



SUMMARY

During the first quarter of the year 2003, there was still relatively steady and fast growth since the PRC's economy was good as a whole. The continuous growth for the PRC domestic demand benefited the Group's sales. Owing to the price increase in the Group's core material and the outbreak of atypical pneumonia, the first quarterly performance was affected.

- Turnover of the Group amounted to US\$292 million, an increase by 14.76% as compared to the corresponding period last year.
- Gross margin of the Group was 26.08% as compared to 33.2% in the corresponding period last year.
- Profit attributable to shareholders amounted to US\$8.893 million, dropped by 60.04% as compared to the corresponding period last year.
- Earnings per share amounted to US0.16 cents as compared to US0.40 cents in the corresponding period last year.
- Turnover for instant noodle, beverage and bakery was US\$178 million, US\$73.685 million and US\$20.752 million respectively, and the product growth rates were 9.05%, 21.46% and -5.91% 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 2003 together with the unaudited comparative figures for the corresponding period in 2002. 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 2003

	<i>Notes</i>	2003 (Unaudited) <i>US\$'000</i>	2002 (Unaudited) <i>US\$'000</i>
Turnover	2	291,638	254,120
Cost of sales		(215,582)	(169,756)
Gross Profit		76,056	84,364
Other revenue		324	600
Other net income		4,109	4,269
Distribution costs		(50,252)	(40,593)
Administrative expenses		(11,364)	(11,432)
Other operating expenses		(3,808)	(4,839)
Profit from operations	3	15,065	32,369
Finance costs	4	(4,891)	(6,115)
Share of profit/(loss) of associates		481	(276)
Profit before taxation		10,655	25,978
Taxation	5	(1,665)	(2,938)
Profit from ordinary activities after taxation		8,990	23,040
Minority interests		(97)	(786)
Net profit attributable to shareholders		8,893	22,254
Earnings per share	6	0.16 cents	0.40 cents





TINGYI (CAYMAN ISLANDS) HOLDING CORP.

Condensed Consolidated Balance Sheet

As at 31st March 2003

		As at 31st March 2003 (Unaudited) US\$'000	As at 31st December 2002 (Audited) US\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		877,473	802,058
Interest in associates		43,620	43,878
Other non-current financial assets		2,586	2,590
		923,679	848,526
Current assets			
Current investments		1,334	1,343
Inventories		89,995	83,972
Trade receivables	8	58,068	42,916
Prepayments and other receivables		100,205	97,018
Pledged bank deposits		1,498	4,276
Bank balances and cash		147,549	95,637
		398,649	325,162
Current liabilities			
Trade payables	9	184,684	141,590
Other payables		77,972	65,026
Short term interest-bearing bank borrowings	11	185,487	108,764
Advance payments from customers		18,755	5,822
Taxation		1,397	822
		468,295	322,024
Net current (liabilities) assets		(69,646)	3,138
Total assets less current liabilities		854,033	851,664
Non-current liabilities			
Long-term interest-bearing borrowings	11	247,762	254,424
Employee benefit obligations		3,151	3,065
		250,913	257,489
Minority interests		6,919	6,821
NET ASSETS		596,201	587,354
CAPITAL AND RESERVES			
Issued capital	12	27,943	27,943
Reserves	13	516,283	507,436
Proposed final dividend		51,975	51,975
		596,201	587,354





Condensed Consolidated Statement of Changes in Equity

For the Three Months ended 31st March 2003

	2003 (Unaudited) <i>US\$'000</i>	2002 (Unaudited) <i>US\$'000</i>
Shareholders' equity at 1st January	587,354	541,617
Net (losses) gains not recognised in income statement		
Exchange translation differences	(46)	2
Profit for the period	8,893	22,254
Shareholders' equity at 31st March	<u>596,201</u>	<u>563,873</u>

Condensed Consolidated Cash Flow Statement

For the Three Months Ended 31st March 2003

	2003 (Unaudited) <i>US\$'000</i>	2002 (Unaudited) <i>US\$'000</i>
Net cash from operating activities	76,091	85,007
Net cash used in investing activities	(43,999)	(65,181)
Net cash from financing activities	17,042	10,636
Increase in cash and cash equivalents	49,134	30,462
Cash and cash equivalents at 1st January	99,913	169,361
Cash and cash equivalents at 31st March	<u>149,047</u>	<u>199,823</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	147,549	197,223
Pledged bank deposits	1,498	2,600
	<u>149,047</u>	<u>199,823</u>





Notes to the Condensed Consolidated Financial Statements

For the Three Months Ended 31st March 2003

1. Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited quarterly financial statements. These unaudited quarterly financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. These condensed quarterly financial statements should be read in conjunction with the 2002 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed quarterly financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002.

