

Notes to Financial Statements

31 December 2000

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- production, distribution and sale of consumer products including beer, dairy products and processed food products in Beijing and the surrounding region
- investment in transportation infrastructure, the Capital Airport Expressway connecting the Capital Airport and the city centre of Beijing
- provision of tourism services in Badaling Great Wall and Longqingxia
- provision of hotel services in Beijing
- provision of retail services in Beijing and certain other cities in the PRC
- investment in commercial and residential properties in Beijing and Hong Kong
- operation of water purification and a water treatment plant in Beijing
- property construction and development

In the opinion of the directors, the ultimate holding company is Beijing Holdings Limited, which is incorporated in Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standards Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment and hotel properties, and certain fixed assets and equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting.

Joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term investments and are stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Goodwill or capital reserve

Goodwill or capital reserve arising on consolidation of subsidiaries and on acquisition of associates and jointly-controlled entities represents the excess or shortfall of the purchase consideration paid for subsidiaries, associates and jointly-controlled entities over the fair values ascribed to the net underlying assets acquired and is eliminated against or credited directly to reserves in the year of acquisition.

On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of attributable goodwill or capital reserve previously eliminated against/taken to reserves is realised and included in the calculation of the gain or loss on disposal.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Fixed assets and depreciation

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuations take into account the state of each property at the date of valuation. Investment properties with an unexpired lease term of 20 years or less are depreciated on the straight-line basis over the unexpired period of the lease.

(ii) *Hotel properties*

Hotel properties represent interests in hotel buildings and its integral fixed plant. Such properties are not depreciated and are stated on the basis of annual professional valuations performed at the end of each financial year. Changes in the value of hotel properties are dealt with as movements in the hotel property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

No depreciation is provided for hotel properties with an unexpired lease term of over 20 years since the valuations take into account the state of the hotel properties at the date of valuation. Hotel properties with an unexpired lease term of 20 years or less are depreciated on the straight-line basis over the unexpired period of the lease.

(iii) *Construction in progress*

Construction in progress represents buildings, structures, plant and machinery and other fixed assets under construction or installation and is stated at cost. Cost comprises direct costs of construction, installation and testing as well as interest charges on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fixed assets and depreciation (cont'd)

(iv) *Other fixed assets*

Other fixed assets are stated at cost or valuation less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

When assets are sold or retired, their cost or valuation and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account. The relevant portion of the fixed asset revaluation reserve realised in respect of the previous valuations is transferred to retained profits as a movement in reserves.

Depreciation of the expressway and related structures is calculated on the unit of usage basis whereby the annual depreciation amount is determined based on the actual traffic volume for the year to the projected total traffic volume of the expressway over the remaining unexpired lease terms.

Depreciation of other fixed assets is calculated on the straight-line basis to write off the cost or valuation of each asset, less its estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land/land use rights	Over the lease terms
Buildings	2% to 10%
Leasehold improvements	20%
Plant and machinery	5% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	10% to 20%

In the opinion of the directors, where the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Properties under development

Properties under development represent properties developed for sale and are stated at cost. Properties under development which have been pre-sold are stated at cost plus estimated attributable profits less foreseeable losses and sales deposits received. Cost comprises the cost of land/land use rights together with any other direct costs attributable to the development of the properties, interest costs and professional fees capitalised during the development period plus, in the case of pre-sold properties or portions thereof, any estimated attributable profits received on contracted sales.

The estimated profit on pre-sold properties under development is recognised over the course of development of the properties after execution of the formal sale and purchase agreement. The amount of estimated profit is calculated based on the proportion of construction costs incurred over the total estimated construction costs to completion, after making due allowances for contingencies, and limited to non-refundable cash deposits received.

Properties under development which are expected to be completed within twelve months from the balance sheet date are classified as current assets.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Operating concessions

Operating concessions represent the rights to operate a water treatment plant and sell entrance tickets in a scenic area, and are stated at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the period of operating concessions granted to the Group.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis and are held for an identified long term purpose.

The securities are stated at cost less provisions for any diminutions in values which are expected to be other than those considered to be temporary deemed necessary by the directors on an individual investment basis. The diminutions in values are charged to the profit and loss account for the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost (using retail method for inventories of certain department stores) and net realisable value. Cost is determined on the first-in, first-out or weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) toll revenue, entrance fee income, on a receipt basis;
- (c) the sale of completed properties, upon execution of the sale agreements;
- (d) rental and hotel income, on an accrual basis;
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (f) trading of listed investments, on the transaction date; and
- (g) other investment income, when the right to receive payment is established.

Pension costs

The Group has joined a number of defined contribution pension schemes organised by certain PRC provincial or municipal governments for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable, in accordance with the rules of the schemes. The employer's contributions vest fully once made.

For those employees that have not yet joined a pension scheme, the Group has accrued for the estimated future pension costs based on a percentage of their salaries. The related assets for the purpose of discharging such liabilities are not separately held from those of the Group.

With effect from 1 December 2000, a mandatory provident fund scheme has been set up for all eligible employees of the Group in Hong Kong. The mandatory provident fund scheme is a defined contribution retirement scheme and the contributions to the fund by the Group and employees are calculated at a percentage of employees' basic salaries.

Repairs and maintenance expenses

Repairs and maintenance expenses are charged to the profit and loss account as incurred except for the estimated cost of major overhauls of the expressway and related structures and the estimated cost of periodic renovations of the hotel properties which are accrued for on a straight-line basis over the relevant interval between each major overhaul or periodic renovation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. PRIOR YEAR ADJUSTMENT

During the year, the Group changed its accounting policy with respect to the treatment of deferred pre-operating expenses that do not meet the criteria for recognition as assets under SSAP 16 "Research and development costs" and SSAP 17 "Property, plant and equipment", or are not specifically recoverable from a third party. In prior years, such deferred pre-operating expenses were stated at cost less accumulated amortisation. Amortisation was calculated on the straight-line basis over a period of five years starting from the commencement of operations of the relevant companies. In order to conform with Interpretation 9 "Accounting for pre-operating costs", the Group now recognises such costs as expenses in the period in which they are incurred. The resulting pre-operating expenses charged in the year ended 31 December 2000 amounted to HK\$4,089,000.

This change in accounting policy has been accounted for retrospectively. The comparative statements for the year ended 31 December 1999 have been restated to conform to the new policy. The effect of the change in respect of the year ended 31 December 1999 is summarised below:

- (i) a net decrease in the movement of exchange fluctuation reserve of HK\$116,000;
- (ii) a net increase in goodwill of HK\$1,474,000 arising on acquisition of an associate in the prior year;
- (iii) a net increase in the net profit from ordinary activities attributable to shareholders of HK\$4,287,000 which resulted from: a net decrease in pre-operating expenses of HK\$1,302,000, a net decrease in share of losses of jointly-controlled entities of HK\$8,445,000, a net decrease in share of profits of associates of HK\$362,000, a net increase in minority interests charged to the profit and loss account of HK\$5,098,000; and
- (iv) net decreases in opening retained profits, capital reserve and exchange fluctuation reserve of HK\$28,387,000, HK\$1,085,000 and HK\$2,000, respectively, totalling HK\$29,474,000 which is the amount of the adjustment in respect of pre-operating expenses capitalised relating to periods prior to the year ended 31 December 1999.

