



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

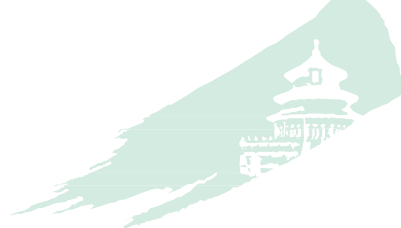
1. Accounting Policies

The unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2000 except the methods of accounting for goodwill/negative goodwill and proposed dividend as described below.

(a) *Goodwill/negative goodwill*

In prior years, goodwill/negative goodwill arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the net tangible assets at the date of acquisition, is taken to reserves in the year in which it arises. On disposal of a subsidiary or an associate, the attributable amount of goodwill/capital reserve is included in calculating the profit or loss on disposal.

With effect from 1st January, 2001, with the introduction of SSAP 30 “Business Combinations”, the Group adopted an accounting policy to recognise goodwill as an asset and is amortised on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account. On disposal of a consolidated controlled enterprise, any attributable amount of purchased goodwill not previously amortised through the profit and loss accounts is included in the calculation of the profit and loss on disposal.

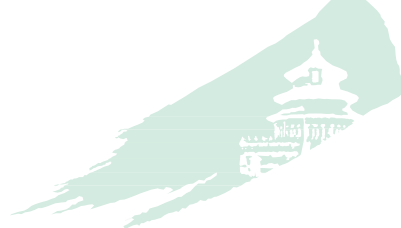


(b) *Proposed dividend*

In prior years, dividend proposed after balance sheet date was accrued as liabilities at the balance sheet date. With effect from 1st January, 2001 the dividend proposed after balance sheet date is shown as a separate component of shareholders' funds in accordance with the revised SSAP 9 "Events After the Balance Sheet Date" issued by the Hong Kong Society of Accountants. Following the adoption of SSAP 9 (revised), the final dividend proposed for the year ended 31st December, 2000 of HK\$93.38 million, classified as a current liability at 31st December, 2000, has been reclassified and shown under the shareholders' equity. There is no impact on the profit and loss account because of this change.

2. COMPARATIVE CASH FLOW STATEMENT

The comparative cash flow statement for the six months ended 30th June, 2000 has not been prepared as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").



3. Turnover

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 contribution to profit from operating activities by principal activity and geographical area of operations for the six months ended 30th June 2001 is as follows:

Turnover Six months ended 30th June,		Contribution to profit from operating activities Six months ended 30th June,	
		2001 Unaudited	2000 Unaudited
<i>HK\$'000,000</i>	<i>HK\$'000,000</i>	<i>HK\$'000,000</i>	<i>HK\$'000,000</i>

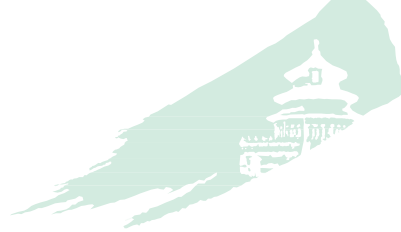
By activity:

Brewery operations	1,091	721	142	165
Retail operations	989	1,050	44	38
Dairy operations	451	302	28	35
Expressway operations	148	124	107	72
Water treatment operations	99	99	64	64
Others	93	187	46	80
	2,871	2,483	431	454

By geographical area:

People's Republic of China:

Hong Kong	4	3	41	77
Elsewhere	2,867	2,480	390	377
	2,871	2,483	431	454



4. Profit from operating activities

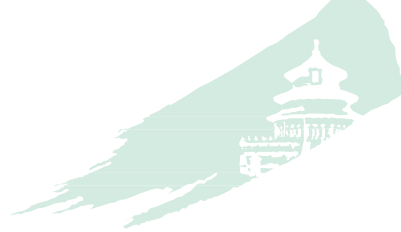
Profit from operating activities has been arrived at after charging/(crediting):

