



香港交易所

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

24 January 2005

**CENSURE
OF
Tingyi (Cayman Islands) Holding Corporation
("the Company", together with its subsidiaries, "the Group")
and
CRITICISM
OF
Mr Wei Ing Chou ("Mr Wei")**

The Exchange hereby publicly censures the Company for two breaches of Paragraph 2(1) of the Listing Agreement, namely uneven disclosure of information determined by the Exchange to be price sensitive to two analysts of separate investment banks in July 2000 and March 2001 respectively.

The Exchange hereby publicly criticises Mr Wei for breaches of his Director's Undertaking by failing to use his best endeavours to ensure the Company complied with its disclosure obligations.

Uneven Disclosure of Price Sensitive Information to Research Analysts

The Company on two occasions disclosed certain unpublished information to individual analysts which was determined by the Exchange to be price sensitive and thereby placed the analysts in a privileged dealing position. Simultaneous press announcements of such information were not made by the Company at the relevant time.

- (i) On or about 11 July 2000, the Company, by its Investors Relations Manager, unevenly disclosed to an analyst certain unaudited 5-month financial information of the Group which had not been disclosed by the Company in an announcement prior to the publication of the 2000 interim results of the Company on 3 August 2000 ("the First Incident").
- (ii) On or about 29 March 2001, the Company, by the same Investors Relations Manager, unevenly disclosed to another analyst certain unaudited 11-month financial information of the Group, which had not been disclosed by the Company in an announcement prior to the publication of the 2000 annual results of the Company on 25 April 2001 ("the Second Incident").

On each occasion, as the Company had not preserved secrecy as required in Notes 2.1 and 2.2 to Paragraph 2(1), it was required by Paragraph 2(1) to disclose the information by way of announcement.

As a consequence of a settlement, the Company agreed not to contest the Exchange's allegation that the Company had breached Paragraph 2(1) of the Listing Agreement on both occasions.

Breaches by Mr Wei Ing Chou

Mr Wei was the Chairman, the Chief Operating Officer and an Executive Director of the Company at the material time and at present. The Exchange found that he had contributed to the Company's breaches of Paragraph 2(1) of the Listing Agreement in that the guidance established and provided by the Company to the Investors Relations Manager of the Company, who had responsibility for meeting with analysts and had access to unpublished information as regards the performance of the Company, was inadequate to protect against the disclosure by her of non-public price sensitive information.

As a consequence of a settlement, Mr Wei agreed not to contest the Exchange's allegation that he had breached his Director's Undertaking in that he failed to use his best endeavours to procure the Company's compliance with Paragraph 2(1) of the Listing Agreement.

Accordingly, the Exchange hereby publicly censures the Company for breaching Paragraph 2(1) of the Listing Agreement.

The Exchange hereby publicly criticises Mr Wei for breaching his Director's Undertaking to the Exchange.

Head of Listing, Richard Williams said in reference to this case, "It is incumbent on directors of listed companies to put arrangements in place to ensure that the price sensitivity of financial information, even top-line numbers, is assessed before it is provided to research analysts. If information provided to an analyst would allow the analyst, by reference to other information provided by the Company or otherwise publicly available, to reach a reasonably accurate conclusion about the company's non-public profit figures or trend, then the Company will breach its continuous disclosure obligations if it has not also announced that information to the market."

Notes to Editor:

The breaches involve uneven dissemination of unpublished financial information of the Group by the Company to analysts on 11 July 2000 and 29 March 2001.

On 11 July 2000, the Company through its Investors Relations Manager disclosed to an analyst of an investment bank the Group's 5-month gross margin figure, extended growth of sales and changes in the gross margin. The disclosure was made three weeks before the Company's publication of its 2000 Interim Results. Based on the information obtained, the investment bank published equity research reports on 17 July 2000 and 25 July 2000. The average share price increased by about 16% on each occasion from 14 July 2000 to 18 July 2000 and from 24 July 2000 to 26 July 2000, subsequent to the respective publication dates of the research reports.

On 29 March 2001, the Company through the same Investors Relations Manager disclosed to an analyst of another investment bank the Group's 11-month sales volume figure and turnover increase percentage. The disclosure was made less than one month before the Company's publication of its 2000 Annual Results. Based on the information obtained, the investment bank prepared a research note on 30 March 2001. The average share price increased by about 3% from 29 March 2001 to 30 March 2001 and the trading volume on 30 March 2001 was 280% of the average daily trading volume for the period from 1 to 29 March 2001. The research note and increase in trading volume was reported in the Sing Pao Daily News on 31 March 2001.

Paragraph 2(1) of the Listing Agreement imposed an obligation on issuers to keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of price sensitive information relating to the group. Note 2.1 of Paragraph 2(1) specifically requested that information should not be divulged outside the issuer in any way that a person is placed in a privileged dealing position. Note 2.2 of Paragraph 2(1) further required that if confidentiality of information, which could have a significant effect on the market activity or price of the shares, cannot continue to be maintained, the Company should publish an announcement disclosing the same.

The form of the Director's Undertaking is Form 5B of the Appendix to the Listing Rules.