

Notes to Financial Statements

31 December 2001

16. GOODWILL AND NEGATIVE GOODWILL *(continued)*

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions, which occurred prior to 1 January 2001, to remain eliminated against or credited to the consolidated capital reserve, respectively.

The amounts of the goodwill and negative goodwill remaining in the consolidated capital reserve, arising from the acquisition of subsidiaries prior to 1 January 2001, are as follows:

Group	Goodwill eliminated against consolidated capital reserve HK\$'000	Negative goodwill credited to consolidated capital reserve HK\$'000
Cost:		
At 1 January 2001	574,125	(756,635)
Partial disposal of a subsidiary	(22,252)	—
At 31 December 2001	551,873	(756,635)
Accumulated impairment:		
At 1 January and 31 December 2001	—	—
Net amount:		
At 31 December 2001	551,873	(756,635)
At 31 December 2000	574,125	(756,635)

17. INTERESTS IN SUBSIDIARIES

	Company 2001 HK\$'000	2000 HK\$'000 <i>(Restated)</i>
Unlisted shares, at cost	3,764,724	3,640,996
Due from subsidiaries	2,291,313	2,361,494
Loans to a subsidiary	200,226	124,344
Due to subsidiaries	(382,808)	(436,850)
<i>Less:</i> Provision for impairment	5,873,455 (55,000)	5,689,984 —
	5,818,455	5,689,984

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 prevailing market rates of bank loans with similar tenure and are repayable in 2003.

17. INTERESTS IN SUBSIDIARIES *(continued)*

The amounts due from subsidiaries in the prior year have been adjusted for the effect of the prior year adjustment of HK\$98,973,000 in respect of dividends proposed after the prior year's balance sheet date, as further explained in note 11 to the financial statements.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration/ and operations	Issued and paid up capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Beijing Yanjing Brewery Company Limited (“Yanjing Brewery”)*	The PRC	Ordinary RMB667,424,500	55.45	Production and sale of beer
Baotou Yanjing Brewery Company Limited	The PRC	RMB128,547,900	28.6	Production and sale of beer
Chifeng Yanjing Brewery Company Limited ^δ	The PRC	RMB83,070,200	48.15	Production and sale of beer
Ganzhou Yanjing Brewery Company Limited	The PRC	RMB85,000,000	33.5	Production and sale of beer
Hengyang Yanjing Brewery Company Limited (“Hengyang Yanjing”)	The PRC	RMB180,660,000	51.99	Production and sale of beer
Hunan Yanjing Brewery Company Limited	The PRC	RMB95,000,000	44.36	Production and sale of beer
Jiangxi Yanjing Brewery Company Limited	The PRC	RMB111,178,985	39.91	Production and sale of beer
Laizhou Yanjing Brewery Company Limited	The PRC	RMB187,053,800	69	Production and sale of beer
Shandong Wuming Brewery Company Limited ^δ	The PRC	RMB83,499,643	30.91	Production and sale of beer
Xiangfan Yanjing Brewery Company Limited (“Xiangfan Yanjing”)	The PRC	RMB56,700,000	52.71	Production and sale of beer
Beijing Wangfujing Department Store (Group) Co., Ltd. (“Wangfujing”) [#]	The PRC	Ordinary RMB392,973,026	50.1	Department store operations

Notes to Financial Statements

31 December 2001

17. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and operations	Issued and paid up capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
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
Beijing San Yuan Foods Co., Ltd. ("San Yuan")	The PRC	RMB485,000,000	74.77	Production and sale of dairy products
Hu Lun Bei Er San Yuan Dairy Company Limited	The PRC	RMB41,249,861	48.60	Production and sale of dairy products
San Yuan Hua Guan Food Company Limited ("San Yuan Hua Guan") ^δ	The PRC	RMB467,192,143	74.77	Production and sale of dairy products
Beijing Capital Expressway Development Co., Ltd.	The PRC	US\$64,053,700	96	Operation of an expressway
Beijing Bei Kong Water Production Co., Ltd. [†]	The PRC	US\$1,000,000	100	Operation of a water treatment plant
Jian Guo Hotel Joint Venture Beijing	The PRC	US\$23,000,000	50.5	Hotel operations
Beijing Badaling Tourism Development Co., Ltd.	The PRC	US\$34,097,300	75	Operation of tourism businesses and hotel operations
Beijing Long Qing Xia Tourism Development Co., Ltd. [†]	The PRC	RMB120,000,000	75	Operation of tourism businesses
Beijing Hongye Real Estate Development Co.	The PRC	RMB30,000,000	50.00	Property investment and development
Beijing Development (Hong Kong) Limited ^δ	Hong Kong	HK\$446,258,750	53.93	Investment holding
Becom Software Co., Ltd. ^δ	The PRC	RMB50,000,000	32.36	Provision of management information system services

17. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and operations	Issued and paid up capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Beijing Enterprises Teletron Information Technology Co., Ltd. ^δ	The PRC	RMB65,000,000	53.93	Construction of information networks; provision of IT technical support and consultation services; and trading of IT products
Beijing Enterprises Holding High-Tech Development Co., Ltd. [†]	The PRC	US\$30,000,000	80	Investment holding
Beijing Enterprises Holding Investment Management Co., Ltd. [†]	The PRC	HK\$61,100,000	100	Provision of management and consultancy services
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 Western-Style Food Co., Ltd.	The PRC	RMB15,750,000	95	Processing and sale of food products
Beijing Development Property Investment and Management Co., Ltd. ^δ	The PRC	US\$4,000,000	46.11	Property Investment
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
Beijing Yanjing Zhong Fa Biochemical Technology Company Limited ^δ	The PRC	RMB40,000,000	44.36	Production and sale of biochemical products

Notes to Financial Statements

31 December 2001

17. INTERESTS IN SUBSIDIARIES (continued)

* 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 194,594,400 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 of the other subsidiaries are indirectly held by the Company.

° Acquired/incorporated during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	570,985	296,449
Goodwill on acquisition	19,717	—
Due from jointly-controlled entities	8,754	4,790
Due to a jointly-controlled entity	(4,004)	(4,661)
	595,452	296,578

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of jointly-controlled entities, is as follows:

Group	Goodwill HK\$'000
Cost:	
At 1 January 2001	—
Acquisition of jointly-controlled entities	20,398
At 31 December 2001	20,398
Accumulated amortisation:	
At 1 January 2001	—
Amortisation provided for the year	681
At 31 December 2001	681
Net book value:	
At 31 December 2001	19,717
At 31 December 2000	—

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions, which occurred prior to 1 January 2001, to remain eliminated against the consolidated capital reserve.

The amount of the goodwill remaining in the consolidated capital reserve, arising from the acquisition of a jointly-controlled entity prior to 1 January 2001, is as follows:

Group	Goodwill eliminated against consolidated capital reserve HK\$'000
<hr/>	
Cost:	
At 1 January 2001	73,334
Partial disposal of interest in a subsidiary which held an interest in a jointly-controlled entity	(15,616)
Disposal of a jointly-controlled entity	(57,710)
Exchange realignments	(8)
<hr/>	
At 31 December 2001	—
<hr/>	
Accumulated impairment:	
At 1 January and 31 December 2001	—
<hr/>	
Net amount:	
At 31 December 2001	—
<hr/>	
At 31 December 2000	73,334
<hr/>	

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

Notes to Financial Statements

31 December 2001

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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			Principal activities
				Ownership interest attributable to the Group	Voting power	Profit sharing	
Yanjing Beer (Qu Fu Sankong) Co., Ltd. ^δ	Corporate	The PRC	RMB230,769,200	46.6	57.1	52	Production and sale of beer
Beijing McDonald's Food Co., Ltd. ("Beijing McDonald's")	Corporate	The PRC	US\$20,800,000	37.39	50	50	Provision of fast food services
Beijing Wang Fu Jing Retail Management Company Limited	Corporate	The PRC	US\$59,600,000	25.05	50	50	Provision of retail management services
Shuang An Department Store Company Limited ^δ	Corporate	The PRC	RMB280,000,000	25.05	42.9	50	Department store operations
Wuhan Wangfujing Department Store Company Limited	Corporate	The PRC	RMB10,000,000	30.06	60	60	Department store operations
Zhong Guan Cun Universal Mall Department ^δ	Corporate	The PRC	RMB100,000,000	26.05	50	52	Property development

^δ Acquired/incorporated during the year.

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

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for 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.