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4. TURNOVER AND REVENUE

Turnover represents: (1) the aggregate of the invoiced value of goods sold net of value-added tax, consumption tax and government surcharges, and after allowances for goods returned and trade discounts; (2) the aggregate of revenue from hotel operations, toll revenue and entrance fees, net of business and consumption taxes and government surcharges; and (3) rental income.

An analysis of the Group's turnover and revenue is as follows:

	2000 HK\$'000	1999 HK\$'000
Brewery operations	1,585,596	1,355,041
Retail operations	1,817,536	1,050,753
Dairy operations	662,635	464,218
Expressway operations	270,946	231,315
Water treatment operations	197,820	197,109
Hotel operations	144,940	138,289
Tourism operations	130,800	119,811
Property construction and development	365,121	223,952
Others	37,488	43,225
Turnover	5,212,882	3,823,713
Interest income	186,487	177,165
Compensation income	7,659	24,610
Service income	15,581	—
Investment income	29,236	13,534
Exchange gains, net	—	2,304
Proceeds from sales of listed investments	45,414	10,837
Corporate income tax refund	16,630	20,305
Others	44,183	35,859
Revenue	5,558,072	4,108,327

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5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2000 HK\$'000	1999 HK\$'000 (Restated)
Depreciation	357,889	219,620
Less: Depreciation capitalised as construction in progress and properties under development	—	(308)
	<u>357,889</u>	<u>219,312</u>
Operating lease rentals:		
Land and buildings	63,601	58,257
Plant and machinery	876	—
Auditors' remuneration	6,645	6,567
Staff costs (excluding directors' remuneration — note 7):		
Wages and salaries	305,776	211,154
Net pension contributions	42,097	34,845
	<u>347,873</u>	<u>245,999</u>
Loss on disposal of fixed assets	8,944	10,190
Amortisation of operating concessions	72,063	71,804
Research and development expenditure	2,932	1,410
Provision for impairment in value of long term investments	5,736	4,000
Provision for/(write-back of provision for) diminution in value of short term investments	17,626	(3,201)
Provision for decline in recoverable amount of fixed assets	116,001	—
Gain on deemed disposal of interest in a subsidiary	(21,630)	—
Gain on disposal of interest in a subsidiary	(1,917)	—
Gain on disposal of a jointly-controlled entity	(3,066)	—
Gain on disposal of an associate	(80,912)	—
Losses on disposal of long term investments	—	406
Exchange losses/(gains), net	229	(2,304)
Net rental income	(39,890)	(29,559)
Investment income:		
Listed	(4,731)	(672)
Unlisted	(24,505)	(12,862)
Profit on sales of listed investments	(12,287)	(1,316)
Interest income	<u>(186,487)</u>	<u>(177,165)</u>

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6. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank and other loans wholly repayable within five years	277,755	248,521
Interest on other loans	15,709	17,701
Total finance costs	293,464	266,222
Interest capitalised	(1,687)	(38,055)
	291,777	228,167

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees:		
Executive directors	—	—
Non-executive director	40	—
Independent non-executive directors	140	160
	180	160
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	7,456	8,005
Performance related bonuses	950	1,830
Pension scheme contributions	14	5
	8,600	10,000

7. DIRECTORS' REMUNERATION (cont'd)

The remuneration of the above directors fell within the following bands:

	2000	1999
	Number of directors	Number of directors
Nil – HK\$1,000,000	14	12
HK\$1,000,001 – HK\$1,500,000	2	—
HK\$1,500,001 – HK\$2,000,000	—	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	—	1
	17	15

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (1999: three) directors. The details of the remuneration of the five highest paid employees are set out below.

	2000	1999
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	7,094	9,526
Performance related bonuses	400	1,342
Pension scheme contributions	31	—
	7,525	10,868

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8. FIVE HIGHEST PAID EMPLOYEES (cont'd)

The remuneration of the five highest paid employees fell within the following bands:

	Number of employees	
	2000	1999
HK\$1,000,001 – HK\$1,500,000	3	1
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	—	2
HK\$3,000,001 – HK\$3,500,000	—	—
	5	5

9. TAX

	2000	1999
	HK\$'000	HK\$'000
Group:		
The People's Republic of China (the "PRC")		
— Hong Kong	597	808
— Elsewhere	108,385	75,056
Overprovision in prior years	(240)	(2,381)
Tax rebate relating to prior year	—	(1,040)
Deferred — note 32	(417)	6,853
	108,325	79,296
Jointly-controlled entities:		
The PRC (outside of Hong Kong)	1,614	156
Associates:		
The PRC (outside of Hong Kong)	36,252	25,201
	146,191	104,653

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. The income tax provision in respect of operations elsewhere in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$492,904,000 (1999: HK\$309,083,000).

11. DIVIDENDS

	2000	1999
	HK\$'000	HK\$'000
Interim — HK\$0.10 (1999: HK\$0.10) per ordinary share	62,250	62,250
Proposed final — HK\$0.15 (1999: HK\$0.15) per ordinary share	93,375	93,375
	155,625	155,625

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$515,952,000 (1999: HK\$489,317,000 as restated) and the weighted average of 622,500,000 (1999: 622,500,000) ordinary shares in issue during the year.

Diluted earnings per share for the current year has not been shown because the exercise of the outstanding share options of the Company would not have a diluting effect to the earnings per share.

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13. FIXED ASSETS

Group

	Expressway and related structures HK\$'000	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000 (Note c)	Investment and hotel properties HK\$'000 (Note b)	Total HK\$'000
Cost or valuation:									
At 1 January 2000	1,191,186	1,964,133	179,082	1,640,745	175,641	119,900	707,576	830,199	6,808,462
Acquisition of subsidiaries	—	214,574	—	281,268	2,850	10,977	54,957	—	564,626
Additions	—	91,445	4,147	103,315	33,520	25,543	482,230	2,318	742,518
Provision for decline in recoverable amount	—	(125,202)	—	—	—	—	—	—	(125,202)
Transfer from construction in progress	—	261,206	55,893	396,355	5,495	3,048	(790,754)	68,757	—
Transfer to properties held for sale	—	—	—	—	—	—	(47,245)	—	(47,245)
Disposals	—	(12,445)	—	(18,621)	(1,250)	(4,264)	(2,490)	—	(39,070)
Revaluation deficits	—	—	—	—	—	—	—	(7,545)	(7,545)
Reclassifications	—	4,204	—	24,119	(29,396)	5,958	—	(4,885)	—
Exchange realignments	4,297	6,486	612	5,919	616	419	2,555	2,370	23,274
At 31 December 2000	1,195,483	2,404,401	239,734	2,433,100	187,476	161,581	406,829	891,214	7,919,818
Comprising:									
At cost	1,195,483	2,404,401	239,734	2,433,100	187,476	161,581	406,829	—	7,028,604
At valuation — 2000	—	—	—	—	—	—	—	891,214	891,214
	1,195,483	2,404,401	239,734	2,433,100	187,476	161,581	406,829	891,214	7,919,818
Accumulated depreciation:									
At 1 January 2000	48,950	141,655	66,635	470,522	49,600	51,544	—	—	828,906
Acquisition of subsidiaries	—	44,506	—	143,313	1,080	4,847	—	—	193,746
Provided for the year	19,137	66,659	41,884	189,432	23,994	16,783	—	—	357,889
Write-back related to decline in recoverable amount	—	(9,201)	—	—	—	—	—	—	(9,201)
Disposals	—	(3,958)	—	(12,790)	(661)	(3,933)	—	—	(21,342)
Reclassifications	—	149	—	4,195	(5,682)	1,338	—	—	—
Exchange realignments	176	471	226	1,694	174	179	—	—	2,920
At 31 December 2000	68,263	240,281	108,745	796,366	68,505	70,758	—	—	1,352,918
Net book value:									
At 31 December 2000	1,127,220	2,164,120	130,989	1,636,734	118,971	90,823	406,829	891,214	6,566,900
At 31 December 1999	1,142,236	1,822,478	112,447	1,170,223	126,041	68,356	707,576	830,199	5,979,556