	Six months ended	
	30th June,	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	193,403	114,147
Amortisation of operating concessions	35,334	35,311
Amortisation of goodwill	1,045	—
Interest income	(72,525)	(74,478)
Investment income	(31,039)	(4,903)
Amortisation of negative goodwill	(11,828)	—
	=====	=====

5. Tax

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong for the period. 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 period based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30th June,	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Group:		
The PRC — Hong Kong	—	—
— elsewhere	52,568	36,542
Share of tax of associates	16,986	11,656
Share of tax of jointly-controlled entities	1,997	—
	=====	=====
	71,551	48,198



6. Interim Dividend per Share

The Board of Directors of the Company has resolved to pay an interim dividend of HK10 cents per share (2000: HK10 cents per share) for the six months ended 30th June, 2001. The dividend will be paid on 15th October, 2001 to shareholders whose names appear on the Register of Members of the Company on 5th October, 2001.

7. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$287,981,000 (2000: HK\$260,953,000) and the weighted average of 622,500,000 shares (2000: 622,500,000 shares) in issue during the period.

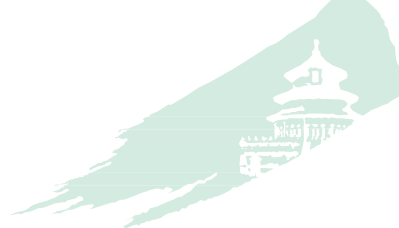
The exercise of the outstanding share options of the Company would not have a diluting effect to the earnings per share.

8. 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 the Group's trade receivables is as follows:

	30th June, 2001	31st December, 2000
	Unaudited	Audited
	HK\$ '000	HK\$ '000
Within one year	478,542	360,674
One to two years	27,489	6,347
Two to three years	1,772	2,694
Over three years	1,162	1,006
	508,965	370,721
Less: Portion classified as current assets	(508,965)	(360,464)
Long term portion	—	10,257



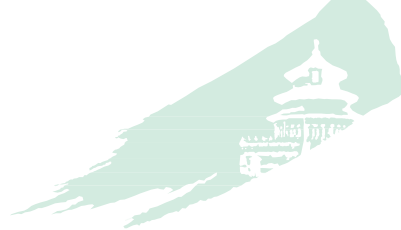
9. Trade Payables

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

	30th June, 2001 Unaudited	31st December, 2000 Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	291,644	294,811
One to two years	10,222	20,624
Two to three years	9,991	1,830
Over three years	6,309	2,111
	<u>318,166</u>	<u>319,376</u>

10. Share Capital

	30th June, 2001 Unaudited	31st December, 2000 Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
622,500,000 ordinary shares of HK\$0.10 each	<u>62,250</u>	<u>62,250</u>

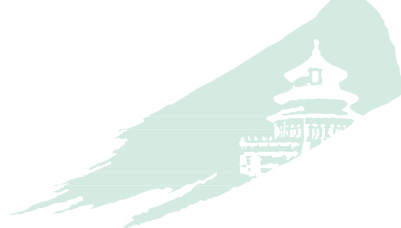


11. Reserves

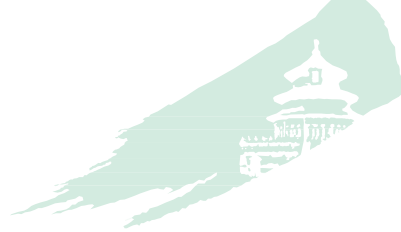
	Share premium Unaudited	Capital reserve Unaudited	Exchange fluctuation reserve Unaudited	PRC reserve funds Unaudited	Retained profits Unaudited	Total Unaudited
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1st January, 2001	4,839,497	195,779	35,176	272,702	1,034,422	6,377,576
Realized on partial disposal of interests in a subsidiary	—	18,169	—	—	—	18,169
Realized on disposal of a jointly-controlled entity	—	56,577	—	—	—	56,577
Exchange realignments	—	—	1,045	—	—	1,045
Retained profit for the period	—	—	—	—	287,981	287,981
Proposed interim dividend	—	—	—	—	(62,250)	(62,250)
Transfer to reserves	—	—	—	15,594	(15,594)	—
At 30th June, 2001	<u>4,839,497</u>	<u>270,525</u>	<u>36,221</u>	<u>288,296</u>	<u>1,244,559</u>	<u>6,679,098</u>

