



Tingyi (Cayman Islands) Holding Corp.

(Incorporated in the Cayman Islands with limited liability)

FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 2002

SUMMARY

Although the first quarter of 2002 was influenced by international economic conditions, there was still relatively steady and fast growth as the PRC's economy has been good. The Group benefited from the surrounding environment and effective marketing strategy so that the business performance was satisfactory.

- Profit attributable to shareholders reached US\$22.254 million, an increase by 67.18% as compared to the corresponding period last year.
- Gross margin of the Group was 33.20% as compared to 32.63% in the corresponding period last year.
- Earning per share was US0.4 cents as compared to US0.23 cents in the corresponding period last year.
- Turnover of the Group amounted to US\$254 million, an increase by 20.54% as compared to the corresponding period last year.
- Turnover for instant noodle, beverage and bakery was US\$163 million, US\$60.665 million and US\$22.056 million respectively, and the product growth rates were 4.41%, 96.35% and 11.84% respectively.

FIRST QUARTER RESULTS

The Board of Directors of Tingyi (Cayman Islands) Holding Corp. (the "Company") is pleased to announce the unaudited condensed consolidated first quarter financial statements of the Company and its subsidiaries (the "Group") for the three months ended 31st March 2002 together with the unaudited comparative figures for the corresponding period in 2001. These first quarter financial statements have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement For the Three Months Ended 31st March 2002

		2002 (Unaudited) US\$'000	2001 (Unaudited) US\$'000
	<i>Notes</i>		
Turnover	2	254,120	210,810
Cost of sales		<u>(169,756)</u>	<u>(142,031)</u>
Gross Profit		84,364	68,779
Other revenue		600	499
Other net income		4,269	2,379
Distribution costs		(40,593)	(34,488)
Administrative expenses		(11,432)	(10,267)
Other operating expenses		<u>(4,839)</u>	<u>(4,079)</u>
Profit from operations	3	32,369	22,823
Finance costs	4	(6,115)	(6,012)
Share of (loss)/profit of associates		<u>(276)</u>	<u>109</u>
Profit before taxation		25,978	16,920
Taxation	5	<u>(2,938)</u>	<u>(2,645)</u>
Profit from ordinary activities after taxation		23,040	14,275
Minority interests		<u>(786)</u>	<u>(964)</u>
Net profit attributable to shareholders		<u>22,254</u>	<u>13,311</u>
Earnings per share	6	<u>0.40 cents</u>	<u>0.23 cents</u>

Notes:

1. Accounting policies

In the current period, the financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAPs") which are effective for the accounting periods commencing on or after 1st January 2002:

5. Taxation

The Cayman Islands levies no tax on the income of the Group.

No provision for Hong Kong profits tax has been made as there was no assessable profit in Hong Kong for the period.

Subsidiaries in the PRC are subject to tax laws applicable to foreign investment enterprises in the PRC and are fully exempt from PRC enterprise income tax of 15% for two years starting from the first profit making year followed by a 50% reduction for the next three years.

Deferred taxation has not been provided as the effect of timing differences is insignificant at the balance sheet date.

6. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period and on the weighted average of ordinary shares in issue during the period.

	For the three months ended 31st March	
	2002	2001
	Number of shares (Million)	Number of shares (Million)
Issued weighted average of ordinary shares	<u>5,589</u>	<u>5,589</u>

Diluted earnings per share has not been shown as the convertible bonds outstanding during these periods are anti-dilutive.

7. Dividend

The Board of Directors resolves that no dividend be paid for the three months ended 31st March 2002 (2001: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Instant Noodle Business

The Group's core instant noodle segment increased by 4.41% as compared to same period last year. The strong foundation in continuous expert management of sales networks and proper product policy contributed the success in the market. Various packet noodle with the launching of new products and new package, also with the hot season demand during the New Year Festival in the PRC, have a significant increase. Especially low-end noodle "Good Taste" and "Fu Man Do", with their suitable prices, have earned the appreciation of consumers. Also the launching of "Gan Chi Mian" and "Gan Bun Mian" has good performance.

The gross margin for instant noodle was 28.70%, a drop by 1.28pp as compared to corresponding period last year. The decrease was mainly due to the added size for noodle body and the sales growth from low-end noodle. As a result of the suitable control over distribution cost, profit for instant noodle segment was maintained at a satisfactory level.

Beverage Business

In extension of "Better Access, Broader Reach" strategy and popularity of tea drinks the "Ice Strength Frontier Band Contest" would continue to hold this year. With promotion of sales activities of "One More Can" since early this year, various activities were carried out to reach and communicate with consumers, leading their need for tea drink products. Other than hot sale for tea drinks, the original "Mr. Kon" juices and newly launched "Fresh C" also gained the appreciation of consumers. The business results reached a higher record. The turnover for beverage segment achieved a growth of 96.35%. The Group turned around the operating results from incurring loss to achieving profits, with the profit increased by US\$8.023 million. The development of tea drink series has established "Mr. Kon" as the leading brand of packaged tea market in the PRC.

The gross margin was 42.03%, increased by 4.69pp as compared to the same period last year, mainly through adjustment in product mix and increase in the proportion of high gross margin PET drinks.

Bakery Business

Turnover for bakery business increased by 11.84% as compared to the same period last year. The growth was mainly due to the launching of different favour of sandwich crackers which provided more choices to the consumers, and the obvious growth in turnover as a result of the sales of "Muffin". As rice cracker was affected by the competition of low prices, the turnover decreased. It is believed that the turnover would be better after promotion of new taste products and new products.

The gross margin for bakery products was 30.35%, fell by 4.16pp as compared to the same period last year mainly because the proportion of high gross margin product in the product mix was unsatisfactory and the gross margin of export product was low.