13. FIXED ASSETS (cont'd)

- (a) The land and buildings, investment properties, hotel properties and expressway and related structures included above are held under the following lease terms:

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Long term leases	145,905	—	145,905
Medium term leases	8,200	4,336,993	4,345,193
	154,105	4,336,993	4,491,098

- (b) Investment and hotel properties

	Investment properties HK\$'000	Hotel properties HK\$'000	Total HK\$'000
At 1 January 2000	450,713	379,486	830,199
Additions	322	1,996	2,318
Transfer from construction in progress	54,531	14,226	68,757
Revaluation surplus/(deficit)	6,529	(14,074)	(7,545)
Reclassifications	(22,477)	17,592	(4,885)
Exchange realignments	1,001	1,369	2,370
At 31 December 2000	490,619	400,595	891,214

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13. FIXED ASSETS (cont'd)

(c) Construction in progress

Construction in progress represents the following major projects which remained incomplete as at 31 December 2000:

Name of project	Expected year of completion	Group HK\$'000
Wangfujing Bei Xia	2003	186,738
Brewery production plants	2001–2002	76,830
Other projects	various	143,261
		406,829

- (d) Certain of the above land and buildings, plant and machinery and investment properties with an aggregate net book value of HK\$627,306,000 (1999: HK\$331,358,000) were pledged to secure certain bank and other loans granted to the Group (*Note 30*).
- (e) At 31 December 2000, the investment and hotel properties were revalued by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer. The investment properties were revalued on an open market income capitalisation basis or an open market value basis using Direct Comparison Method or the Depreciated Replacement Cost Approach. The hotel properties were revalued on an open market income capitalisation basis.
- (f) Had the Group's hotel properties been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$318,395,000 (1999: HK\$311,277,000).
- (g) The gross rental income received and receivable by the Group in respect of its investment properties amounted to HK\$17,009,000 (1999: HK\$18,777,000) for the year.

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13. FIXED ASSETS (cont'd)

Company

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation:						
At 1 January 2000	—	9,112	3,833	940	173,000	186,885
Additions	—	127	290	—	—	417
Revaluation surplus	—	—	—	—	10,000	10,000
Reclassification	41,000	—	—	—	(41,000)	—
At 31 December 2000	41,000	9,239	4,123	940	142,000	197,302
Comprising:						
At cost	41,000	9,239	4,123	940	—	55,302
At valuation — 2000	—	—	—	—	142,000	142,000
	41,000	9,239	4,123	940	142,000	197,302
Accumulated depreciation:						
At 1 January 2000	—	3,835	1,568	348	—	5,751
Provided for the year	194	1,819	811	188	—	3,012
At 31 December 2000	194	5,654	2,379	536	—	8,763
Net book value:						
At 31 December 2000	40,806	3,585	1,744	404	142,000	188,539
At 31 December 1999	—	5,277	2,265	592	173,000	181,134

The investment properties are all situated in the PRC and are held under medium term leases.

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14. OPERATING CONCESSIONS

	Group HK\$'000
Cost:	
At beginning of year	1,464,239
Exchange realignments	5,282
At 31 December 2000	1,469,521
Accumulated amortisation:	
At beginning of year	71,804
Provided for the year	72,063
Exchange realignments	259
At 31 December 2000	144,126
Net book value:	
At 31 December 2000	1,325,395
At 31 December 1999	1,392,435

15. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	3,640,996	3,597,722
Due from subsidiaries	2,460,467	1,667,701
Loans to a subsidiary	124,344	46,931
Due to subsidiaries	(436,850)	(260,490)
	5,788,957	5,051,864

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The loans to a subsidiary are unsecured, bear interest at rates ranging from 5.58% to 8% per annum and are repayable in 2001.

15. INTERESTS IN SUBSIDIARIES (cont'd)

Particulars of the principal subsidiaries are as follows:

Company Name	Place of incorporation/ registration and operations	Issued and paid up capital/ registered capital	Equity interest attributable to the Group	Principal activities
Beijing Capital Expressway Development Co., Ltd.	The PRC	US\$64,053,700	96%	Operation of an expressway
Beijing San Yuan Foods Co., Ltd. ("San Yuan")	The PRC	US\$56,270,000	95%**	Production and sale of dairy products
Hu Lun Bei Er San Yuan Dairy Company Limited ^δ	The PRC	RMB41,249,835	61.75%	Production and sale of dairy products
Beijing Yanjing Brewery Company Limited ("Yanjing Brewery")*	The PRC	RMB667,424,500	53.70%	Production and sale of beer
Jiangxi Yanjing Brewery Company Limited	The PRC	RMB111,178,985	38.64%	Production and sale of beer
Hunan Yanjing Brewery Company Limited	The PRC	RMB95,000,000	42.96%	Production and sale of beer
Laizhou Yanjing Brewery Company Limited ^δ	The PRC	RMB187,053,800	69%	Production and sale of beer

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15. INTERESTS IN SUBSIDIARIES (cont'd)

Company Name	Place of incorporation/ registration and operations	Issued and paid up capital/ registered capital	Equity interest attributable to the Group	Principal activities
Hengyang Yanjing Brewery Company Limited ("Hengyang Yanjing") ^δ	The PRC	RMB180,660,000	50.34%	Production and sale of beer
Xiangfan Yanjing Brewery Company Limited ("Xiangfan Yanjing") ^δ	The PRC	RMB56,700,000	49.91%	Production and sale of beer
Ganzhou Yanjing Brewery Company Limited ^δ	The PRC	RMB85,000,000	32.44%	Production and sale of beer
Baotou Yanjing Brewery Company Limited ^δ	The PRC	RMB128,547,900	27.69%	Production and sale of beer
Beijing Enterprises Holdings Investment Management Co., Ltd [†]	The PRC	HK\$61,100,000	100%	Provision of management and consultancy services
Beijing Badaling Tourism Development Co., Ltd.	The PRC	US\$34,097,300	75%	Operation of tourism businesses

