

*Notes to the Condensed Interim Financial Statements:***1. Accounting policies**

These unaudited condensed interim financial statements (“interim financial statements”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (as applicable to condensed interim financial statements) and Appendix 16 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The adoption of new accounting policy in accordance with SSAP 9 (Revised) has resulted in significant impact on the preparation of the interim financial statements. Events after the balance sheet date as defined by this accounting standard are those events that occur between the balance sheet date and the date when the financial statements are authorised for issue. This accounting standard requires that, if dividends are proposed or declared after the balance sheet date, an enterprise should not recognise those dividends as a liability at the balance sheet date. After the adoption of this accounting standard, reclassification is required for the Group’s retained profits and proposed dividend as at 31st December 2000.

Except for the above changes, the accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual accounts for the year ended 31st December 2000.

2. Turnover and segmental 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 (the “PRC”). The turnover and contribution to the Group’s profit are mainly from the PRC.

An analysis of the Group’s turnover and profit/ (loss) attributable to shareholders by major products is as follows:

	Turnover		Net profit/(loss)	
	Six months ended 30th June		attributable to shareholders	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Instant noodles	274,182	250,822	21,245	21,926
Bakery	39,485	33,131	(2,180)	(60)
Beverages	100,541	49,402	2,571	(4,351)
Others	8,501	9,064	(1,372)	(354)
	<u>422,709</u>	<u>342,419</u>	<u>20,264</u>	<u>17,161</u>

3. Profit from operations

Profit from operations is stated after charging the following:

	Six months ended 30th June	
	2001	2000
	(Unaudited)	(Unaudited)
	<i>US\$’000</i>	<i>US\$’000</i>
Depreciation	<u>32,318</u>	<u>30,206</u>



4. **Finance costs**

	Six months ended 30th June	
	2001	2000
	(Unaudited)	(Unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Interest expenses:		
Bank and other loans wholly repayable within five years	12,002	14,249
Gain on repurchase of convertible bonds, net of expenses	—	(3,965)
	<u>12,002</u>	<u>10,284</u>

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 of US\$20,264,000 (2000: US\$17,161,000) and on the weighted average of 5,588,705,360 shares (2000: 5,593,890,724 shares) in issue during the period.

Diluted earnings per share for the six months ended 30th June 2001 and 2000 has not been shown as the convertible bonds outstanding during these periods are anti-dilutive.

7. **Interim dividend**

The Board of Directors resolves that no interim dividend be paid for the six months ended 30th June 2001 (2000: nil).

8. **Trade receivables**

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

	As at	As at
	30th June 2001	31st December 2000
	(Unaudited)	(Audited)
	<i>US\$'000</i>	<i>US\$'000</i>
Within 90 days	32,936	32,444
Over 90 days	2,443	5,035
	<u>35,379</u>	<u>37,479</u>



**9. Trade payables**

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

	As at 30th June 2001 (Unaudited) US\$'000	As at 31st December 2000 (Audited) US\$'000
Within 90 days	63,027	66,222
Over 90 days	7,760	9,947
	<u>70,787</u>	<u>76,169</u>

10. Pledge of assets

At 30th June 2001, the Group has pledged property, plant and equipment with aggregate net book values of approximately US\$160,472,000 to secure general banking facilities granted to the Group.

11. Long-term interest-bearing borrowings

	As at 30th June 2001 (Unaudited) US\$'000	As at 31st December 2000 (Audited) US\$'000
Bank loans wholly repayable within five years:		
Secured	29,227	13,526
Unsecured	67,860	7,246
Convertible bonds	95,721	95,721
	<u>192,808</u>	<u>116,493</u>
Portion classified as current liabilities	1,207	—
	<u>194,015</u>	<u>116,493</u>

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

	As at 30th June 2001 (Unaudited) US\$'000	As at 31st December 2000 (Audited) US\$'000
Bank loans:		
Within one year	1,207	—
In the second year	63,329	10,265
In the third to fifth years, inclusive	33,758	10,507
	<u>98,294</u>	<u>20,772</u>
Other loans:		
Within one year	—	—
In the second year	95,721	95,721
	<u>95,721</u>	<u>95,721</u>
	<u>194,015</u>	<u>116,493</u>





12. Issued capital

	Ordinary shares of US\$0.005 each	
	No. of shares	US\$'000
Authorised:		
At 31st December 2000 and 30th June 2001	7,000,000,000	35,000
Issued and fully paid:		
At 31st December 2000 and 30th June 2001	5,588,705,360	27,943

13. Reserves

	US\$'000
Capital redemption reserve	
At 31st December 2000 and 30th June 2001	36
Share premium	
At 31st December 2000 and 30th June 2001	332,478
Exchange translation reserve	
At 31st December 2000	1,215
Exchange translation differences	(645)
At 30th June 2001	570
General reserve	
At 31st December 2000 and 30th June 2001	49,981
Capital reserve	
At 31st December 2000 and 30th June 2001	308
Retained profits	
At 31st December 2000	
As previously reported	70,142
Prior period adjustment – Reclassification of proposed final dividend	30,179
As restated	100,321
Dividend paid - 2000 final dividend	(30,179)
Profit for the six months ended 30th June 2001	20,264
At 30th June 2001	90,406
Total reserve	473,779





14. Commitments

a. Capital commitments

	As at 30th June 2001 (Unaudited) <i>US\$'000</i>	As at 31st December 2000 (Audited) <i>US\$'000</i>
Contracted but not provided for	19,126	2,927

b. Lease commitments

Operating lease commitments of the Group payable in the next twelve months, analysed according to the period in which the leases expire, are as follows:

	As at 30th June 2001 (Unaudited) <i>US\$'000</i>	As at 31st December 2000 (Audited) <i>US\$'000</i>
Land and building		
Expiring in the first year	376	1,192
Expiring in the second to fifth years, inclusive	14	156
Over five years	—	33
	<u>391</u>	<u>1,381</u>
Plant and machinery		
Expiring in the first year	148	39
Expiring in the second to fifth years, inclusive	217	159
Over five years	—	—
	<u>365</u>	<u>198</u>



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.

	Six months ended 30th June	
	2001	2000
	(Unaudited)	(Unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
(a) Sales of goods to:		
Companies which have directors common to those of the Company	596	752
A company in which a director has beneficial interest	—	178
An associate	11,418	8,850
	<u>12,014</u>	<u>9,780</u>
(b) Purchases of goods from:		
A company which has directors common to those of the Company	4,639	487
A company in which a director has beneficial interest	6,223	5,759
An associate	13,769	9,735
	<u>24,631</u>	<u>15,981</u>

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

Guarantee

At the balance sheet date, the Group had bank loans of US\$10,000,000 (31st December 2000: US\$10,000,000) which are guaranteed by Ting Hsin (Cayman Islands) Holding Corp. and/or a director of the Company.