2. Turnover and segment information

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

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

	For the three months ended 31st March					
	2003		2002		Segment result	
	(Unaudited)		(Unaudited)		(Unaudited)	(Unaudited)
	US\$'000	%	US\$'000	%	US\$'000	US\$'000
Instant noodles	177,730	61	162,987	64	14,575	23,728
Beverages	73,685	25	60,665	24	1,487	6,980
Bakery	20,752	7	22,056	9	(1,529)	(19)
Others	19,471	7	8,412	3	90	2,303
Total	291,638	100	254,120	100	14,623	32,992

3. Profit from operations

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

	For the three months ended 31st March	
	2003	2002
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Depreciation	18,267	15,905
Reversal of provision for impairment loss from associates included in other net income	—	(1,010)
	18,267	14,895

4. Finance costs

	For the three months ended 31st March	
	2003	2002
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Interest expenses:		
Bank and other loans wholly repayable within five years	4,891	6,115
	4,891	6,115





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 the Group's profit is not subject to Hong Kong profits tax.

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. In addition, certain subsidiaries are qualified as advanced technology enterprises and operate in designated area of Economic and Technological Development Zones and subject to enterprise income tax at a rate of 10% for another three years.

Deferred taxation in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts has not been accounted for as the amount involved is not material.

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	
	2003	2002
	Number of	Number of
	shares	shares
	<i>(Million)</i>	<i>(Million)</i>
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 2003 (2002: nil).

8. Trade receivables

Most of the Group's sales are based on cash before delivery policy and the credit period for the rest of sales is from 30 days to 90 days.

The ageing analysis of the trade receivables as at the balance sheet date is as follows:

	As at	As at
	31st March 2003	31st December 2002
	(Unaudited)	(Audited)
	<i>US\$'000</i>	<i>US\$'000</i>
Within 90 days	55,335	40,776
Over 90 days	<u>2,733</u>	<u>2,140</u>
	<u>58,068</u>	<u>42,916</u>





9. Trade payables

The ageing analysis of the trade payables as at the balance sheet date is as follows:

	As at 31st March 2003 (Unaudited) <i>US\$'000</i>	As at 31st December 2002 (Audited) <i>US\$'000</i>
Within 90 days	167,506	134,943
Over 90 days	17,178	6,647
	<u>184,684</u>	<u>141,590</u>

10. Pledge of Property, plant and equipment

At 31st March 2003, the Group has pledged property, plant and equipment with aggregate net book values of approximately US\$90,472,000 (31st December 2002: US\$112,348,000) to secure general banking facilities granted to the Group.

11. Interest-bearing borrowings

	As at 31st March 2003 (Unaudited) <i>US\$'000</i>	As at 31st December 2002 (Audited) <i>US\$'000</i>
Bank loans wholly repayable within five years:		
Secured	39,855	47,826
Unsecured	303,394	225,362
Convertible bonds	90,000	90,000
	<u>433,249</u>	<u>363,188</u>
Portion classified as current liabilities	(185,487)	(108,764)
Non-current portion	<u>247,762</u>	<u>254,424</u>

The maturity profile of the interest-bearing borrowings is as follows:

Bank loans:		
Within one year	185,487	108,764
In the second year	86,434	111,211
In the third to fifth years, inclusive	71,329	53,213
	<u>343,249</u>	<u>273,188</u>
Other loans:		
In the third to fifth years, inclusive	90,000	90,000
	<u>433,249</u>	<u>363,188</u>





12. **Issued capital**

	Ordinary shares of US\$0.005 each	
	No. of shares	US\$'000
Authorised:		
At 31st December 2002 and 31st March 2003	7,000,000,000	35,000
Issued and fully paid:		
At 31st December 2002 and 31st March 2003	5,588,705,360	27,943

