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, which connects 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 People's Republic of China (the "PRC")
- investment in commercial and residential properties in Beijing and Hong Kong
- operation of a water purification and treatment plant in Beijing
- property construction and development
- provision of telecommunications and information technology ("IT") related services and products

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

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 17 (Revised): "Property, plant and equipment"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations — subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this revised SSAP is detailed in note 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 40 to the financial statements.

SSAP 17 (Revised) prescribed the recognition and measurement criteria for the cost of a major inspection or overhaul of an asset occurring at regular intervals over the useful life of an asset. Its principal impact on these financial statements is that the cost of major overhauls of the expressway and related structures is no longer accrued for on a straight-line basis over the relevant interval between each major overhaul, but captalised and accounted for as a component of the expressway and related structures in the period in which it is incurred. This has resulted in a prior year adjustment, further details of which are included in note 34 to the financial statements. In addition, SSAP 17 (Revised) requires that impairment losses on fixed assets are aggregated with accumulated depreciation in note 14 to the financial statements, whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of fixed assets in the balance sheet.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 11, 12, 17 and 37 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The principal impact of this SSAP on the financial statements is that certain provisions which were recognised in previous years, no longer qualify for recognition as provisions under SSAP 28. This has resulted in a prior year adjustment, further details of which are included in note 34 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 16 to the financial statements. The required new additional disclosures are included in notes 16, 18, 19 and 37 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 21: "Accounting for interests in joint ventures"

These revisions have had no significant impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment and hotel properties, 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 2001. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, 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.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests 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, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of jointly-controlled entities, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in jointly-controlled entities.

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 non-current assets and are stated at cost less any impairment losses.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the associates is determined based on the agreed profit sharing ratio. 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, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life, subject to a maximum of 20 years. In the case of jointly-controlled entities and associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against the consolidated capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against the consolidated capital reserve. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, jointly-controlled entities or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant consolidated reserves, as appropriate. Any attributable goodwill previously eliminated against the consolidated capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against the consolidated capital reserve, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of jointly-controlled entities and associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the consolidated capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 2001, to remain credited to the consolidated capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, jointly-controlled entities or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant consolidated reserves, as appropriate. Any attributable negative goodwill previously credited to the consolidated capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

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 are interests in hotel buildings and their integral fixed plants which are collectively used in the operation of the hotels. 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. During the year, in order to reflect more accurately the economic benefits of individual hotel properties attributable to the Group, the Group commenced accounting for the changes in value of hotel properties on an individual basis, instead of on a portfolio basis as was adopted in prior years. This change in accounting policy has had no significant impact on the results of the Group for the prior years and hence no prior year adjustment has been raised. The impact of the change in accounting policy on the result of the Group for the current year is decreases in surplus on revaluation of hotel properties credited to the consolidated profit and loss account and net profit from ordinary activities attributable to shareholders of HK$4,061,000 and HK$2,051,000, respectively. If the hotel property revaluation reserve is insufficient to cover a deficit, on an individual 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.

On disposal of a hotel property, the relevant portion of the hotel property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

(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 less any impairment losses. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs 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.

(iv) *Other fixed assets*

Other fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses.

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.

The adoption of the SSAP 17 (Revised) and SSAP 28 has resulted in the cost of major overhauls of the expressway and related structures no longer accrued for on a straight-line basis over the relevant interval between each major overhaul, but capitalised and accounted for as a component of the expressway and related structures in the period in which it is incurred. This has resulted in a prior year adjustment, further details of which are included in note 34 to the financial statements.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset. 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	Over the lease terms or 5 to 10 years, whichever is shorter
Plant and machinery	5% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	10% to 20%

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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 less any impairment losses. 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, borrowing 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 12 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.

Intangible assets

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 and any impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concessions granted to the Group.

Management information systems

Management information systems are stated at cost less amortisation and any impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 5 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 held for an identified long term purpose.