15. INTERESTS IN SUBSIDIARIES (cont'd)

<u>Company Name</u>	<u>Place of incorporation/ registration and operations</u>	<u>Issued and paid up capital/ registered capital</u>	<u>Equity interest attributable to the Group</u>	<u>Principal activities</u>
Jian Guo Hotel Joint Venture Beijing	The PRC	US\$23,000,000	50.5%	Hotel operations
Beijing Wangfujing Department Store (Group) Co., Ltd. ("Wangfujing") [#]	The PRC	Ordinary RMB392,973,026	50.1%	Department store operations
Beijing Western-Style Food Co., Ltd.	The PRC	RMB7,000,000	95%	Processing and sale of food products
Beijing Enterprises (Properties) Limited [†]	The British Virgin Islands/ Hong Kong	Ordinary US\$160	100%	Property investment
Helken Industries Limited [†]	Hong Kong	Ordinary HK\$2	100%	Property investment
Chengdu Wang Fu Jing Department Store Co., Ltd.	The PRC	RMB50,000,000	35.07%	Department store operations
Guangzhou Wangfujing Department Store Company Limited	The PRC	RMB10,000,000	49.60%	Department store operations
Nantong Wangfu Estate & Development Company Limited	The PRC	RMB70,000,000	27.56%	Property investment and development

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15. INTERESTS IN SUBSIDIARIES (cont'd)

<u>Company Name</u>	<u>Place of incorporation/ registration and operations</u>	<u>Issued and paid up capital/ registered capital</u>	<u>Equity interest attributable to the Group</u>	<u>Principal activities</u>
Beijing Hongye Real Estate Development Co.	The PRC	RMB30,000,000	50.00%	Property investment and development
Beijing Haiwen Wangfujing Department Store Company Limited	The PRC	RMB10,000,000	30.06%	Property investment
Beijing Long Qing Xia Tourism Development Co., Ltd [†]	The PRC	RMB120,000,000	75%	Operation of tourism businesses
Beijing Feng Shou Winery Co., Ltd. [†]	The PRC	US\$2,700,000	51%	Production and sale of wine
Beijing Shun Xing Wine Co., Ltd [†]	The PRC	RMB11,880,000	51%	Production and sale of wine
Beijing Bei Kong Water Production Co., Ltd [†]	The PRC	US\$1,000,000	100%	Operation of a water treatment plant
Beijing Enterprises Holdings High-Tech Development Co., Ltd [†]	The PRC	US\$30,000,000	80%	Investment holding

15. INTERESTS IN SUBSIDIARIES (cont'd)

- * Yanjing Brewery is listed on the Shenzhen Stock Exchange. The shares in Yanjing Brewery held by the Group are legal person shares and are not tradeable on any stock exchange.
- # Wangfujing is listed on the Shanghai Stock Exchange. Approximately 176,904,000 shares (or 49.52% interest) in Wangfujing held by the Group are legal person shares and are not tradable on any stock exchange.
- † Except for these directly held subsidiaries, all other subsidiaries are indirectly held by the Company.
- δ Acquired/incorporated during the year.
- ** As at 31 December 2000, the Group has obtained approval from the relevant PRC government authorities for the disposal of a 23% equity interest in San Yuan to five PRC parties in preparation for the transformation of San Yuan into a joint stock company. Two of the PRC parties, namely Beijing Yanjing Beer Group Company and Tung Hsin Trading Co., Ltd., are connected parties under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. One of the PRC parties is Yanjing Brewery, a 53.7% subsidiary of the Company. The details of this arrangement have been disclosed in an announcement made by the Company on 17 November 2000. On 28 February 2001, San Yuan was transformed into a joint stock company. Pursuant to a supplement to the share transfer agreement dated 6 April 2001, the completion of the share transfer is subject to the fulfillment of certain conditions as stipulated therein. As of the approval date of these financial statements, the share transfer has not been completed. Upon the completion of the share transfer, the equity interest of San Yuan attributable to the Group will be approximately 74.7%.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
Unlisted shares, at cost	—	—	—	14,975
Share of net assets	296,449	269,226	—	—
Due from jointly-controlled entities	4,790	8,212	—	4,939
Due to a jointly-controlled entity	(4,661)	—	—	—
	296,578	277,438	—	19,914

The amounts due from/to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (cont'd)

Particulars of the principal jointly-controlled entities are as follows:

Company name	Business structure	Place of incorporation/ registration and operations	Issued and paid up capital/registered capital	Percentage of ownership interest attributable to the Group	Principal activities
Beijing McDonald's Food Co., Ltd.	Corporate	The PRC	US\$20,800,000	47.5%	Provision of fast food services
Guangdong San Yuan McDonald's Food Company Limited ^δ	Corporate	The PRC	US\$12,500,000	47.5%	Provision of fast food services
Beijing Wang Fu Jing Retail Management Company Limited	Corporate	The PRC	US\$59,600,000	25.05%	Provision of retail management services
Wuhan Wangfujing Department Store Company Limited	Corporate	The PRC	RMB10,000,000	30.06%	Department store operations

All jointly-controlled entities are indirectly held by the Company.

^δ Acquired during the year.

The above table lists the principal jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000 (Restated)	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	—	—	113,473	117,681
Share of net assets	338,138	361,628	—	—
Loan to an associate	—	149,992	—	149,992
Due to an associate	(1,178)	—	—	—
	336,960	511,620	113,473	267,673

The loan to an associate made in the prior year was unsecured and bore interest at 7% per annum. The amount due to an associate is unsecured and interest-free.

Particulars of the principal associates are as follows:

Company name	Place of incorporation/ registration and operations	Issued and paid up capital/ registered capital	Percentage of ownership interest attributable to the Group	Principal activities
Beijing International Switching System Co., Ltd.	The PRC	US\$45,520,000	40%	Production and sale of telecommunication products
Beijing Heng He Investment Development Company Limited	The PRC	RMB41,000,000	20.04%	Securities trading
Beijing Peking University WBL Biotech Co., Ltd. [†]	The PRC	RMB80,000,000	24%	Manufacturing and sale of healthcare products

[†] Except for this directly held associate, all other associates are indirectly held by the Company.

The above table lists the principal associates of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

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17. INTERESTS IN ASSOCIATES (cont'd)

The following is a condensed summary of additional financial information of a major associate, Beijing International Switching System Co., Ltd.:

	Year ended 31 December	
	2000	1999
	HK\$'000	HK\$'000
RESULTS		
Turnover	2,931,855	2,367,273
Profit before tax	451,225	469,003
Profit after tax	362,531	407,703
Share of profit after tax attributable to the Group	145,012	163,081
ASSETS AND LIABILITIES		
Fixed assets	138,689	168,183
Other long term assets	885,493	927,147
Current assets	3,037,183	2,763,627
Current liabilities	(3,261,001)	(2,735,485)
Long term liabilities	(117,181)	(404,268)
Net assets	683,183	719,204
Share of net assets attributable to the Group	273,273	287,682

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18. PLEDGED BANK BALANCES AND TIME DEPOSITS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Pledged bank balances	10,111	—
Pledged time deposits	59,390	—
	69,501	—
Less: Portion classified as current assets	(60,596)	—
Long term portion	8,905	—

- (i) A short term pledged bank balance of HK\$1,206,000 and time deposits of HK\$59,390,000 were pledged to banks to secure certain short term bank loans granted to the Group.
- (ii) A long term pledged bank balance of HK\$8,905,000 were pledged to a bank as a security for the repayment of mortgage loans by certain purchasers of the Group's properties held for sale.