13. **Reserves**

	Capital redemption reserve	Share premium	Exchange translation reserve	General reserve	Capital reserve	Retained profits	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 31st December 2002	36	332,478	468	57,169	308	168,952	559,411
Exchange translation differences	—	—	(46)	—	—	—	(46)
Transfer to general reserve	—	—	—	2,159	—	(2,159)	—
Profit for the period	—	—	—	—	—	8,893	8,893
At 31st March 2003	36	332,478	422	59,328	308	175,686	568,258
Representing:							
2002 final dividend proposed							51,975
Reserves							516,283
							568,258

14. **Commitments**

	As at 31st March 2003 (Unaudited) US\$'000	As at 31st December 2002 (Audited) US\$'000
(a) Capital commitments		
Contracted but not provided for	19,278	118,694
(b) Lease commitments		
At the balance sheet date, lease payments under non-cancellable operating leases of the Group payable are as follows:		
Within one year	1,053	1,244
In the second to fifth years, inclusive	305	214
	1,358	1,458





15. Related party transactions

Transactions

The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the financial statements, which were carried out in the ordinary course of the Group's business.

	For the three months ended 31st March	
	2003 (Unaudited) <i>US\$'000</i>	2002 (Unaudited) <i>US\$'000</i>
(a) Sales of goods to:		
An associate	3,371	8,186
(b) Purchases of goods from:		
A company which has directors common to those of the Company	1,205	1,063
A company in which a director has beneficial interest	3,574	2,672
Associates	19,916	9,633
	<u>24,695</u>	<u>13,368</u>

The prices of the said transactions were based on normal commercial terms.





MANAGEMENT DISCUSSION AND ANALYSIS

Instant Noodle Business

The turnover of instant noodle segment amounted to US\$177.730 million, representing a 9.05% growth from the same period last year and 61% of the Group's turnover. The strong base of the dense distribution strategy and the suitable policy for product were the major elements for the successful sales of the Group's instant noodle business. The growth in income of consumers in big cities has changed their way to consume instant noodle so that all products of the Group's container noodle met a fast growth. In addition, the consumers from village and rural area have gradually increased their consumption in instant noodle so that the sales for the Group's low-end noodle "Fu Man Duo" and "Good Taste" continued to grow. The Group will not neglect the low-end noodle market, which has 65% market share of the total PRC instant noodle market. At the same time, the sales for the middle to high-end noodle maintained stable growth. In order to face the competition, the Group implemented the strategy of an additional increase in quantity for noodle body with no price increase, which led to faster growth in its sales directly. During the period, the gross margin for instant noodle dropped by 6.65 pp to 22.05%. The decline was mainly due to the 20% price increase in the noodle's core material palm oil and the marketing strategy for "increasing quantity, without changing price". The sales growth from low-end noodle was greater than high-end noodle has also led to the decrease in gross margin. Profit attributable to shareholders dropped by 35% to US\$11.642 million.

Beverage Business

The channel promotion for PET drinks which was organized in last fourth quarter became effective in first quarter. During the period, beverage segment turnover amounted to US\$73.685 million, representing a 21.46% growth from the same period last year and 25% of the Group's total turnover. Through the powerful sales network, hot selling for Master Kong's tea drinks and diluted juice drinks, new flavour of drinks launched in time and full cooperation provided by the channel partners, turnover for the beverage segment reached new record. However, the 20% to 40% price increase in PET resin and the pressure of beverage price cutting affected the gross margin for beverage business. The Group expected that the price for PET resin will maintain at a high level during the year. The Group has upgraded the ability of its production and added new and high efficient product lines. Together with the Group's vertical integration production system, the Group can face less pressure caused by the price increase of raw materials. In the first quarter, the Group has launched Master Kong white grape juice and Master Kong Wei Chuan canned milk. The gross margin of beverage segment was 41.09% , dropped by 0.94 pp as compared to the same period last year mainly due to the price increase from raw materials and price cutting. Profit attributable to shareholders dropped by 91% to US\$0.568 million.