The securities are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Short term investments

Short term investments are investments in listed and unlisted equity securities held for trading purposes.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual investment basis, as estimated by the directors.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost (using the retail method for the inventories of certain department stores) and net realisable value. Cost is determined on the first-in, first-out basis 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 to be incurred to completion and disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants and subsidies

Grants and subsidies from the government are recognised at their fair values when received or there is reasonable assurance that they will be received, and all attached conditions are complied with. When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match the grant or subsidy, on a systematic basis, with the costs which it is intended to compensate. Where the grant or subsidy relates to an asset, including non-monetary grants at fair value, the fair value of the grant or subsidy is deducted in arriving at the carrying amount of the related asset, or, as appropriate, is initially recorded as deferred income in the balance sheet, and thereafter will be recognised as income over the useful life of the relevant asset.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

The adoption of SSAP 28 has given rise to a prior year adjustment, further details of which are included in note 34 to the financial statements.

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.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rental receivables under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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) from 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 and entrance fee income, on a receipt basis;

(c) from the sale of completed properties, upon execution of the sale agreements;

(d) rental and hotel income, on an accrual basis;

(e) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(f) from the rendering of services, when the services are rendered;

(g) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

(h) from the trading of listed or unlisted investments, on the transaction dates; and

(i) other investment income, when the right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, jointly-controlled entities and associates, which were declared and approved after the balance sheet date, as income in its profit and loss account for those years. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 37 to the financial statements.

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 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.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Particulars of the business segments are summarised as follows:

(a) the brewery operations segment produces, distributes and sells brewery products;

(b) the retail operations segment operates department stores in Beijing and certain other cities in the PRC;

(c) the dairy operations segment produces, distributes and sells dairy products;

(d) the expressway operations segment engages in the operation of the Capital Airport Expressway, which connects the Capital Airport and the city centre of Beijing;

(e) the water treatment operations segment operates a water treatment plant in Beijing and sells purified water;

(f) the hotel operations segment engages in the operations of hotels in Beijing to provide hotel services;

(g) the tourism operations segment engages in the provision of tourism services in Badaling Great Wall and Longqingxia;

(h) the property construction and development segment constructs and develops properties for sale;

(i) the telecommunications and IT related services and products segment comprises the production and sale of telecommunication products through an associate, Beijing International Switching System Co., Ltd., and other IT projects including the construction of broadband infrastructure, the provision of Internet services and IT technical support and consultation services; and

(j) the corporate and others segment comprises production, distribution and sales of wine and processed food products, restaurant operations, property investments and corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for 2001:

2001

Group

	Brewery operations HK$'000	Retail operations HK$'000	Dairy operations HK$'000	Expressway operations HK$'000	Water treatment operations HK$'000	Hotel operations HK$'000	Tourism operations HK$'000	Property construction and development HK$'000	Telecom-munications and IT related services and products HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:												
Sales to external customers	2,020,167	1,916,821	947,230	314,354	321,751	136,676	160,770	79,363	135,886	194,264	—	6,227,282
Intersegment sales	—	—	—	—	—	—	—	—	—	2,993	(2,993)	—
Other revenue	23,627	33,700	48,750	6,351	—	3,882	1,458	3,705	28	10,600	—	132,101
Total	2,043,794	1,950,521	995,980	320,705	321,751	140,558	162,228	83,068	135,914	207,857	(2,993)	6,359,383
Segment results	209,122	61,642	88,647	222,111	158,680	14,293	23,337	(12,168)	17,608	(86,573)		696,699
Interest income												140,606
Unallocated revenue and gains												110,871
Unallocated expenses												(5,000)
Profit from operating activities												943,176
Finance costs												(251,416)
Share of profits and losses of:												
Jointly-controlled entities	(9,055)	(943)	17,978	—	—	—	—	—	—	—	—	7,980
Associates	—	222	—	—	—	—	—	—	195,054	6,195	—	201,471
Profit before tax												901,211
Tax												(167,736)
Profit before minority interests												733,475
Minority interests												(155,947)
Net profit from ordinary activities attributable to shareholders												577,528

