

*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 by major products is as follows:

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months	Nine Months	Three Months	Nine Months
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Instant noodles	157,030	431,212	136,706	387,528
Bakery	27,980	67,465	17,292	50,423
Beverages	92,130	192,671	44,276	93,678
Others	7,921	16,422	4,728	13,792
Total	285,061	707,770	203,002	545,421

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

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months	Nine Months	Three Months	Nine Months
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Instant noodles	13,751	34,996	15,016	33,481
Bakery	1,178	(1,002)	(78)	(601)
Beverages	14,995	17,566	4,147	(884)
Others	(2,423)	(3,795)	(298)	(1,272)
Sub total	27,501	47,765	18,787	30,724
Non-operating (loss)/profit	—	—	(198)	5,025
Total	27,501	47,765	18,589	35,749



**3. Profit from operations**

Profit from operations is stated after charging the following:

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months	Nine Months	Three Months	Nine Months
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation	15,580	47,898	15,141	45,347

4. Finance costs

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months	Nine Months	Three Months	Nine Months
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Interest expenses:				
Bank and other loans wholly repayable within five years	5,919	17,920	6,981	21,229
Gain on repurchase of convertible bonds, net of expenses	—	—	(754)	(4,326)
	<u>5,919</u>	<u>17,920</u>	<u>6,227</u>	<u>16,903</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 and on the weighted average of ordinary shares in issue during the period.

	For the period ended			
	30th September 2001		30th September 2000	
	Three Months	Nine Months	Three Months	Nine Months
	No. of shares	No. of shares	No. of shares	No. of shares
	(Million)	(Million)	(Million)	(Million)
Issued weighted average of ordinary shares	5,589	5,589	5,592	5,593

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 nine months ended 30th September 2001 (2000: nil).



**8. Trade receivables**

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

	As at 30th September 2001 (Unaudited) US\$'000	As at 31st December 2000 (Audited) US\$'000
Within 90 days	44,017	32,444
Over 90 days	2,152	5,035
	<u>46,169</u>	<u>37,479</u>

The Group has fixed the payment terms with the customers.

9. Trade payables

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

	As at 30th September 2001 (Unaudited) US\$'000	As at 31st December 2000 (Audited) US\$'000
Within 90 days	102,260	66,222
Over 90 days	7,847	9,947
	<u>110,107</u>	<u>76,169</u>

10. Pledge of assets

At 30th September 2001, the Group has pledged property, plant and equipment with aggregate net book values of approximately US\$164,341,000 (31st December 2000: US\$194,782,000) to secure general banking facilities granted to the Group.





11. Long-term interest-bearing borrowings

	As at 30th September 2001 (Unaudited) US\$'000	As at 31st December 2000 (Audited) US\$'000
(a) Bank loans wholly repayable within five years:		
Secured	64,135	13,526
Unsecured	83,652	7,246
Convertible bonds	95,721	95,721
	<u>243,508</u>	<u>116,493</u>
Portion classified as current liabilities	(95,721)	—
	<u>147,787</u>	<u>116,493</u>
(b) The maturity profile of the interest-bearing borrowings is as follows:		
Bank loans:		
In the second year	117,528	10,265
In the third to fifth years, inclusive	30,259	10,507
	<u>147,787</u>	<u>20,772</u>
Other loans:		
Within one year	95,721	—
In the second year	—	95,721
	<u>95,721</u>	<u>95,721</u>
	<u>243,508</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 September 2001	7,000,000,000	35,000
Issued and fully paid:		
At 31st December 2000 and 30th September 2001	5,588,705,360	27,944



13. Reserves

	<i>US\$'000</i>
Capital redemption reserve	
At 31st December 2000 and 30th September 2001	36
Share premium	
At 31st December 2000 and 30th September 2001	332,478
Exchange translation reserve	
At 31st December 2000	1,215
Exchange translation differences	(656)
At 30th September 2001	559
General reserve	
At 31st December 2000	49,981
Transfer from retained profits	61
At 31st December 2000 and 30th September 2001	50,042
Capital reserve	
At 31st December 2000 and 30th September 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)
Transfer to general reserve	(61)
Profit for the nine months ended 30th September 2001	47,765
At 30th September 2001	117,846
Total reserve	501,269





14. Commitments

(a) Capital commitments

	As at 30th September 2001 (Unaudited) <i>US\$'000</i>	As at 31st December 2000 (Audited) <i>US\$'000</i>
Contracted but not provided for	71,935	2,927

(b) Lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases of the Group payable are as follows:

Land and building

Expiring in the first year	515	1,423
Expiring in the second to fifth years, inclusive	265	525
Over five years	—	33
	<u>780</u>	<u>1,981</u>

Plant and machinery

Expiring in the first year	97	198
Expiring in the second to fifth years, inclusive	138	319
	<u>235</u>	<u>517</u>

Owing to the adoption of new accounting policy in accordance with SSAP 14 (Revised) 'Leases', the comparative figures as at 31st December 2000 have been reclassified to conform with the current period's presentation.





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 period ended			
	30th September 2001		30th September 2000	
	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000	Three Months (Unaudited) US\$'000	Nine Months (Unaudited) US\$'000
(a) Sales of goods to:				
Companies which have directors common to those of the Company	192	788	455	1,207
A company in which a director has beneficial interest	61	61	106	284
An associate	7,929	19,347	4,093	12,943
	<u>8,182</u>	<u>20,196</u>	<u>4,654</u>	<u>14,434</u>
(b) Purchases of goods from:				
A company which has directors common to those of the Company	2,957	7,596	295	782
A company in which a director has beneficial interest	5,184	11,407	3,420	9,179
An associate	11,591	25,360	4,503	14,238
	<u>19,732</u>	<u>44,363</u>	<u>8,218</u>	<u>24,199</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\$30,000,000 which are guaranteed by Ting Hsin (Cayman Islands) Holding Corp. and Sanyo Foods Co., Ltd.