31 December 2001

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	113,473	113,473
Share of net assets	380,718	338,138	—	—
Due from associates	36,053	—	1,778	—
Loans to associates	176,070	—	141,285	—
Due to an associate	—	(1,178)	—	—
	592,841	336,960	256,536	113,473

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions, which occurred prior to 1 January 2001, to remain eliminated against the consolidated capital reserve.

The amount of goodwill remaining in the consolidated capital reserve, arising from the acquisition of associates prior to 1 January 2001, was HK\$224,569,000 as at 1 January and 31 December 2001. The amount of goodwill is stated at cost.

The loans to associates are unsecured and include an interest-free loan of HK\$34,785,000 and a loan of HK\$141,285,000, which bears interest at 5.85% per annum. The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Company name	Business structure	Place of incorporation/ registration and operations	Issued and paid up capital/ registered capital	Percentage of			Principal activities
				Ownership interest attributable to the Group	Voting power	Profit sharing	
Beijing International Switching System Co., Ltd.	Corporate	The PRC	US\$45,520,000	40	33.3	40	Production and sale of telecommunications products
Beijing Peking University WBL Biotech Co., Ltd. [†]	Corporate	The PRC	RMB80,000,000	26.55	22.2	26.55	Production and sale of healthcare products
Zhongsheng Beikong Bio-Technology Company Limited ^δ	Corporate	The PRC	RMB70,017,528	28	33.3	35	Production and sale of pharmaceutical products
Beijing Transportation Smart Card Co., Ltd. [†]	Corporate	The PRC	RMB50,000,000	38	22.2	38	Development and operation of smart card system

^δ Acquired during the year.

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

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for 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.

Notes to Financial Statements

31 December 2001

19. INTERESTS IN ASSOCIATES (continued)

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

	Year ended 31 December	
	2001 HK\$'000	2000 HK\$'000
RESULTS		
Turnover	3,828,029	2,931,855
Profit before tax	487,634	451,225
Profit after tax	407,725	362,531
Share of profit after tax attributable to the Group	163,090	145,012
ASSETS AND LIABILITIES		
Fixed assets	213,700	138,689
Other non-current assets	464,714	885,493
Current assets	2,679,144	3,037,183
Current liabilities	(2,652,129)	(3,261,001)
Non-current liabilities	(22,816)	(117,181)
Net assets	682,613	683,183
Share of net assets attributable to the Group	273,045	273,273

20. PLEDGED BANK BALANCES AND TIME DEPOSITS

	Group	
	2001 HK\$'000	2000 HK\$'000
Pledged bank balances	15,937	10,111
Pledged time deposits	24,634	59,390
	40,571	69,501
<i>Less:</i> Portion classified as current assets	(29,719)	(60,596)
Long term portion	10,852	8,905

- (i) Short term pledged bank balances of HK\$5,085,000 (2000: HK\$1,206,000) and time deposits of HK\$24,634,000 (2000: 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\$10,852,000 (2000: HK\$8,905,000) was pledged to a bank as a security for the repayment of mortgage loans by certain purchasers of the Group's properties held for sale.

21. LONG TERM INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Listed equity investments in Hong Kong, at cost	20,100	20,100	20,100	20,100
Unlisted equity investments, at cost	316,690	303,179	82,176	82,176
	336,790	323,279	102,276	102,276
<i>Less:</i> Provision for impairment in values	(32,304)	(27,304)	(15,100)	(10,100)
	304,486	295,975	87,176	92,176
Market value of listed investments	1,480	2,400	1,480	2,400

The market value of the Group's and the Company's long term listed equity investments at the date of approval of these financial statements was HK\$1,050,000.

Notes to Financial Statements

31 December 2001

22. SHORT TERM INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Listed equity investments, at market value:				
Hong Kong	30,629	128,457	29,645	29,912
Elsewhere	14,191	—	—	—
	44,820	128,457	29,645	29,912
Unlisted equity investments in the PRC, at fair value	—	198,348	—	—
	44,820	326,805	29,645	29,912

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 HK\$47,987,000 and HK\$34,119,000, respectively.

23. PROPERTIES HELD FOR SALE

The carrying amount of the Group's properties held for sale that are carried at net realisable value was HK\$46,000,000 (2000: HK\$46,000,000) as at the balance sheet date.

Certain of the Group's properties held for sale with an aggregate carrying amount at the balance sheet date of HK\$11,587,000 (2000: HK\$130,324,000) were pledged to secure certain bank and other loans granted to the Group (*note 33*).

24. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001 HK\$'000	2000 HK\$'000
At cost	141,303	204,899
Less: Portion classified as current assets	—	(204,899)
Long term portion	141,303	—

31 December 2001

25. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	697,964	459,435
Work in progress	60,875	55,138
Finished goods	117,586	133,738
Trading stocks	66,543	47,052
	942,968	695,363

The amount of inventories included in the above that are carried at net realisable value is HK\$23,874,000 (2000: Nil).

26. TRADE RECEIVABLES

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

An ageing analysis of the trade receivables as at the balance sheet date is as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	458,626	360,674	8,500	8,500
One to two years	32,367	6,347	9,098	2,125
Two to three years	1,987	2,694	—	—
Over three years	—	1,006	—	—
	492,980	370,721	17,598	10,625
<i>Less: Portion classified as current assets</i>	(492,980)	(360,464)	(17,598)	(10,625)
Long term portion	—	10,257	—	—

Notes to Financial Statements

31 December 2001

27. OTHER RECEIVABLES

	Note	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Prepayments		31,086	29,646	3,332	5,415
Deposits and other debtors		415,607	436,067	9,688	40,076
Due from related companies	28	38,444	24,494	—	—
Due from holding companies	28	4,263	1,093	—	—
		489,400	491,300	13,020	45,491
<i>Less:</i> Portion classified as current assets		(482,402)	(477,302)	(13,020)	(45,491)
Long term portion		6,998	13,998	—	—

The long term portion of other receivables represents amount due from Beijing Yanjing Beer Group Company (“Yanjing Beer Group”) in respect of a certain refund of marketing subsidies to the Group, which is receivable on 31 December 2003 (*note 43 (g)*).

28. 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.

29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	1,874,474	1,439,670	7,757	5,756
Time deposits	2,197,806	2,316,308	767,568	497,956
	4,072,280	3,755,978	775,325	503,712
<i>Less:</i> Pledged bank balances and time deposits — <i>note 20</i>	(40,571)	(69,501)	—	—
	4,031,709	3,686,477	775,325	503,712

31 December 2001

30. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the balance sheet date is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	381,294	294,811
One to two years	3,057	20,624
Two to three years	2,930	1,830
Over three years	18,079	2,111
	405,360	319,376

Included in trade payables are amounts of HK\$18,764,000 due to related companies arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within 90 days, which represents similar credit terms to those offered by the related companies to their major customers.

31. TAXES PAYABLE

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Income/profits tax	36,322	17,123	—	—
Consumption tax	47,398	29,292	—	—
Value-added tax	72,738	74,309	—	—
Business tax	15,076	18,370	1,275	1,275
Others	23,081	33,137	8,082	8,082
	194,615	172,231	9,357	9,357

32. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2001 HK\$'000	2000 HK\$'000 (Restated)	2001 HK\$'000	2000 HK\$'000 (Restated)
Accruals		137,350	220,321	25,921	35,615
Other liabilities		666,048	654,351	—	1,017
Due to related companies	28	205,940	148,133	7,023	—
Due to holding companies	28	25,078	2,562	25,078	2,562
		1,034,416	1,025,367	58,022	39,194

Notes to Financial Statements

31 December 2001

33. BANK AND OTHER LOANS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts, secured	11,484	—	—	—
Bank loans:				
Secured	260,413	203,887	—	—
Unsecured	4,137,399	3,774,998	1,401,840	1,098,791
	4,397,812	3,978,885	1,401,840	1,098,791
Other loans:				
Secured	—	22,138	—	—
Unsecured	284,552	366,488	—	—
	284,552	388,626	—	—
Total bank and other loans	4,693,848	4,367,511	1,401,840	1,098,791
Bank overdrafts repayable within one year or on demand	11,484	—	—	—
Bank loans repayable:				
Within one year	2,750,160	2,300,066	—	85,766
In the second year	127,857	490,249	—	—
In the third to fifth years, inclusive	1,488,405	1,146,595	1,401,840	1,013,025
Beyond five years	31,390	41,975	—	—
	4,397,812	3,978,885	1,401,840	1,098,791
Other loans repayable:				
Within one year	94,791	157,139	—	—
In the second year	31,867	41,307	—	—
In the third to fifth years, inclusive	95,729	95,660	—	—
Beyond five years	62,165	94,520	—	—
	284,552	388,626	—	—
Total bank and other loans	4,693,848	4,367,511	1,401,840	1,098,791
Less: Portion classified as current liabilities	(2,856,435)	(2,457,205)	—	(85,766)
Long term portion	1,837,413	1,910,306	1,401,840	1,013,025

