertible Bonds in DTC’s book-entry settlement bank system and each of Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme accepting the European global certificate representing the Convertible Bonds sold in offshore transactions to non-U.S. persons into their respective book-entry settlement systems;
- (d) the Convertible Bonds having been designated as eligible for trading in The Portal Market (“PORTAL”) of the National Association of Securities Dealers, Inc. (the “NASD”) in accordance with the rules and regulations adopted by the NASD relating to trading in the PORTAL system; and
- (e) other conditions in respect of the execution and delivery of other legal documents in connection with the issue of the Convertible Bonds, the warranties set out in the Subscription Agreement being true and correct and there being no change or any development involving a prospective material adverse change in the condition, financial or otherwise, in the Company or its subsidiaries.

Subject to the foregoing, completion of the arrangements contemplated under the Subscription Agreement and the issue of the Convertible Bonds are expected to take place on or about 4 June, 2002, or such other date not later than 18 June 2002 as shall be designated by Morgan Stanley.

EFFECT ON THE SHARE CAPITAL

Assuming full conversion of the Convertible Bonds at the Conversion Price, the Convertible Bonds will be convertible into 271,304,347 fully-paid Shares, representing approximately 4.8545% of the issued share capital of the Company as at the date of this announcement and approximately 4.6298% of the enlarged issued share capital of the Company.

Assuming full conversion of the Convertible Bonds (including full conversion of the additional Convertible Bonds which may be issued pursuant to the exercise of the Option by Morgan Stanley) at the Conversion Price, the Company will issue approximately 301,449,275 fully-paid Shares, representing approximately 5.3939 per cent. of the issued share capital of the Company as at the date of this announcement and approximately 5.1178 per cent. of the enlarged issued share capital of the Company.

Each of Morgan Stanley and its ultimate beneficial owners are all independent third parties not connected with any of the substantial shareholders, chief executive and/or directors of the Company, its subsidiaries and their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange).

The Company will undertake to the Stock Exchange that it will ensure that the substantial shareholders and directors of the Company and its subsidiaries and their respective associates will not subscribe for any of the Convertible Bonds, and that, after the issue of the Convertible Bonds, the Company will disclose to the Stock Exchange any dealings by any substantial shareholders and directors of the Company or any of its subsidiaries and their respective associates of the Company from time to time in the Convertible Bonds immediately upon the Company becoming aware of such dealings.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on Wednesday, 29 May 2002 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Thursday, 30 May 2002.

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

Hong Kong, 29 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.