Bakery Business

The turnover for bakery segment amounted to US\$20.752 million, dropped by 5.91% from the same period last year and representing 7% of the Group's total turnover. The decline was mainly because the life cycle for bakery is shorter than the other products and too many products were launched within a short period of time so that it increased the possibility of replacing the existing products in the market. During the period, only Muffin, Egg Rolls and exported Rice Crackers have good performance. Sales for other baked goods were unsatisfactory. Through the strategic partnership with Taiwan Hunya Foods Co., Ltd. and Spain's Chupa Chups, new products such as chocolate wafer and lotteryball have been launched in the first quarter and received good response from the market. The Group will make use of the arrangement for strategic partner to add value to the brand name of Master Kong and sales network of the Group. The Group expected those will improve the performance for bakery business. During the period, the gross margin of bakery segment was 27.48%, fell by 2.87 pp when compared to the same period in 2002 mainly because the high margin products' sales was underperformed and the utilization rate for production line was low. Loss attributable to shareholders was US\$1.64 million, dropped by 411% as compared with the corresponding period in last year.





Prevention for Atypical Pneumonia

To enhance all staff's knowledge for atypical pneumonia, the Group has issued guidelines and operation instructions in the first quarter and early of the second quarter. The Group has also implemented a series of preventive steps in all the subsidiary factories such as temperature measures for every staff in every shift before they enter the factory. Staff get high fever must be hospitalized. The Group believes that through the arrangement for prevention, the operation risk in production caused by atypical pneumonia to the Group will be highly reduced.

Financing

As of 31st March 2003, the Group's total liabilities amounted to US\$719 million, representing an increase of US\$139 million from US\$580 million as at 31st December 2002. Total assets amounted to US\$1,322 million. The debt ratio (total liabilities to total assets) increased by 5.01 pp to 54.39% as compared to 31st December 2002. The Group's long-term and short-term loans increased by US\$70.061 million as compared to 31st December 2002.

Financial Ratio

	As at 31st March 2003	As at 31st December 2002
Finished goods turnover	12.38 Days	12.03 Days
Accounts receivable turnover	15.58 Days	13.30 Days
Current ratio	0.85 Times	1.01 Times
Debt ratio	54.39%	49.38%
Gearing ratio	0.48 Times	0.45 Times

Prospect

The continuous growth for the PRC consumers' income and the new concept for consumption will further expand the development for the instant food market. Because of the pressure of price increase in the raw materials, the Group's gross margin will decline. Together with the outbreak of atypical pneumonia, consumers will reduce activities and expenditures in those areas where the atypical pneumonia has not been controlled. This uncertainty will directly affect the consumption for the May Labour day week-long holiday in the PRC or further period until the end of June. The Group expects that the sales for the second quarter will be affected indirectly. To maintain continuous profit growth on an expanded base is particularly challenging. The Group will make effort to continue the existing operating direction. The Group's strategies are as follow:

1. Continue to introduce strategic partner and further develop the network in the PRC.
2. Expand the market share for the refrigerated drinks in the eastern part of the PRC in order to establish the Group's distribution ability in the refrigerated food market.
3. Continue to produce and sell instant noodle in Taiwan market.
4. Strengthen and establish the Group's logistics system to enhance the quality and reduce the cost for distribution network.
5. Seek for strategic partners to handle the Group's supporting business and concentrate on the food business.
6. Continue to strengthen the brand awareness, sales networks and customer service.
7. Strengthen standard operation and enhance process management.
8. Continue to enhance production technology and develop basic research.
9. Establish a fair system for performance management.
10. Fully implement the installation of the SAP computerized management and the computerization for the human resource management and office management.





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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES

At 31st March 2003, the interests of directors and chief executive and their associates in the share capital of the Company or any of its associated corporations as recorded in the register maintained by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the Company were as follows:

Name of directors	Number of ordinary shares	
	Personal interests	Corporate interests <i>(Note)</i>
Wei Ing-Chou	13,242,000	1,854,827,866
Wei Ying-Chiao	—	1,854,827,866
Wu Chung-Yi	—	1,854,827,866

Note: These shares are held by and registered under the name of Ting Hsin (Cayman Islands) Holding Corp., which 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 issued share capital of Grand Sino King Corporation.

Save as disclosed above, none of the directors, chief executive or any of their spouse or children under the age of 18 years had any interest in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st March 2003, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Number of shares	Shareholder's interests
Ting Hsin (Cayman Islands) Holding Corp.	1,854,827,866	33.1889%
Sanyo Foods Co., Ltd.	1,854,827,866	33.1889%
Shyh Shiunn Investment Corporation	465,107,784	8.3200%





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.

By Order of the Board
Wei Ing-Chou
Chairman

Tianjin, PRC, 28th April 2003

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