33. BANK AND OTHER LOANS *(continued)*

- (a) The other loans include interest-free loans of HK\$4,047,000 (2000: HK\$26,587,000). The remaining other loans of HK\$280,505,000 (2000: HK\$362,039,000) bear interest at rates ranging from 6% to 7% (2000: 6% to 9%) per annum.
- (b) HK\$208,206,000 (2000: HK\$248,997,000) 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 of the Group's 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, investment and hotel properties with an aggregate carrying amount at the balance sheet date of HK\$501,996,000 (2000: HK\$627,306,000).
- (ii) Mortgages over certain of the Group's properties held for sale with an aggregate carrying amount at the balance sheet date of HK\$11,587,000 (2000: HK\$130,324,000).
- (iii) Mortgages over certain of the Group's bank balances and time deposits at the balance sheet date of HK\$29,719,000 in aggregate (2000: HK\$60,596,000).

34. OTHER LONG TERM LIABILITIES

	Group	
	2001 HK\$'000	2000 HK\$'000 <i>(Restated)</i>
Pension and related liabilities	18,838	23,550
Others	9,166	4,102
	28,004	27,652

The adoption of SSAP 28 has resulted in provisions for the cost of major overhauls of the expressway and related structures, amounting to HK\$70,612,000 and HK\$60,972,000, which were recorded as liabilities as at 31 December 2000 and 1999, respectively, not qualifying for recognition as provisions under SSAP 28, due to the situations not meeting the SSAP 28 present obligation criteria as at those balance sheet dates. These liabilities have been retrospectively derecognised by a prior year adjustment, resulting in: (i) an increase of HK\$9,043,000 in the Group's net profit from ordinary activities attributable to shareholders for the year ended 31 December 2000; and (ii) decreases in the Group's non-current liabilities of HK\$70,612,000 and HK\$60,972,000, increases in the minority interests of HK\$2,825,000 and HK\$2,439,000, increases in the exchange fluctuation reserve of HK\$407,000 and HK\$196,000, and increases in net assets of HK\$67,787,000 and HK\$58,533,000, as at 31 December 2000 and 1999, respectively. This change in accounting policy has resulted in an increase of HK\$9,042,000 in the net profit from ordinary activities attributable to shareholders for the year ended 31 December 2001.

Notes to Financial Statements

31 December 2001

35. DEFERRED TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
At 1 January	6,461	6,853
Charge/(credit) for the year — <i>note 10</i>	12,098	(417)
Exchange realignments	(1)	25
At 31 December	18,558	6,461

The principal components of the Group's provision for deferred tax and the deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not provided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowances	18,558	6,461	—	—
Tax losses	—	—	(14,748)	—
	18,558	6,461	(14,748)	—

The deferred tax asset arising from tax losses has not been recognised in the financial statements as its realisation in the foreseeable future is not assured.

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

The Company has no significant potential deferred tax liabilities for which provision has not been made.

36. SHARE CAPITAL

	Company	
	2001	2000
	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

The Company operates a share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 19 and 20.

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 19,950,000 share options outstanding as of 31 December 2001, 2,000,000 share options are exercisable at any time in the 10 years commencing on 1 September 1998, and 17,950,000 share options are exercisable in 9 equal portions commencing on 1 January 1999 with one additional portion becoming exercisable on 1 January in each of the following years. All of such 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 19,950,000 additional ordinary shares of HK\$0.10 each and cash proceeds of approximately HK\$339,748,500 before the related issue expenses.

No share options were granted or exercised during the year.