19. LONG TERM INVESTMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity investments in Hong Kong, at cost	20,100	20,100	20,100	20,100
Unlisted equity investments, at cost	303,179	123,708	82,176	900
	323,279	143,808	102,276	21,000
Provision for impairment in values	(27,304)	(12,372)	(10,100)	(4,000)
	295,975	131,436	92,176	17,000
Market value of listed investments	2,400	2,400	2,400	2,400

The market values of the Group's and the Company's long term listed equity investments at the date of approval of these financial statements were approximately HK\$2,170,000.

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20. SHORT TERM INVESTMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity investments, at market value:				
Hong Kong	128,457	25,379	29,912	25,379
Elsewhere	—	1,641	—	—
	128,457	27,020	29,912	25,379
Unlisted equity investments in the PRC, at fair value	198,348	3,962	—	—
	326,805	30,982	29,912	25,379

The market values of the Group's and the Company's short term listed equity investments at the date of approval of these financial statements were approximately HK\$131,938,000 and HK\$29,623,000, respectively.

21. PROPERTIES UNDER DEVELOPMENT

	Group	
	2000	1999
	HK\$'000	HK\$'000
At cost	204,899	1,230,781
Plus: Attributable profits	—	55,561
Less: Sales deposits received	—	(390,243)
	204,899	896,099

In the prior year, certain of the properties under development with a value of HK\$25,069,000 were pledged to secure certain bank loans granted to the Group (Note 30).

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22. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	459,435	377,943
Work in progress	55,138	45,551
Finished goods	133,738	71,358
Trading stocks	47,052	49,407
	695,363	544,259

At 31 December 2000, none of the inventories was carried at net realisable value (1999: NIL).

23. TRADE RECEIVABLES

The various group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. Ageing analysis of trade receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables.

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	360,674	271,134	8,500	8,500
One to two years	6,347	5,557	2,125	—
Two to three years	2,694	342	—	—
Over three years	1,006	—	—	—
	370,721	277,033	10,625	8,500
Less: Portion classified as current assets	(360,464)	(277,033)	(10,625)	(8,500)
Long term portion	10,257	—	—	—

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24. OTHER RECEIVABLES

	Note	Group		Company	
		2000 HK\$'000	1999 HK\$'000 (Restated)	2000 HK\$'000	1999 HK\$'000
Prepayments		29,646	27,575	5,415	8,813
Deposits and other debtors		436,067	371,482	40,076	29,618
Due from related companies	25	24,494	10,768	—	—
Due from holding companies	25	1,093	—	—	—
		491,300	409,825	45,491	38,431
Less: Portion classified as current assets		(477,302)	(409,825)	(45,491)	(38,431)
Long term portion		13,998	—	—	—

The long term portion of other receivables represents amount due from Beijing Yanjing Beer Group Company in respect of certain refund of marketing subsidies to the Group, receivable in two equal instalments on 31 December 2002 and 31 December 2003, respectively (Note 39(h)).

25. DUE FROM/TO RELATED COMPANIES AND HOLDING COMPANIES

The amounts due from/to related companies represent amounts due from/to certain joint venture partners of the Group. The balances are unsecured, interest-free and have no fixed terms of repayment.

The amounts due from/to holding companies are unsecured, interest-free and have no fixed terms of repayment.

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26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	1,439,670	1,074,311	5,756	4,626
Time deposits	2,316,308	2,510,323	497,956	1,012,879
	3,755,978	3,584,634	503,712	1,017,505
Less: Pledged bank balances and time deposits				
— note 18	(69,501)	—	—	—
	3,686,477	3,584,634	503,712	1,017,505

27. TRADE PAYABLES

The ageing analysis of the Group's trade payables is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within one year	294,811	243,261
One to two years	20,624	1,900
Two to three years	1,830	656
Over three years	2,111	3,010
	319,376	248,827

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28. TAXES PAYABLE

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income/profits tax	17,123	13,732	—	—
Consumption tax	29,292	17,704	—	—
Value-added tax	74,309	48,721	—	—
Business tax	18,370	6,824	1,275	1,275
Others	33,137	28,612	8,082	8,082
	172,231	115,593	9,357	9,357

29. OTHER PAYABLES AND ACCRUALS

	Notes	Group		Company	
		2000	1999	2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals		220,321	175,719	35,615	38,662
Other liabilities		657,963	467,501	1,017	620
Due to related companies	25	148,133	79,022	—	9,326
Due to holding companies	25	2,562	2,894	2,562	4,242
Proposed final dividend	11	93,375	93,375	93,375	93,375
		1,122,354	818,511	132,569	146,225

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30. BANK AND OTHER LOANS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	3,978,885	4,160,601	1,098,791	1,281,225
Other loans:				
Wholly repayable within five years	134,672	95,425	—	—
Repayable beyond five years	253,954	285,044	—	—
	4,367,511	4,541,070	1,098,791	1,281,225

Group

	Bank loans		Other loans		Total	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances due:						
Within one year	2,300,066	2,027,983	157,139	117,999	2,457,205	2,145,982
In the second year	490,249	1,537,155	41,307	31,960	531,556	1,569,115
In the third to fifth years, inclusive	1,146,595	542,763	95,660	105,266	1,242,255	648,029
Beyond five years	41,975	52,700	94,520	125,244	136,495	177,944
	3,978,885	4,160,601	388,626	380,469	4,367,511	4,541,070
Portion classified as current liabilities	(2,300,066)	(2,027,983)	(157,139)	(117,999)	(2,457,205)	(2,145,982)
Long term portion	1,678,819	2,132,618	231,487	262,470	1,910,306	2,395,088
Secured	203,887	187,918	22,138	22,058	226,025	209,976
Unsecured	3,774,998	3,972,683	366,488	358,411	4,141,486	4,331,094
	3,978,885	4,160,601	388,626	380,469	4,367,511	4,541,070

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30. BANK AND OTHER LOANS (cont'd)

Company

	2000 HK\$'000	1999 HK\$'000
Balance due:		
Within one year	85,766	—
In the second year	—	1,281,225
In the third to fifth years, inclusive	1,013,025	—
	<u>1,098,791</u>	<u>1,281,225</u>
Portion classified as current liabilities	(85,766)	—
	<u>1,013,025</u>	<u>1,281,225</u>

- (a) Other loans include interest-free loans of HK\$26,587,000 (1999: HK\$29,791,000) and the remaining other loans of HK\$362,039,000 (1999: HK\$350,678,000) bear interest at rates ranging from 6% to 9% (1999: 5% to 10%) per annum.
- (b) Approximately HK\$248,997,000 (1999: HK\$178,952,000) of the Group's unsecured bank loans at the balance sheet date were guaranteed by a Beijing Municipal Government department and the joint venture partners of certain PRC subsidiaries or their associates.
- (c) Certain of the Group's bank and other loans are secured by the following:
- (i) Mortgages over the Group's land and buildings, plant and machinery and investment properties with an aggregate carrying value at the balance sheet date of approximately HK\$627,306,000 (1999: HK\$331,358,000).
 - (ii) Mortgages over certain of the Group's properties held for sale with an aggregate carrying value at the balance sheet date of approximately HK\$130,324,000 (1999: HK\$25,069,000 classified as properties under development).
 - (iii) Mortgages over certain of the Group's bank balances and time deposits at the balance sheet date of approximately HK\$60,596,000 in aggregate (1999: NIL).