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

2001 (continued)

Group

	Brewery operations HK$'000	Retail operations HK$'000	Dairy operations HK$'000	Expressway operations HK$'000	Water treatment operations HK$'000	Hotel operations HK$'000	Tourism operations HK$'000	Property construction and development HK$'000	Telecom-munications and IT related services and products HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	4,210,128	2,209,671	1,095,451	1,497,880	1,331,656	569,128	363,915	190,084	213,215	7,374,406	(3,810,054)	15,245,480
Share of net assets of:												
Jointly-controlled entities	90,412	352,254	125,408	—	—	—	—	—	471	2,440	—	570,985
Associates	10,851	18,410	—	—	—	2,355	—	—	273,045	76,057	—	380,718
Bank overdrafts included in segment assets	—	—	—	—	—	—	—	—	—	11,484	—	11,484
	4,311,391	2,580,335	1,220,859	1,497,880	1,331,656	571,483	363,915	190,084	486,731	7,464,387	(3,810,054)	16,208,667
Unallocated assets												449,163
Total assets												16,657,830
Segment liabilities	1,056,986	304,714	411,278	107,546	113,720	62,758	40,327	166,274	52,552	3,167,372	(3,810,054)	1,673,473
Bank overdrafts included in segment assets	—	—	—	—	—	—	—	—	—	11,484	—	11,484
	1,056,986	304,714	411,278	107,546	113,720	62,758	40,327	166,274	52,552	3,178,856	(3,810,054)	1,684,957
Unallocated liabilities												4,693,848
Total liabilities												6,378,805
Other segment information:												
Depreciation	208,713	54,934	56,389	39,547	63	19,724	8,932	19,418	283	21,468	—	429,471
Amortisation:												
Goodwill/(negative goodwill), net	(29)	342	(34,748)	—	—	—	—	—	2,979	—	—	(31,456)
Intangible assets	—	—	—	—	70,642	—	1,413	—	315	—	—	72,370
Impairment losses	9,275	—	—	—	—	—	—	—	—	5,000	—	14,275
Capital expenditure	279,947	11,533	121,809	36,744	470	11,997	90,387	9,597	22,694	35,479	—	620,657

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for 2000:

2000

Group

	Brewery operations HK$'000	Retail operations HK$'000	Dairy operations HK$'000	Expressway operations HK$'000	Water treatment operations HK$'000	Hotel operations HK$'000	Tourism operations HK$'000	Property construction and development HK$'000	Telecom-munications and IT related services and products HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:												
Sales to external customers	1,512,939	1,817,536	662,635	270,946	197,820	144,940	130,800	365,121	—	110,145	—	5,212,882
Intersegment sales	—	—	—	—	—	—	—	—	—	2,988	(2,988)	—
Other revenue	15,334	36,998	21,862	1,616	—	3,170	902	560	—	3,611	—	84,053
Total	1,528,273	1,854,534	684,497	272,562	197,820	148,110	131,702	365,681	—	116,744	(2,988)	5,296,935
Segment results	260,362	(107,196)	51,286	183,316	127,149	17,364	9,467	38,198	—	(65,691)		514,255
Interest income												186,487
Unallocated revenue and gains												149,048
Unallocated expenses												(23,362)
Profit from operating activities												826,428
Finance costs												(291,777)
Share of profits and losses of:												
Jointly-controlled entities	—	4,226	4,745	—	—	—	—	—	—	(1,641)	—	7,330
Associates	—	2,536	—	—	—	—	—	—	180,490	9,026	—	192,052
Profit before tax												734,033
Tax												(146,191)
Profit before minority interests												587,842
Minority interests												(62,847)
Net profit from ordinary activities attributable to shareholders												524,995

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

2000 (continued)