Notes to Financial Statements

31 December 2001

37. RESERVES

Group

	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 a)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2000							
As previously reported	4,839,497	275,321	780	17,198	227,220	719,728	6,079,744
Prior year adjustment — notes 2 and 34	—	—	—	196	—	58,337	58,533
As restated	4,839,497	275,321	780	17,394	227,220	778,065	6,138,277
Goodwill arising on acquisition of subsidiaries, a jointly-controlled entity and an associate	—	(79,693)	—	—	—	—	(79,693)
Revaluation deficit	—	—	(780)	—	—	—	(780)
Disposal of a jointly-controlled entity and an associate	—	—	—	(350)	—	—	(350)
Exchange realignments, as restated	—	—	—	18,539	—	—	18,539
Net profit for the year, as restated	—	—	—	—	—	524,995	524,995
Interim dividend	—	—	—	—	—	(62,250)	(62,250)
Proposed final dividend	—	—	—	—	—	(93,375)	(93,375)
Transfer to reserves	—	151	—	—	45,482	(45,633)	—
At 31 December 2000, as restated	4,839,497	195,779	—	35,583	272,702	1,101,802	6,445,363
At 1 January 2001							
As previously reported	4,839,497	195,779	—	35,176	272,702	1,034,422	6,377,576
Prior year adjustment — notes 2 and 34	—	—	—	407	—	67,380	67,787
As restated	4,839,497	195,779	—	35,583	272,702	1,101,802	6,445,363
Goodwill realised upon partial disposal of a subsidiary and a jointly-controlled entity	—	79,962	—	—	—	—	79,962
Deemed disposal of subsidiaries	—	—	—	(28)	—	28	—
Partial disposal of a subsidiary	—	7,622	—	(616)	—	(7,006)	—
Disposal of subsidiaries	—	—	—	—	(445)	445	—
Revaluation surplus	—	—	2,051	—	—	—	2,051
Exchange realignments	—	—	—	(276)	—	—	(276)
Net profit for the year	—	—	—	—	—	577,528	577,528
Interim dividend	—	—	—	—	—	(62,250)	(62,250)
Proposed final dividend	—	—	—	—	—	(112,050)	(112,050)
Transfer to reserves	—	2,876	—	—	141,702	(144,578)	—
Capitalisation of reserves of a subsidiary	—	16,912	—	—	(13,184)	(3,728)	—
At 31 December 2001	4,839,497	303,151	2,051	34,663	400,775	1,350,191	6,930,328

31 December 2001

37. RESERVES (continued)

	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 a)</i>	Retained profits HK\$'000	Total HK\$'000
Reserves retained by:							
Company and subsidiaries	4,839,497	303,151	2,051	30,450	344,538	1,328,274	6,847,961
Jointly-controlled entities	—	—	—	1,595	—	(60,781)	(59,186)
Associates	—	—	—	2,618	56,237	82,698	141,553
At 31 December 2001	4,839,497	303,151	2,051	34,663	400,775	1,350,191	6,930,328
Reserves retained by:							
Company and subsidiaries, as restated	4,839,497	195,779	—	31,338	229,290	1,074,189	6,370,093
Jointly-controlled entities	—	—	—	1,595	—	(62,864)	(61,269)
Associates	—	—	—	2,650	43,412	90,477	136,539
At 31 December 2000, as restated	4,839,497	195,779	—	35,583	272,702	1,101,802	6,445,363

Notes:

- (a) PRC reserve funds are reserves set aside 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 2001 was distributable in the form of cash dividends.
- (b) Certain amounts of goodwill and negative goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates remain eliminated against/credited to the consolidated capital reserve as further explained in notes 16, 18 and 19 to the financial statements.

Notes to Financial Statements

31 December 2001

37. RESERVES (continued)

Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
<hr/>			
At 1 January 2000			
As previously reported	4,839,497	296,431	5,135,928
Prior year adjustment:			
SSAP18 (Revised) — net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year (notes 2 and 11)	—	(73,293)	(73,293)
			<hr/>
As restated	4,839,497	223,138	5,062,635
Net profit for the year, as restated	—	467,224	467,224
Interim dividend	—	(62,250)	(62,250)
Proposed final dividend	—	(93,375)	(93,375)
			<hr/>
At 31 December 2000, as restated	4,839,497	534,737	5,374,234
<hr/>			
At 1 January 2001			
As previously reported	4,839,497	633,710	5,473,207
Prior year adjustment:			
SSAP18 (Revised) — net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year (notes 2 and 11)	—	(98,973)	(98,973)
			<hr/>
As restated	4,839,497	534,737	5,374,234
Net profit for the year	—	352,318	352,318
Interim dividend	—	(62,250)	(62,250)
Proposed final dividend	—	(112,050)	(112,050)
			<hr/>
At 31 December 2001	4,839,497	712,755	5,552,252
			<hr/>