Included in the Group's and the Company's bank loans was a syndicated loan of HK\$1,013,025,000 which will be due on 31 August 2001. Subsequent to the balance sheet date, the Company has entered into a new syndicated loan facility with its bankers to refinance the aforesaid loan with a tenure of 5 years. Accordingly, the aforesaid loan has been classified as non-current liabilities as at 31 December 2000.

The bank loans of the Company are unsecured.

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31. OTHER LONG TERM LIABILITIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Pension and related liabilities	23,550	41,574
Provision for repairs and maintenance	70,612	60,972
Others	4,102	3,899
	98,264	106,445

32. DEFERRED TAX

	Group	
	2000	1999
	HK\$'000	HK\$'000
Balance at beginning of year	6,853	—
Charge/(credit) for the year — <i>note 9</i>	(417)	6,853
Exchange realignments	25	—
At 31 December	6,461	6,853

The principal component of the Group's provision for deferred tax is as follows:

	2000	1999
	HK\$'000	HK\$'000
Accelerated depreciation allowances	6,461	6,853

There are no significant potential deferred tax liabilities for which provision has not been made.

The revaluation of the Group's investment and hotel properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

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33. SHARE CAPITAL

	Company	
	2000	1999
	HK\$'000	HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
622,500,000 ordinary shares of HK\$0.10 each	62,250	62,250

Share options

Pursuant to a share option scheme which was approved at an extraordinary general meeting of the Company held on 16 May 1997, the board of directors of the Company may, at their discretion, grant options to employees of the Company and/or any of its subsidiaries, including executive directors of any such companies, to subscribe for shares in the Company.

At the balance sheet date, the Company had outstanding share options entitling the holders to subscribe for shares in the Company. The share options entitle the registered holders to subscribe in cash for fully paid ordinary shares of HK\$0.10 each in the Company at HK\$17.03 per share. Of the total 22,520,000 share options outstanding as of 31 December 2000, 2,230,000 share options are exercisable at any time in the next 10 years commencing on 1 September 1998 and 20,290,000 share options are exercisable in 9 equal portions commencing on 1 January 1999 with one additional portion becoming exercisable on 1 January of each of the following years. All of the options (to the extent not exercised) will be exercisable on 1 January 2007, and if not otherwise exercised will lapse on 1 January 2009. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 22,520,000 additional ordinary shares of HK\$0.10 each and cash proceeds of approximately HK\$383,515,600 before the related issue expenses.

No share options were granted or exercised during the year.

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34. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Hotel property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve funds HK\$'000 (Note)	Retained profits HK\$'000	Total HK\$'000
Group							
At 1 January 1999							
As previously reported	4,839,497	354,057	1,389	4,034	137,180	505,422	5,841,579
Prior year adjustment — note 3	—	(1,085)	—	(2)	—	(28,387)	(29,474)
As restated	4,839,497	352,972	1,389	4,032	137,180	477,035	5,812,105
Goodwill arising on acquisition of a subsidiary and an associate	—	(78,610)	—	—	—	—	(78,610)
Revaluation deficits	—	—	(609)	—	—	—	(609)
Exchange realignments	—	—	—	13,166	—	—	13,166
Retained profit for the year	—	—	—	—	—	333,692	333,692
Transfer to reserves	—	959	—	—	90,040	(90,999)	—
At 31 December 1999, as restated	4,839,497	275,321	780	17,198	227,220	719,728	6,079,744
At 1 January 2000							
As previously restated	4,839,497	277,880	780	17,316	227,220	743,828	6,106,521
Prior year adjustment — note 3	—	(2,559)	—	(118)	—	(24,100)	(26,777)
As restated	4,839,497	275,321	780	17,198	227,220	719,728	6,079,744
Goodwill arising on acquisition of subsidiaries, a jointly- controlled entity and an associate	—	(79,693)	—	—	—	—	(79,693)
Revaluation deficits	—	—	(780)	—	—	—	(780)
Arising from disposal of a jointly- controlled entity and an associate	—	—	—	(350)	—	—	(350)
Exchange realignments	—	—	—	18,328	—	—	18,328
Retained profit for the year	—	—	—	—	—	360,327	360,327
Transfer to reserves	—	151	—	—	45,482	(45,633)	—
At 31 December 2000	4,839,497	195,779	—	35,176	272,702	1,034,422	6,377,576

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34. RESERVES (cont'd)

	Share premium HK\$'000	Capital reserve HK\$'000	Hotel property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve funds HK\$'000 <i>(Note)</i>	Retained profits HK\$'000	Total HK\$'000
Reserves retained by:							
Company and subsidiaries	4,839,497	195,779	—	30,931	229,290	1,006,809	6,302,306
Jointly-controlled entities	—	—	—	1,595	—	(62,864)	(61,269)
Associates	—	—	—	2,650	43,412	90,477	136,539
31 December 2000	4,839,497	195,779	—	35,176	272,702	1,034,422	6,377,576
Reserves retained by:							
Company and subsidiaries	4,839,497	275,321	780	14,597	185,637	685,216	6,001,048
Jointly-controlled entities	—	—	—	1,638	—	(68,580)	(66,942)
Associates	—	—	—	963	41,583	103,092	145,638
31 December 1999, as restated	4,839,497	275,321	780	17,198	227,220	719,728	6,079,744

Note: PRC reserve funds are reserves made in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's PRC subsidiaries, jointly-controlled entities and associates. None of the Group's PRC reserve funds as of 31 December 2000 was distributable in the form of cash dividends.

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company			
At 1 January 1999	4,839,497	142,973	4,982,470
Profit for the year	—	309,083	309,083
Dividends	—	(155,625)	(155,625)
At 31 December 1999 and beginning of year	4,839,497	296,431	5,135,928
Profit for the year	—	492,904	492,904
Dividends	—	(155,625)	(155,625)
At 31 December 2000	4,839,497	633,710	5,473,207

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35. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2000 HK\$'000	1999 HK\$'000 <i>(Restated)</i>
Profit from operating activities	817,008	721,900
Revaluation deficits on investment and hotel properties	7,665	49,211
Depreciation	357,889	219,312
Amortisation of operating concessions	72,063	71,804
Provision for/(write-back of provision for) diminution in value of short term investments	17,626	(3,201)
Provision for decline in recoverable amount of fixed assets	116,001	—
Provision for impairment in value of long term investments	5,736	4,000
Loss on disposal of fixed assets	8,944	10,190
Interest income	(186,487)	(177,165)
Investment income	(29,236)	(13,534)
Gain on deemed disposal of interest in a subsidiary	(21,630)	—
Gain on disposal of interest in a subsidiary	(1,917)	—
Gain on disposal of a jointly-controlled entity	(3,066)	—
Gain on disposal of an associate	(80,912)	—
Losses on disposal of long term investments	—	406
Profit on sales of listed investments	(12,287)	(1,316)
Decrease/(increase) in properties under development	694,446	(226,672)
Decrease in long term prepayments and deposits	24,979	28,413
Decrease/(increase) in properties held for sale	(481,161)	6,273
Increase in trade receivables	(52,993)	(140,569)
Decrease/(increase) in prepayments, deposits and other debtors	137,773	(113,223)
Increase in inventories	(78,355)	(76,240)
Increase in taxes recoverable	(10,264)	(6,799)
Increase in amounts due from holding companies	(1,093)	—
Decrease in amounts due from related companies	311	5,384
Increase in trade payables	39,106	74,669
Increase in accruals and other liabilities	109,810	196,376
Increase/(decrease) in other taxes payable	13,964	(61,830)
Increase/(decrease) in amounts due to related companies	69,257	(16,331)
Decrease in amounts due to holding companies	(332)	(42,033)
Increase/(decrease) in other long term liabilities	(9,289)	1,562
Net cash inflow from operating activities	1,523,556	510,587