Group

	Brewery operations HK$'000	Retail operations HK$'000	Dairy operations HK$'000	Expressway operations HK$'000	Water treatment operations HK$'000	Hotel operations HK$'000	Tourism operations HK$'000	Property construction and development HK$'000	Telecom-munications and IT related services and products HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	3,807,132	2,490,159	837,952	1,452,828	1,454,494	531,994	292,756	299,776	—	6,819,870	(3,935,652)	14,051,309
Share of net assets of:												
Jointly-controlled entities	9,420	172,246	112,417	—	—	—	—	—	—	2,366	—	296,449
Associates	—	19,350	—	—	—	2,355	—	—	273,273	43,160	—	338,138
	3,816,552	2,681,755	950,369	1,452,828	1,454,494	534,349	292,756	299,776	273,273	6,865,396	(3,935,652)	14,685,896
Unallocated assets												622,779
Total assets												15,308,675
Segment liabilities	981,782	416,764	212,820	102,035	297,674	39,413	35,798	226,616	—	3,179,676	(3,935,652)	1,556,926
Unallocated liabilities												4,367,511
Total liabilities												5,924,437
Other segment information:												
Depreciation	175,782	60,398	26,911	39,854	—	17,341	9,088	19,473	—	9,042	—	357,889
Amortisation of intangible assets	—	—	—	—	70,650	—	1,413	—	—	—	—	72,063
Impairment losses	—	116,001	—	—	—	—	—	—	—	23,362	—	139,363
Capital expenditure	349,484	15,907	80,079	30,458	—	6,735	109,405	131,566	—	18,884	—	742,518

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments:

Group

	Hong Kong		Elsewhere in the PRC		Overseas		Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**13,708**	3,453	**6,151,320**	5,209,429	**62,254**	—	**—**	—	**6,227,282**	5,212,882
Intersegment sales	**—**	—	**2,993**	2,988	**—**	—	**(2,993)**	(2,988)	**—**	—
Other revenue	**17,935**	539	**114,048**	83,514	**118**	—	**—**	—	**132,101**	84,053
Total segment revenue	**31,643**	3,992	**6,268,361**	5,295,931	**62,372**	—	**(2,993)**	(2,988)	**6,359,383**	5,296,935
Segment results	**(18,517)**	(18,584)	**714,580**	532,839	**636**	—	**—**	—	**696,699**	514,255
Other segment information:										
Segment assets	**5,648,011**	5,371,242	**13,370,505**	12,615,719	**37,018**	—	**(3,810,054)**	(3,935,652)	**15,245,480**	14,051,309
Share of net assets of:										
Jointly-controlled entities	**471**	—	**570,514**	296,449	**—**	—	**—**	—	**570,985**	296,449
Associates	**2,177**	—	**378,541**	338,138	**—**	—	**—**	—	**380,718**	338,138
Bank overdrafts included in segment assets	**7,453**	—	**—**	—	**4,031**	—	**—**	—	**11,484**	—
	5,658,112	5,371,242	**14,319,560**	13,250,306	**41,049**	—	**(3,810,054)**	(3,935,652)	**16,208,667**	14,685,896
Unallocated assets									**449,163**	622,779
Total assets									**16,657,830**	15,308,675
Capital expenditure	**1,577**	—	**611,291**	742,518	**7,789**	—	**—**	—	**620,657**	742,518

5. TURNOVER, OTHER REVENUE AND GAINS, NET

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, entrance fees and telecommunications and IT related services, net of business and consumption taxes and government surcharges; and (3) rental income.

An analysis of the Group's turnover, other revenue and gains, net is as follows:

	2001 HK$'000	2000 HK$'000
Turnover		
Brewery operations	**2,020,167**	1,512,939
Retail operations	**1,916,821**	1,817,536
Dairy operations	**947,230**	662,635
Expressway operations	**314,354**	270,946
Water treatment operations	**321,751**	197,820
Hotel operations	**136,676**	144,940
Tourism operations	**160,770**	130,800
Property construction and development	**79,363**	365,121
Telecommunications and IT related services and products	**135,886**	—
Corporate and others	**194,264**	110,145
	6,227,282	5,212,882
Other revenue, net		
Negative goodwill recognised as income	**35,118**	—
Service income	**—**	15,581
Investment income	**12,139**	29,236
Exchange gains, net	**700**	—
Government subsidies	**7,535**	4,300
Corporate income tax and value-added tax refund	**27,828**	16,630
Others	**60,922**	47,542
	144,242	113,289
Gains, net		
Gain on deemed disposal of interests in subsidiaries	**1,510**	21,630
Gain on partial disposal of interest in a subsidiary	**3,271**	—
Gain on disposal of subsidiaries	**35,504**	1,917
Gain on disposal of a jointly-controlled entity	**—**	3,066
Gain on disposal of an associate	**—**	80,912
Gain on disposal of long term investments	**5,764**	—
Gain on disposal of short term investments	**46,478**	12,287
Unrealised gain on revaluation of short term investments, net	**6,203**	—
	98,730	119,812
Other revenue and gains, net	**242,972**	233,101

6. PROFIT FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$'000	HK$'000
Depreciation	**429,471**	357,889
Amortisation of goodwill*	**3,662**	—
Negative goodwill recognised as income**	**(35,118)**	—
Minimum lease payments under operating leases:		
Land and buildings	**75,369**	63,601
Plant and machinery	**—**	876
Leased lines	**5,463**	—
Auditors' remuneration	**7,071**	6,645
Staff costs (excluding directors' remuneration — *note 8*):		
Wages, salaries and staff welfare	**478,612**	305,776
Net pension contributions	**45,873**	42,097
	524,485	347,873
Impairment of fixed assets*	**9,275**	116,001
Loss on disposal of fixed assets, net	**2,295**	8,944
Amortisation of operating concessions***	**72,055**	72,063
Amortisation of management information systems***	**315**	—
Research and development expenditure	**3,180**	2,932
Impairment of long term investments*	**5,000**	5,736
Unrealised loss/(gain) on revaluation of short term investments, net	**(6,203)**	17,626
Exchange losses/(gains), net	**(700)**	229
Net rental income	**(38,052)**	(39,890)
Investment income:		
Listed	**(2,345)**	(4,731)
Unlisted	**(9,794)**	(24,505)

* The amortisation of goodwill for the year, and the impairment of long term investments and fixed assets are included in "Other operating expenses, net" on the face of the consolidated profit and loss account.

** The negative goodwill recognised in the consolidated profit and loss account for the year is included in "Other revenue and gains, net" on the face of the consolidated profit and loss account.

*** The amortisations of operating concessions and management information systems for the year are included in "Cost of sales" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest on bank and other loans wholly repayable within five years	**235,774**	277,755
Interest on other loans	**16,047**	15,709
Total finance costs	**251,821**	293,464
Less: Interest capitalised	**(405)**	(1,687)
	251,416	291,777

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Fees:		
Executive directors	**—**	—
Non-executive director	**40**	40
Independent non-executive directors	**140**	140
	180	180
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**9,472**	7,456
Performance related bonuses	**1,229**	950
Pension scheme contributions	**257**	14
	10,958	8,420
	11,138	8,600

8. DIRECTORS' REMUNERATION *(continued)*

The number of directors whose remuneration fell within the following bands is as follows:

	2001 Number of directors	2000 Number of directors
Nil–HK$1,000,000	**13**	14
HK$1,000,001–HK$1,500,000	**1**	2
HK$1,500,001–HK$2,000,000	**—**	—
HK$2,000,001–HK$2,500,000	**2**	1
HK$2,500,001–HK$3,000,000	**1**	—
	17	17

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

During the year, a total of 5,400,000 share options of Beijing Development (Hong Kong) Limited ("Beijing Development"), an indirectly owned subsidiary of the Company, were granted to two directors in respect of their services to Beijing Development Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 19 to 20. No value in respect of the share options granted during the year has been charged to the profit and loss account.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2000: three) directors. The details of the remuneration of the five highest paid employees are set out below:

	2001 HK$'000	2000 HK$'000
Salaries, allowances and benefits in kind	**8,620**	7,094
Performance related bonuses	**1,029**	400
Pension scheme contributions	**278**	31
	9,927	7,525