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000 <i>(Restated)</i>
Profit from operating activities	943,176	826,428
Revaluation deficit/(surplus) on investment and hotel properties, net	(764)	7,665
Depreciation	429,471	357,889
Amortisation of operating concessions	72,055	72,063
Amortisation of management information systems	315	—
Amortisation of goodwill	3,662	—
Negative goodwill recognised as income	(35,118)	—
Unrealised loss/(gain) on revaluation of short term investments, net	(6,203)	17,626
Impairment of fixed assets	9,275	116,001
Impairment of long term investments	5,000	5,736
Loss on disposal of fixed assets, net	2,295	8,944
Interest income	(140,606)	(186,487)
Investment income	(12,139)	(29,236)
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)
Decrease in long term prepayments and deposits	13,902	24,979
Increase in properties held for sale	(2,857)	(481,161)
Decrease in properties under development	63,573	694,446
Increase in inventories	(168,780)	(78,355)
Increase in trade receivables	(80,999)	(52,993)
Increase in taxes recoverable	(13,275)	(10,264)
Decrease in prepayments, deposits and other debtors	5,524	137,773
Decrease/(increase) in amounts due from related companies	(10,419)	311
Increase in amounts due from holding companies	(3,170)	(1,093)
Increase in trade payables	44,989	39,106
Increase/(decrease) in other taxes payable	(45,572)	13,964
Increase/(decrease) in accruals and other liabilities	(103,628)	106,198
Increase in amounts due to related companies	55,237	69,257
Increase/(decrease) in amounts due to holding companies	22,516	(332)
Decrease in other long term liabilities	(11,983)	(18,709)
Net cash inflow from operating activities	942,950	1,519,944

Notes to Financial Statements

31 December 2001

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium) HK\$'000	Bank and other loans HK\$'000	Minority interests HK\$'000 (Restated)
At 1 January 2000			
As previously reported	4,901,747	4,541,070	2,182,664
Prior year adjustment — note 34	—	—	2,439
As restated	4,901,747	4,541,070	2,185,103
Net cash inflow/(outflow) from financing activities, net	—	(296,764)	382,394
Non-cash capital contribution	—	54,109	85,833
Acquisition of subsidiaries	—	57,377	107,191
Deemed disposal of interest in a subsidiary	—	—	(21,630)
Disposal of interest in a subsidiary	—	—	(1,917)
Share of revaluation surplus of hotel properties	—	—	906
Share of goodwill arising on acquisition of a jointly-controlled entity	—	—	(3,860)
Share of profits after tax of subsidiaries, as restated	—	—	62,847
Dividends, as restated	—	—	(21,548)
Exchange realignments, as restated	—	11,719	7,931
At 31 December 2000, as restated	4,901,747	4,367,511	2,783,250
At 1 January 2001			
As previously reported	4,901,747	4,367,511	2,776,813
Prior year adjustment — notes 12 and 34	—	—	6,437
As restated	4,901,747	4,367,511	2,783,250
Net cash inflow from financing activities, net	—	118,138	47,693
Non-cash capital contribution	—	—	37,608
Acquisition of subsidiaries	—	331,413	237,349
Deemed disposal of interests in subsidiaries	—	—	(1,510)
Partial disposal of interest in a subsidiary	—	—	64,216
Disposal of subsidiaries	—	(134,363)	(45,471)
Share of goodwill realised upon disposal of a jointly-controlled entity	—	—	19,474
Acquisition of minority interests	—	—	(44,116)
Share of revaluation surplus of hotel properties	—	—	689
Share of profits after tax of subsidiaries	—	—	155,947
Dividends	—	—	(80,441)
Exchange realignments	—	(335)	(291)
At 31 December 2001	4,901,747	4,682,364	3,174,397

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	599,339	370,880
Interest in a jointly-controlled entity	472	—
Interest in associates	3,348	—
Long term investments	—	715
Properties held for sale	13,856	—
Inventories	78,920	58,240
Trade receivables	45,141	39,725
Prepayments, deposits and other debtors	46,321	196,121
Due from associates	65,240	—
Due from related companies	17,531	—
Cash and bank balances	492,787	42,057
Trade payables	(41,624)	(25,823)
Taxes payable	(76,783)	(38,949)
Accruals and other liabilities	(137,023)	(87,006)
Due to jointly-controlled entities	(7,944)	—
Due to related companies	(2,588)	—
Bank and other loans	(352,456)	(71,526)
Other long term liabilities	(12,337)	(724)
Minority interests	(237,349)	(107,191)
Net assets	494,851	376,519
Goodwill arising on acquisition	69,425	3,762
Negative goodwill arising on acquisition	(78,812)	—
	485,464	380,281
Satisfied by:		
Cash	485,464	380,281