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35. NOTES TO THE CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000	Loans HK\$'000	Minority interests HK\$'000
Balance at 1 January 1999			
As previously reported	4,901,747	2,753,553	2,065,318
Prior year adjustment — note 3	—	—	(30,141)
As restated	4,901,747	2,753,553	2,035,177
Net cash inflow from financing activities, net	—	1,713,620	13,307
Non-cash capital contribution	—	13,206	143,115
Arising on acquisition of a subsidiary	—	56,154	8,447
Share of revaluation surplus of hotel properties	—	—	1,280
Share of profits after tax of subsidiaries	—	—	68,441
Dividends	—	—	(93,618)
Exchange realignments	—	4,537	6,515
Balance at 31 December 1999 and beginning of year, as restated	4,901,747	4,541,070	2,182,664
Net cash inflow/(outflow) from financing activities, net	—	(296,764)	382,394
Non-cash capital contribution	—	54,109	85,833
Arising on acquisition of subsidiaries	—	57,377	107,191
Arising on disposal of interest in a subsidiary	—	—	(1,917)
Dilution effect on issue of shares to minority shareholders — gain on deemed disposal of interest in a subsidiary	—	—	(21,630)
Share of revaluation surplus of hotel properties	—	—	906
Share of goodwill arising from acquisition of a jointly-controlled entity	—	—	(3,860)
Share of profits after tax of subsidiaries	—	—	62,470
Dividends	—	—	(25,160)
Exchange realignments	—	11,719	7,922
Balance at 31 December 2000	4,901,747	4,367,511	2,776,813

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35. NOTES TO THE CASH FLOW STATEMENT (cont'd)

(c) Acquisition of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Fixed assets	370,880	95,948
Long term investments	715	33
Inventories	58,240	22,618
Trade receivables	39,725	8,260
Taxes recoverable	—	5,182
Prepayments, deposits and other debtors	196,121	899
Cash and bank balances	42,057	1,506
Trade payables	(25,823)	(11,848)
Taxes payable	(38,949)	(8,994)
Accruals and other liabilities	(87,006)	(13,032)
Short term bank and other loans	(49,498)	(27,716)
Long term bank and other loans	(22,028)	(28,438)
Other long term liabilities	(724)	(130)
Minority interests	(107,191)	(8,447)
Net assets	376,519	35,841
Goodwill arising on acquisition	3,762	1,704
	380,281	37,545
Satisfied by:		
Cash consideration	380,281	37,545
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries		
	2000 HK\$'000	1999 HK\$'000
Cash and bank balances acquired	42,057	1,506
Cash consideration paid	(380,281)	(37,545)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(338,224)	(36,039)

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35. NOTES TO THE CASH FLOW STATEMENT (cont'd)

(c) Acquisition of subsidiaries (cont'd)

The subsidiaries acquired during the year contributed HK\$104,759,000 to the Group's net operating cash flows, paid HK\$2,032,000 in respect of the net returns on investments and servicing of finance, utilised HK\$61,291,000 for investing activities and HK\$12,929,000 for financing activities but had no significant tax paid.

The subsidiaries acquired during the year contributed HK\$141,262,000 to turnover, but had incurred a net loss of HK\$15,328,000 to the consolidated profit after tax and before minority interests for the year.

In respect of cash flows for 1999, the subsidiaries acquired in the prior year utilised HK\$2,761,000 of the Group's net operating cash flows and HK\$21,542,000 for investing activities, contributed HK\$32,712,000 for financing activities, but had no significant tax paid and impact in respect of the net returns on investments and servicing of finance.

The subsidiaries acquired in the prior year contributed HK\$63,485,000 to turnover but had no significant contribution to the consolidated profit after tax and before minority interests for the year ended 31 December 1999.

(d) Major non-cash transactions

The capital contribution made by the minority shareholders of certain PRC subsidiaries of the Group during the year were in the form of non-current assets valued at HK\$150,875,000, non-cash current assets valued at HK\$15,835,000, current liabilities of HK\$36,791,000 and non-current liabilities of HK\$44,086,000.

36. CONTINGENT LIABILITIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Guarantee of banking facilities granted to a jointly-controlled entity	—	187,723
Guarantee of banking facilities granted to third parties	8,905	—
	8,905	187,723

Included in properties under development and properties held for sale at 31 December 2000 were amounts of RMB85.2 million and RMB197.6 million, respectively, which relate to a residential property development project located in Beijing (the "Property Project"). Beijing Hongye Real Estate Development Co. ("Hongye"), a subsidiary, was a party to an agreement to participate in the development of the Property Project. Under the agreement, Hongye was required to pay a total sum of RMB256 million by installments in return for the right to self-occupy 80,000 square metres of the Property Project upon its completion. Subsequent to the agreement, on 17 March 1997, as a result of the Property Project encountering difficulties, certain Beijing government authorities assigned the entire Property Project development rights to Hongye. In return, Hongye agreed to assume certain costs directly related to the Property Project which the directors estimate to be no more than RMB118 million. As at 31 December 2000, the aforesaid costs have been fully paid. However, the final amount of these costs will not be determined until the government authorities have completed their review of the Property Project.

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37. COMMITMENTS

(a) Capital commitments:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings:				
Authorised, but not contracted for	72,982	—	—	—
Contracted, but not provided for	58,012	216,447	—	—
	130,994	216,447	—	—
Plant and machinery:				
Authorised, but not contracted for	115,172	227,203	—	—
Contracted, but not provided for	44,868	75,947	—	—
	160,040	303,150	—	—
Capital contributions to subsidiaries and associates:				
Contracted, but not provided for	40,776	2,112	151,825	148,160
	331,810	521,709	151,825	148,160

(b) Commitments under operating leases

At 31 December 2000, the Group and the Company had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings expiring:				
Within one year	181	2,440	—	2,064
In the second to fifth years, inclusive	4,854	840	3,600	—
After five years	29,356	49,705	—	—
	34,391	52,985	3,600	2,064

38. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events occurred:

- (i) Pursuant to a share transfer agreement entered into by Beijing Enterprises (Dairy) Limited, a wholly owned subsidiary of the Company, with five PRC parties on 17 November 2000, the Group has agreed to dispose of a 23% equity interest in the issued share capital of San Yuan in preparation for the transformation of San Yuan into a joint stock company, to the five PRC parties. Two of the PRC parties, namely Beijing Yanjing Beer Group Company and Tung Hsin Trading Co., Ltd., are connected parties under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. One of the PRC parties is Yanjing Brewery, a 53.7% subsidiary of the Company. Upon the completion of the share transfer, the equity interest of San Yuan attributable to the Group will be approximately 74.7%. The details of this arrangement were disclosed in an announcement made by the Company on 17 November 2000.

