



**Notes to the Condensed Interim Financial Statements:**

**1. Accounting policies**

These unaudited condensed 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. Except for the following 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 2001.

In the current period, the financial statements have been prepared in accordance with 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 currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing 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 and certain comparative figures have been modified to conform with the requirements these SSAPs presentation.

**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 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:

	<b>For the six months ended 30th June</b>			
	<b>2002</b>		<b>2001</b>	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<i>US\$’000</i>	<i>%</i>	<i>US\$’000</i>	<i>%</i>
Instant noodles	295,624	56	274,182	65
Beverages	187,254	35	100,541	24
Bakery	40,823	8	39,485	9
Others	8,254	1	8,501	2
<b>Total</b>	<b>531,955</b>	<b>100</b>	<b>422,709</b>	<b>100</b>

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

	<b>For the six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>US\$’000</i>	<i>US\$’000</i>
Instant noodles	41,293	32,023
Beverages	29,643	6,064
Bakery	(1,233)	(507)
Others	3,137	1,095
<b>Total</b>	<b>72,840</b>	<b>38,675</b>



**3. Profit from operations**

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

	<b>For the six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Depreciation	32,732	32,318
Reversal of impairment loss on an associate included in other net income	(2,855)	—
	<u>32,732</u>	<u>32,318</u>

**4. Finance costs**

	<b>For the six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Interest expenses:		
Bank and other loans wholly repayable within five years	12,612	12,002
	<u>12,612</u>	<u>12,002</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.

	<b>For the six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>Number of shares</b>	<b>Number of shares</b>
	<i>(Million)</i>	<i>(Million)</i>
Issued weighted average of ordinary shares	5,589	5,589
	<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 interim dividend be paid for the six months ended 30th June 2002 (2001: 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:

	<b>As at 30th June 2002 (Unaudited) US\$'000</b>	<b>As at 31st December 2001 (Audited) US\$'000</b>
Within 90 days	40,736	33,827
Over 90 days	2,902	3,461
	<u>43,638</u>	<u>37,288</u>

**9. Trade payables**

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

	<b>As at 30th June 2002 (Unaudited) US\$'000</b>	<b>As at 31st December 2001 (Audited) US\$'000</b>
Within 90 days	115,910	86,146
Over 90 days	22,146	6,358
	<u>138,056</u>	<u>92,504</u>

**10. Pledge of property, plant and equipment**

At 30th June 2002, the Group has pledged certain buildings and land use rights with aggregate net book values of approximately US\$138,851,000 (31st December 2001: US\$157,218,000) to secure general banking facilities granted to the Group.



**11. Interest-bearing borrowings**

	<b>As at 30th June 2002 (Unaudited) US\$'000</b>	<b>As at 31st December 2001 (Audited) US\$'000</b>
Bank loans wholly repayable within five years:		
Secured	87,243	99,159
Unsecured	250,962	193,780
Convertible bonds	185,721	95,721
	<u>523,926</u>	<u>388,660</u>
Portion classified as current liabilities	(216,867)	(211,807)
Non-current portion	<u>307,059</u>	<u>176,853</u>
The maturity profile of the interest-bearing borrowings is as follows:		
Bank loans:		
Within one year	121,146	116,086
In the second year	166,486	143,596
In the third to fifth years, inclusive	50,573	33,257
	<u>338,205</u>	<u>292,939</u>
Other loans:		
Within one year	95,721	95,721
In the third to fifth years, inclusive	90,000	—
	<u>523,926</u>	<u>388,660</u>

**12. Issued capital**

	<b>Ordinary shares of US\$0.005 each</b>	
	<b>No. of shares</b>	<b>US\$'000</b>
Authorised:		
At 31st December 2001 and 30th June 2002	<u>7,000,000,000</u>	<u>35,000</u>
Issued and fully paid:		
At 31st December 2001 and 30th June 2002	<u>5,588,705,360</u>	<u>27,943</u>



13. Reserves

	Capital redemption reserve <i>US\$'000</i>	Share premium <i>US\$'000</i>	Exchange translation reserve <i>US\$'000</i>	General reserve <i>US\$'000</i>	Capital reserve <i>US\$'000</i>	Retained profits <i>US\$'000</i>	Total <i>US\$'000</i>
At 31st December 2001	36	332,478	391	53,836	308	126,625	513,674
Exchange translation differences	—	—	432	—	—	—	432
Transfer to general reserve	—	—	—	205	—	(205)	—
Profit for the period	—	—	—	—	—	51,197	51,197
Dividend	—	—	—	—	—	(45,268)	(45,268)
At 30th June 2002	<u>36</u>	<u>332,478</u>	<u>823</u>	<u>54,041</u>	<u>308</u>	<u>132,349</u>	<u>520,035</u>

14. Commitments

	As at 30th June 2002 (Unaudited) <i>US\$'000</i>	As at 31st December 2001 (Audited) <i>US\$'000</i>
(a) Capital commitments		
Contracted but not provided for	<u>18,579</u>	<u>58,106</u>

(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	613	889
In the second to fifth years, inclusive	<u>200</u>	<u>363</u>
	<u>813</u>	<u>1,252</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.

	<b>For the six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>US\$'000</i>	<i>US\$'000</i>
(a) Sales of goods to:		
An associate	12,762	11,418
(b) Purchases of goods from:		
A company which has directors common to those of the Company	3,057	4,639
A company in which a director has beneficial interest	4,195	6,223
An associate	13,934	13,769
	21,186	24,631

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

**Guarantee**

At the balance sheet date, the Group had banking facilities of US\$40,000,000 (2001: US\$40,000,000) which are guaranteed by major shareholders.