12. Contingent Liabilities

	30th June, 2001 Unaudited	31st December, 2000 Audited
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Guarantee of banking facilities granted to third parties	<u>8,857</u>	<u>8,905</u>

**13. Commitments***Capital commitments*

	30th June, 2001	31st December, 2000
	Unaudited	Audited
	HK\$ '000	HK\$ '000
Land and buildings:		
Authorised, but not contracted for	39,574	72,982
Contracted, but not provided for	32,027	58,012
	71,601	130,994
Plant and machinery:		
Authorised, but not contracted for	48,224	115,172
Contracted, but not provided for	60,854	44,868
	109,078	160,040
Capital contributions to subsidiaries and associates:		
Contracted, but not provided for	24,557	40,776
	205,236	331,810

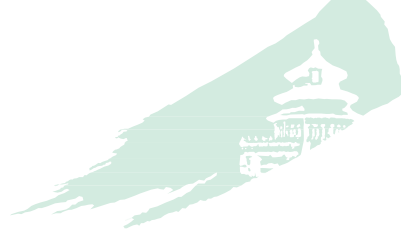


14. Related Party Transactions

During the period, the Group entered into the following material transactions with related parties:

Name of company	Nature of transaction	Notes	30th June,	
			2001 Unaudited	2000 Unaudited
			HK\$ '000	HK\$ '000
<i>Ultimate holding company</i>				
Beijing Holdings Limited and its associates	Rental income	(a)	1,603	1,603
	Rental and related expenses	(a)	2,706	3,281
<i>Joint venture partners of subsidiaries</i>				
Beijing Yanjing Beer Group Company ("Yanjing Beer Group") and its associates	Purchases of bottle labels	(b)	20,900	16,905
	Purchases of bottle caps	(b)	27,835	22,041
	Canning service fees paid	(c)	10,687	6,337
	Comprehensive support service fees paid	(d)	7,324	6,215
	Land rent expenses	(e)	821	821
	Trademark licensing fees paid	(f)	7,359	7,406
	Less: 20% refund for advertising subsidies	(f)	(1,472)	(1,462)
Refund for marketing subsidies	(g)	—	—	10,499
Beijing Tourism Corporation and its associates	Land use fees	(h)	1,539	1,778
<i>Jointly-controlled entities</i>				
Nantong Wangfujing Department Store Company Limited	Compensation income	(i)	—	2,143
<i>Associates</i>				
Beijing International Switching System Co., Ltd.	Interest income	(j)	3,400	5,908
Wanbo Property Management Company Limited	Rental income	(a)	2,167	1,883

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



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) 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.
- (d) 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 Beijing Yanjing Brewery Company Limited (“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.
- (e) Land rent expenses were charged at a mutually-agreed amount of RMB1,744,000 per annum.
- (f) 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.
- (g) 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 9th April, 2001, and were determined with reference to the actual amount of marketing expenses incurred by the Group in the year ended 31st December, 2000 in promoting the “Yanjing” brand name in general.
- (h) Land use fees were determined based on 3% of the annual gross turnover of Jian Guo Hotel Joint Venture Beijing.
- (i) The compensation income received was based on a mutually-agreed amount of RMB2,275,000.
- (j) The loan to an associate was unsecured and bore interest at 5.85% per annum.

15. Approval of the Interim Financial Statements

The condensed interim financial statements were approved by the Board on 6th September, 2001.