



**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. 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 period ended</b>			
	<b>30th September 2002</b>		<b>30th September 2001</b>	
	<b>Three Months (Unaudited) <i>US\$'000</i></b>	<b>Nine Months (Unaudited) <i>US\$'000</i></b>	<b>Three Months (Unaudited) <i>US\$'000</i></b>	<b>Nine Months (Unaudited) <i>US\$'000</i></b>
Instant noodles	172,596	468,220	157,030	431,212
Beverage	139,456	326,710	92,130	192,671
Bakery	22,479	63,302	27,980	67,465
Others	3,080	11,334	7,921	16,422
Total	<u>337,611</u>	<u>869,566</u>	<u>285,061</u>	<u>707,770</u>



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

	For the period ended			
	30th September 2002		30th September 2001	
	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	25,818	67,111	19,726	51,749
Beverage	21,701	51,344	15,913	21,977
Bakery	447	(786)	2,105	1,598
Others	1,922	5,059	1,772	2,867
<b>Total</b>	<u>49,888</u>	<u>122,728</u>	<u>39,516</u>	<u>78,191</u>

**3. Profit from operations**

Profit from operations is stated after charging the following:

	For the period ended			
	30th September 2002		30th September 2001	
	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>
Depreciation	16,669	49,401	15,580	47,898
Impairment loss on an associate included in other net income	1,146	1,146	—	—

**4. Finance costs**

	For the period ended			
	30th September 2002		30th September 2001	
	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>
Interest expenses:				
Bank and other loans wholly repayable within five years	7,875	20,487	5,919	17,920

**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 period ended</b>			
	<b>30th September 2002</b>		<b>30th September 2001</b>	
	<b>Three Months</b>	<b>Nine Months</b>	<b>Three Months</b>	<b>Nine Months</b>
	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>
Issued weighted average of ordinary shares	<u>5,589</u>	<u>5,589</u>	<u>5,589</u>	<u>5,589</u>

Except the period of third quarter, 2002, 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 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</b>	<b>As at</b>
	<b>30th September 2002</b>	<b>31st December 2001</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Within 90 days	45,105	33,827
Over 90 days	<u>1,868</u>	<u>3,461</u>
	<u>46,973</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</b>	<b>As at</b>
	<b>30th September 2002</b>	<b>31st December 2001</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Within 90 days	144,719	86,146
Over 90 days	<u>15,883</u>	<u>6,358</u>
	<u>160,602</u>	<u>92,504</u>



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

At 30th September 2002, the Group has pledged certain buildings and land use rights with aggregate net book values of approximately US\$111,645,000 (31st December 2001: US\$157,218,000) to secure general banking facilities granted to the Group.

**11. Interest-bearing borrowings**

	<b>As at 30th September 2002 (Unaudited) US\$'000</b>	<b>As at 31st December 2001 (Audited) US\$'000</b>
Bank loans wholly repayable within five years:		
Secured	57,664	99,159
Unsecured	221,323	193,780
Convertible bonds	90,000	95,721
	<u>368,987</u>	<u>388,660</u>
Portion classified as current liabilities	(96,259)	(211,807)
Non-current portion	<u><u>272,728</u></u>	<u><u>176,853</u></u>
The maturity profile of the interest-bearing borrowings is as follows:		
Bank loans:		
Within one year	96,259	116,086
In the second year	122,965	143,596
In the third to fifth years, inclusive	59,763	33,257
	<u>278,987</u>	<u>292,939</u>
Other loans:		
Within one year	—	95,721
In the third to fifth years, inclusive	90,000	—
	<u>368,987</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 September 2002	<u>7,000,000,000</u>	<u>35,000</u>
Issued and fully paid:		
At 31st December 2001 and 30th September 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	—	—	(4)	—	—	—	(4)
Transfer to general reserve	—	—	—	935	—	(935)	—
Profit for the period	—	—	—	—	—	87,819	87,819
Dividend	—	—	—	—	—	(45,268)	(45,268)
At 30th September 2002	<u>36</u>	<u>332,478</u>	<u>387</u>	<u>54,771</u>	<u>308</u>	<u>168,241</u>	<u>556,221</u>

14. Commitments

	As at 30th September 2002 (Unaudited) <i>US\$'000</i>	As at 31st December 2001 (Audited) <i>US\$'000</i>
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(a) Capital commitments

Contracted but not provided for	<u>92,482</u>	<u>58,106</u>
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(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	549	889
In the second to fifth years, inclusive	<u>410</u>	<u>363</u>
	<u>959</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 period ended</b>			
	<b>30th September 2002</b>		<b>30th September 2001</b>	
	<b>Three Months</b>	<b>Nine Months</b>	<b>Three Months</b>	<b>Nine Months</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
(a) Sales of goods to:				
Associates	1,078	13,840	7,929	19,347
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(b) Purchases of goods from:				
A company which has directors common to those of the Company	2,098	5,155	2,957	7,596
A company in which a director has beneficial interest	7,921	12,116	5,184	11,407
Associates	25,041	38,975	11,591	25,360
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>35,060</u>	<u>56,246</u>	<u>19,732</u>	<u>44,363</u>

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