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

	2001 Number of employees	2000 Number of employees
HK$1,000,001–HK$1,500,000	**1**	3
HK$1,500,001–HK$2,000,000	**1**	1
HK$2,000,001–HK$2,500,000	**2**	1
HK$2,500,001–HK$3,000,000	**1**	—
	5	5

10. TAX

	2001 HK$'000	2000 HK$'000
Group:		
The PRC		
— Hong Kong	**515**	597
— Elsewhere	**115,865**	108,385
Overseas	**225**	—
Overprovision in prior years	**—**	(240)
Deferred — *note 35*	**12,098**	(417)
	128,703	108,325
Jointly-controlled entities:		
The PRC (outside of Hong Kong)	**5,897**	1,614
Associates:		
The PRC (outside of Hong Kong)	**33,136**	36,252
Tax charge for the year	**167,736**	146,191

Hong Kong profits tax has been provided at the rate of 16% (2000: 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 and overseas 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.

11. 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$352,318,000 (2000: HK$467,224,000 as restated).

The comparative amount for 2000 has been restated by a prior year adjustment resulting in a net debit of HK$25,680,000 to the Company's net profit for that year, and a credit of HK$98,973,000 to the amounts due from subsidiaries in the Company's balance sheet. The prior year adjustment: (i) reversed dividends from subsidiaries amounting to HK$98,973,000, which were declared and approved by the subsidiaries after the 2000 balance sheet date, but which were recognised by the Company as revenue in its financial statements for 2000; and (ii) recognised as revenue for 2000 dividends from subsidiaries of HK$73,293,000, which were declared and approved by the subsidiaries after the 1999 balance sheet date, but were previously recognised in its financial statements for 1999. The prior year adjustment resulted in a decrease in the amount of retained profits as at 1 January 2000 by HK$73,293,000. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 37 to the financial statements.

The effect of this change in accounting policy on the Company's net profit for the current year, was to increase the net profit by HK$42,121,000 to HK$352,318,000, as disclosed above, representing the net effect of the dividends declared by the subsidiaries after the 2000 balance sheet date of HK$98,973,000 and the dividends declared by the subsidiaries after the current balance sheet date of HK$56,852,000.

12. DIVIDENDS

	2001 HK$'000	2000 HK$'000
Interim — HK$0.10 (2000: HK$0.10) per ordinary share	**62,250**	62,250
Proposed final — HK$0.18 (2000: HK$0.15) per ordinary share	**112,050**	93,375
	174,300	155,625

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date" and SSAP 18 "Revenue", as detailed in note 2 to the financial statements. To comply with these revised SSAPs, the proposed final dividend of the Company and proposed final dividend of a subsidiary payable to the minority shareholder amounting to HK$93,375,000 and HK$3,612,000, respectively, previously reported as current liabilities as at 31 December 2000 have been restated and shown under capital and reserves section of the balance sheet and included under minority interests in the balance sheet, respectively. The result of this has been: (i) to reduce the Group's and the Company's current liabilities previously reported as at 31 December 2000 by HK$96,987,000 and HK$93,375,000, respectively; and (ii) to increase the Group's minority interests and the Group's and the Company's reserves previously reported as at 31 December 2000 by HK$3,612,000 and HK$93,375,000, respectively.

The effect of this change in accounting policy as at 31 December 2001, is that the current year's proposed final dividend of HK$112,050,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

13. 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$577,528,000 (2000: HK$524,995,000 as restated) and the weighted average of 622,500,000 (2000: 622,500,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2001 and 2000 have not been shown because the exercise of the outstanding share options of the Company during these years would not have a diluting effect on the earnings per share.