Financing

As of 31st March 2002, the Group's total liabilities amounted to US\$632 million, representing an increase of US\$53.058 million from US\$580 million as at 31st December 2001. Total assets amounted to US\$1,202 million. The leverage ratio (total liabilities to total assets) increased by 1.9pp to 52.62% as compared to 31st December 2001.

As of 31st March 2002, the Group increased long-term and short-term loans by US\$14,809 million as compared to 31st December

Net profit attributable to shareholders

Earnings per share

6

22,254

0.40 cents

13,311

0.23 cents

Notes:

1. Accounting policies

In the current period, the financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAPs") which are effective for the accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 2 (revised):	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 11 (revised):	Foreign exchange translation
SSAP 15 (revised):	Cash flow statements
SSAP 33:	Discontinued operations
SSAP 34:	Employee benefits
SSAP 35:	Accounting for government grants and disclosure of government assistance

The effect of adopting these new/revised SSAPs is insignificant for the current or past results. Disclosure in the financial statements complies with the requirements of the above SSAPs. Certain comparative figures have been re-classified to conform with the current presentation.

Except for the above changes, the accounting policies and methods of computation used in the preparation of the first quarterly financial statements are consistent with those used in the annual accounts for the year ended 31st December 2001.

2. Turnover and segment information

Turnover represents sales of goods at invoiced value to customers, net of returns, discounts and Value Added Tax ("VAT"). The Group operates mainly in the PRC. The turnover and contribution to the Group's profit are mainly from the PRC.

An analysis of the Group's turnover by major products is as follows:

	For the three months ended 31st March			
	2002		2001	
	(Unaudited) US\$'000	%	(Unaudited) US\$'000	%
Instant noodles	162,987	64	156,110	74
Bakery	22,056	9	19,722	9
Beverages	60,665	24	30,897	15
Others	8,412	3	4,081	2
	<u>254,120</u>	<u>100</u>	<u>210,810</u>	<u>100</u>

An analysis of the Group's segment result by major products is as follows:

	For the three months ended 31st March	
	2002	2001
	(Unaudited) US\$'000	(Unaudited) US\$'000
Instant noodles	23,728	22,251
Beverages	6,980	(1,405)
Bakery	(19)	664
Others	2,303	1,642
	<u>32,992</u>	<u>23,152</u>

3. Profit from operations

Profit from operations is stated after charging/crediting the following:

	For the three months ended 31st March	
	2002	2001
	(Unaudited) US\$'000	(Unaudited) US\$'000
Depreciation and Amortization	15,905	15,801
Reversal of provision for impairment loss from associates included in other net income	(1,010)	—

4. Finance costs

	For the three months ended 31st March	
	2002	2001
	(Unaudited) US\$'000	(Unaudited) US\$'000
Interest expenses:		
Bank and other loans wholly repayable within five years	<u>6,115</u>	<u>6,012</u>

decreased. It is believed that the turnover would be better after promotion of new taste products and new products. The gross margin for bakery products was 30.35%, fell by 4.16pp as compared to the same period last year mainly because the proportion of high gross margin product in the product mix was unsatisfactory and the gross margin of export product was low.

Financing

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As of 31st March 2002, the Group increased long-term and short-term loans by US\$14.809 million as compared to 31st December 2001.

Financial Ratio

	As at 31st March 2002	As at 31st December 2001
Finished goods turnover	11.46 Days	13.32 Days
Accounts receivable turnover	13.65 Days	14.45 Days
Current ratio	0.86 Times	0.88 Times
Leverage ratio	52.62%	50.72%
Gearing ratio	0.36 Times	0.40 Times

Sales Network

The effect of "Better Access, Broader Reach" of the Group was significant. The effect on launching new products into market was most significant after the network was shortened. Better control on the order of network enhanced network control. Besides, the Group has strengthened the service towards wholesalers, and established the system of rewards and penalties so that the motivation of the wholesalers was strengthened effectively. On the other hand, the development of overseas market has achieved good results. The Group's logistics system in major cities in the PRC has been integrated. Such arrangement would help in reducing the cost and increasing the business turnover for the coming seasons of the year.

Prospect

Following the recovery of the PRC economy, the income of consumers continues to increase and there are changes in the consumption pattern. The development of the PRC instant food market will grow further. The Group will make effort to expand the established business market. The Group's strategies are as follows:

1. Introduce strategic partners to strengthen logistics system in the PRC;
2. Actively expand refrigerated drinks market share in the eastern part of the PRC to establish the refrigerated product network;
3. Strengthen and establish the Group's logistics system to enhance the quality and cost for distribution network;
4. Seek for strategic partners to handle the Group's supporting business and concentrate on food business;
5. Continue to upgrade production technology and develop basic research;
6. Actively establish a Group-wide ISO standard;
7. Adopt systematic development of manpower resources to strengthen the development and localisation of human resources; and
8. Carry out full installation of the SAP computer management and establish the computerization for the logistics system in 35 major cities in the PRC.

PURCHASE, SALE OR REDEMPTION OF SHARES AND CONVERTIBLE BONDS

During the period, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares and convertible bonds.

AUDIT COMMITTEE

In compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group has established in September 1999 an Audit Committee. The latest meeting of the committee was held to review the results of the Group for the period.

CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except all directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Articles of Association.

PUBLICATION OF FINANCIAL INFORMATION

The detailed announcement on the results for the three months ended 31st March 2002 which sets out all the information required by paragraphs 45(1) and 45(3) inclusive in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be available for publication in the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) within 21 days from the date of this announcement.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 22nd May 2002

Website: <http://www.tingyi.com>
<http://www.irasia.com/listco/hk/tingyi>