As at 31 December 2000, the Group obtained approval from the relevant PRC government authorities for the disposal of the aforesaid interest in San Yuan. On 28 February 2001, San Yuan was transformed into a joint stock company. According to a supplement to the share transfer agreement dated 6 April 2001, the completion of the share transfer is subject to the fulfilment of certain conditions as stipulated therein. As of the approval date of these financial statements, the share transfer has not been completed.

- (ii) On 12 January 2001, San Yuan entered into an acquisition agreement with Kraft Foods International, Inc. and Philip Morris (China) Investments Co., Ltd. to acquire 85% equity interests in Beijing Kraft Food Corporation Limited for a net cash consideration of US\$9.3 million. The principal activities of Beijing Kraft Food Corporation Limited include the manufacture and distribution of dairy food products in the PRC.
- (iii) On 18 January 2001, the Company entered into a subscription agreement with Beijing Development (Hong Kong) Limited ("BDL"), a company listed in The Stock Exchange of Hong Kong Limited, to subscribe for 168,000,000 new shares of BDL at a subscription price of HK\$1 each. Upon the completion of the subscription, the Company held approximately 55.31% of the enlarged issued capital of BDL. It is the intention of the Group to utilise BDL as its major investment vehicle for investment in information technology businesses. The details of the subscription were disclosed in a joint announcement made by the Company and BDL on 19 January 2001.

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38. POST BALANCE SHEET EVENTS (cont'd)

- (iv) On 7 February 2001, a special resolution of the shareholders of Wangfujing was passed to approve an asset swap scheme (“Asset Swap Scheme”) to be entered into with Wangfujing Dong An Group Company Limited (“WFJ Dong An”), a director of which is also a director of the Company. Subsequently, Wangfujing and WFJ Dong An entered into an agreement in respect of the Asset Swap Scheme, which is subject to the approval by the China Securities Regulatory Commission.

Pursuant to the Asset Swap Scheme, Wangfujing will dispose of its 55% equity interest in Nantong Wang Fu Estate & Development Company Limited and certain non-operating land and buildings of the Group with aggregate net book value of approximately HK\$166 million as at 31 December 2000 to WFJ Dong An in exchange for 50% equity interest in Shuang An Department Store Company Limited (“Shuang An”), which was engaged in the operation of department stores in Beijing. According to a valuation report prepared by a PRC valuer, the value of the 50% equity interest in Shuang An is amounted to HK\$138 million. The directors of the Company consider that a provision of HK\$116 million was necessary to write down certain land and buildings of the Wangfujing Group to their recoverable amounts and the provision has been incorporated in the current year financial statements.

- (v) On 25 February 2001, Beijing Enterprises (Beverages) Company Limited, a wholly-owned subsidiary of the Company, and Beijing Yan Jing Brewery Co., Ltd., a subsidiary of the Company, entered into an acquisition and subscription agreement with three independent third parties to acquire 52% equity interests in Shandong Qu Fu San Kong Beer Co., Ltd. (“San Kong”) at a total consideration of approximately HK\$113 million. The principal activities of San Kong include the manufacture and distribution of beer products in the PRC.
- (vi) On 8 March 2001, Yanjing Brewery subscribed 42,584,432 new shares of Shandong Wu Min Beer Co., Ltd (“Wu Min”) at a total consideration of approximately HK\$90 million. Upon the completion of the subscription, Yanjing Brewery held 51% of the enlarged issued capital of Wu Min. The principal activities of Wu Min include the manufacture and distribution of beer products in the PRC.

39. RELATED PARTY TRANSACTIONS

In addition to the transactions set out in note 25, during the year, the Group entered into the following material transactions with related parties:

Name of company	Nature of transaction	Notes	2000 HK\$'000	1999 HK\$'000
<i>Ultimate holding company</i>				
Beijing Holdings Limited and its associates	Rental income	(a)	3,259	4,106
	Rental and related expenses	(a)	5,235	6,284
<i>Joint venture partners of subsidiaries</i>				
Beijing Yanjing Beer Group Company ("Yanjing Beer Group") and its associates	Purchases of bottle labels	(b)	41,008	29,826
	Purchases of bottle caps	(b)	44,340	42,020
	Purchases of malt	(c)	—	585
	Canning service fees paid	(d)	14,577	18,412
	Comprehensive support service fees paid	(e)	13,191	9,494
	Land rent expenses	(f)	1,643	1,637
	Trademark licensing fees paid	(g)	14,303	13,646
	Less: 20% refund for advertising subsidies	(g)	(2,861)	(2,729)
	Refund for marketing subsidies	(h)	20,997	—
	Interest income on advances made	(i)	—	223
	Acquisition of equity interest in Hengyang Yanjing	(j)	159,558	—
	Acquisition of equity interest in Xiangfan Yanjing	(j)	63,586	—
Beijing Tourism Corporation and its associates	Land use fees	(k)	3,770	3,603
<i>Jointly-controlled entities</i>				
Nantong Wangfujing Department Store Company Limited	Rental income	(a)	—	7,955
	Compensation income	(l)	2,143	—
<i>Associates</i>				
Beijing International Switching System Co., Ltd.	Interest income	(m)	5,800	12,027
Wanbo Property Management Company Limited	Rental income	(a)	2,405	—

In the opinion of the directors, the above transactions have been entered into by the Group in the normal course of its business.

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39. RELATED PARTY TRANSACTIONS (cont'd)

Notes:

- (a) The rentals were determined by reference to open market rentals at the time when the lease agreements were entered into.
- (b) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing for the preceding year.
- (c) Malt was purchased at a rate equal to the lower of RMB3,400 per ton and the current market prices.
- (d) Canning service fees were charged at a rate equal to the costs of canning services incurred by Yanjing Beer Group plus a pre-agreed profit margin.
- (e) Comprehensive support service fees paid included the following:
 - a security and canteen services fee which was determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, were determined by reference to the market rentals at the time when the relevant agreements were entered into.
- (f) Land rent expenses were charged at a mutually-agreed amount of RMB1,744,000 per annum.
- (g) Trademark licensing fees paid were for the use of the “Yanjing” trademark and were determined based on 1% of the annual sales of beer and mineral water products by Yanjing Brewery. Yanjing Beer Group will refund 20% of the trademark licensing fees received from Yanjing Brewery to be used by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- (h) The refund for marketing subsidies from Yanjing Beer Group were at a mutually-agreed amount pursuant to an agreement entered into between Yanjing Brewery and Yanjing Beer Group on 9 April 2001, and were determined with reference to the actual amount of marketing expenses incurred by the Group in the year ended 31 December 2000 in promoting the “Yanjing” brand name in general.
- (i) Interest income from Yanjing Beer Group arose from advances made to Yanjing Beer Group which bore interest at the market rates when the advances were made.
- (j) The considerations paid for the acquisitions were determined on the basis of the net asset values of Hengyang Yanjing and Xiangfan Yanjing under the asset appraisal reports assessed on 31 December 1999 and issued by an independent PRC valuer.
- (k) Land use fees were determined based on 3% of the annual gross turnover of Jian Guo Hotel Joint Venture Beijing.
- (l) The compensation income received was based on a mutually-agreed amount of RMB2,275,000.
- (m) Detailed terms of the loan are disclosed in note 17 to the financial statements.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 10 April 2001.