14. FIXED ASSETS

Group

	Expressway and related structures HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 *(Note d)*	Investment and hotel properties HK$'000 *(Note c)*	Total HK$'000
Cost or valuation:									
At 1 January 2001									
As previously reported	1,195,483	2,404,401	239,734	2,433,100	187,476	161,581	406,829	891,214	7,919,818
Reclassified to accumulated depreciation and impairment *(Note a)*	—	125,202	—	—	—	—	—	—	125,202
As restated	1,195,483	2,529,603	239,734	2,433,100	187,476	161,581	406,829	891,214	8,045,020
Acquisition of subsidiaries	—	334,942	36,718	217,196	105,416	30,196	53,134	48,250	825,852
Additions	—	103,529	11,337	82,429	36,252	39,451	309,497	5,554	588,049
Transfer from construction in progress	—	117,129	2,407	156,491	30,747	4,982	(383,740)	71,984	—
Disposals	—	(67,940)	(8,062)	(17,135)	(3,469)	(7,082)	(7,639)	(718)	(112,045)
Disposal of subsidiaries	—	(202)	—	(2,062)	(1,902)	(1,296)	(170)	(262,373)	(268,005)
Revaluation surplus, net	—	—	—	—	—	—	—	3,249	3,249
Reclassifications	—	7,590	2,589	9,976	(14,437)	(5,718)	—	—	—
Exchange realignments	(125)	(1,619)	(387)	(254)	(206)	(82)	(42)	(78)	(2,793)
At 31 December 2001	1,195,358	3,023,032	284,336	2,879,741	339,877	222,032	377,869	757,082	9,079,327
Comprising:									
At cost	1,195,358	2,982,032	284,336	2,879,741	339,877	222,032	377,869	—	8,281,245
At 1999 valuation	—	41,000	—	—	—	—	—	—	41,000
At 2001 valuation	—	—	—	—	—	—	—	757,082	757,082
	1,195,358	3,023,032	284,336	2,879,741	339,877	222,032	377,869	757,082	9,079,327
Accumulated depreciation and impairment:									
At 1 January 2001									
As previously reported	68,263	240,281	108,745	796,366	68,505	70,758	—	—	1,352,918
Reclassified from cost or valuation *(Note a)*	—	125,202	—	—	—	—	—	—	125,202
As restated	68,263	365,483	108,745	796,366	68,505	70,758	—	—	1,478,120
Acquisition of subsidiaries	—	43,336	26,513	97,564	48,960	10,140	—	—	226,513
Depreciation provided for the year	19,892	81,881	44,578	224,559	34,984	23,577	—	—	429,471
Provision for impairment	—	—	—	9,275	—	—	—	—	9,275
Disposals	—	(23,225)	(40)	(12,433)	(1,558)	(6,278)	—	—	(43,534)
Disposal of subsidiaries	—	(38)	—	(496)	(624)	(286)	—	—	(1,444)
Reclassifications	—	5,549	211	(744)	(3,144)	(1,872)	—	—	—
Exchange realignments	(7)	(163)	(389)	(80)	(152)	(34)	—	—	(825)
At 31 December 2001	88,148	472,823	179,618	1,114,011	146,971	96,005	—	—	2,097,576
Net book value:									
At 31 December 2001	1,107,210	2,550,209	104,718	1,765,730	192,906	126,027	377,869	757,082	6,981,751
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

14. FIXED ASSETS *(continued)*

(a) Accumulated impairment losses are aggregated with accumulated depreciation under the revised disclosure requirements of SSAP 17, as detailed in note 2 to the financial statements, whereas previously they were disclosed as an adjustment to the cost of the assets. This change has been disclosed as a retrospective reclassification.

(b) 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	59,020	4,770,547	4,829,567
	204,925	4,770,547	4,975,472

(c) Investment and hotel properties

	Investment properties HK$'000	**Hotel properties** HK$'000	**Total** HK$'000
At 1 January 2001	490,619	400,595	891,214
Acquisition of subsidiaries	48,250	—	48,250
Additions	1,764	3,790	5,554
Transfer from construction in progress	—	71,984	71,984
Disposal	(718)	—	(718)
Disposal of a subsidiary	(262,373)	—	(262,373)
Revaluation surplus/(deficit), net	(3,770)	7,019	3,249
Exchange realignments	(34)	(44)	(78)
At 31 December 2001	273,738	483,344	757,082

14. FIXED ASSETS *(continued)*

(d) Construction in progress

Construction in progress represents the following major projects which remained incomplete as at 31 December 2001:

Name of project	**Expected year of completion**	**Group** HK$'000
Wangfujing Beixia	2003	186,718
Brewery production plants	2002	96,614
Other projects	Various	94,537
		377,869

(e) Certain of the above land and buildings, plant and machinery, investment and hotel properties with an aggregate net book value at the balance sheet date of HK$501,996,000 (2000: HK$627,306,000) were pledged to secure certain bank and other loans granted to the Group *(note 33)*.

(f) At 31 December 2001, the investment and hotel properties were revalued by DTZ Debenham Tie Leung Limited, CB Richard Ellis Limited and American Appraisal Hongkong Limited, independent professionally qualified valuers. The investment properties were revalued on an open market income capitalisation basis or an open market value basis using the Direct Comparison Method or the Depreciated Replacement Cost Approach. The hotel properties were revalued on an open or a fair market income capitalisation basis.

(g) Certain land and buildings of the Group and the Company were reclassified from investment properties during the year ended 31 December 2000 at the then carrying amount of HK$41,000,000, as valued on 31 December 1999 by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer, on an open market value basis.

(h) Had the carrying values of the Group's revalued hotel properties and land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been HK$350,239,000 (2000: HK$318,395,000) and HK$38,053,000 (2000: HK$38,954,000), respectively.

(i) The investment properties are leased to third parties under operating leases, further summary details of which are included in note 40 to the financial statements. The gross rental income received and receivable by the Group in respect of its investment properties amounted to HK$20,291,000 (2000: HK$17,009,000) for the year.

14. FIXED ASSETS *(continued)*

Company

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Investment properties HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2001	41,000	9,239	4,123	940	142,000	197,302
Additions	—	—	263	—	—	263
At 31 December 2001	41,000	9,239	4,386	940	142,000	197,565
Comprising:						
At cost	—	9,239	4,386	940	—	14,565
At 1999 valuation	41,000	—	—	—	—	41,000
At 2001 valuation	—	—	—	—	142,000	142,000
	41,000	9,239	4,386	940	142,000	197,565
Accumulated depreciation:						
At 1 January 2001	194	5,654	2,379	536	—	8,763
Provided for the year	466	1,846	865	188	—	3,365
At 31 December 2001	660	7,500	3,244	724	—	12,128
Net book value:						
At 31 December 2001	40,340	1,739	1,142	216	142,000	185,437
At 31 December 2000	40,806	3,585	1,744	404	142,000	188,539

The Company's land and buildings and investment properties are all situated in the PRC and held under medium term leases.

15. INTANGIBLE ASSETS

Group

	Operating concessions HK$'000	Management information systems HK$'000	Total HK$'000
Cost:			
At 1 January 2001	1,469,521	—	1,469,521
Additions	—	18,868	18,868
Exchange realignments	(152)	—	(152)
At 31 December 2001	1,469,369	18,868	1,488,237
Accumulated amortisation:			
At 1 January 2001	144,126	—	144,126
Provided for the year	72,055	315	72,370
Exchange realignments	(15)	—	(15)
At 31 December 2001	216,166	315	216,481
Net book value:			
At 31 December 2001	1,253,203	18,553	1,271,756
At 31 December 2000	1,325,395	—	1,325,395

16. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group

	Goodwill HK$'000	**Negative goodwill** HK$'000
Cost:		
At 1 January 2001	—	—
Acquisition of subsidiaries	129,469	(81,466)
At 31 December 2001	129,469	(81,466)
Accumulated amortisation/(recognition as income):		
At 1 January 2001	—	—
Amortisation provided/(recognised as income) for the year	2,981	(35,118)
At 31 December 2001	2,981	(35,118)
Net book value:		
At 31 December 2001	126,488	(46,348)
At 31 December 2000	—	—