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001 HK\$'000	2000 HK\$'000
Cash and bank balances acquired	492,787	42,057
Bank overdrafts acquired	(21,043)	—
Cash consideration paid	(485,464)	(380,281)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(13,720)	(338,224)

Notes to Financial Statements

31 December 2001

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of subsidiaries *(continued)*

The subsidiaries acquired during the year utilised HK\$44,276,000 of the Group's net operating cash flows, paid HK\$26,247,000 in respect of the net returns on investments and servicing of finance and HK\$6,072,000 in respect of tax, utilised HK\$42,318,000 for investing activities and contributed HK\$71,093,000 for financing activities.

The subsidiaries acquired during the year contributed HK\$598,011,000 to the Group's consolidated turnover, but had incurred a net loss after tax and before minority interests of HK\$3,246,000 for the year.

In respect of the cash flows for 2000, the subsidiaries acquired during that 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 in the prior year contributed HK\$141,262,000 to the Group's consolidated turnover, but had incurred a net loss after tax and before minority interests of HK\$15,328,000 for that year.

(d) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	266,561	—
Inventories	1,436	—
Trade receivables	4,099	—
Prepayments, deposits and other debtors	904	—
Cash and bank balances	30,199	—
Trade payables	(384)	—
Taxes payable	(19,570)	—
Accruals and other liabilities	(104,581)	—
Bank and other loans	(134,363)	—
Minority interests	(45,471)	—
Net assets	(1,170)	—
Gain on disposal of subsidiaries	35,504	—
	34,334	—
Satisfied by:		
Reclassification to interest in an associate from interest in a subsidiary	10,851	—
Interest in a jointly-controlled entity	141,212	—
Fixed assets disposed of	(37,273)	—
Deposits and other debtors disposed of	(79,390)	—
Cash	(1,066)	—
	34,334	—

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***(d) Disposal of subsidiaries** *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2001	2000
	HK\$'000	HK\$'000
Cash and bank balances disposed of	(30,199)	—
Cash consideration paid	(1,066)	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(31,265)	—

The subsidiaries disposed of during the year utilised HK\$1,711,000 of the Group's net operating cash flows, paid HK\$4,049,000 in respect of the net returns on investments and servicing of finance, utilised HK\$35,792,000 for financing activities, but had no significant cash flows in respect of tax and investing activities.

The results of the subsidiaries disposed of during the year had no significant impact on the Group's consolidated turnover and profit after tax and before minority interests for the year.

(e) Major non-cash transactions

The capital contribution made by the minority shareholders of certain subsidiaries of the Group during the year ended 31 December 2001 were in the form of non-current assets valued at HK\$29,675,000 and non-cash current assets valued at HK\$7,933,000.

In the prior year, the capital contribution made by the minority shareholders of certain subsidiaries of the Group 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.

Notes to Financial Statements

31 December 2001

39. CONTINGENT LIABILITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Guarantee of banking facilities granted to third parties	10,852	8,905

Included in properties under development and properties held for sale at 31 December 2001 were amounts of RMB122.8 million and RMB170.0 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 of the Company, 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 instalments in return for the right to self-occupy 80,000 square meters 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 2001, 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.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (as included in note 14 to the financial statements) under operating lease arrangements, with leases negotiated for original terms ranging from 1 to 24 years. The terms of the leases generally require the tenants to pay security deposits.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	27,206	18,743	8,500	—
In the second to fifth years, inclusive	48,606	33,713	8,500	—
After five years	46,339	52,155	—	—
	122,151	104,611	17,000	—

40. OPERATING LEASE ARRANGEMENTS (continued)**(b) As lessee**

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated with original terms ranging from 2 to 50 years.

At 31 December 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000 (Restated)	2001 HK\$'000	2000 HK\$'000 (Restated)
Within one year	64,105	55,406	1,200	3,600
In the second to fifth years, inclusive	219,472	193,221	—	1,200
After five years	705,477	714,629	—	—
	989,054	963,256	1,200	4,800

During the year, the Group charged contingent rent payments of HK\$3,400,000 (2000: HK\$3,770,000) in the profit and loss account in respect of the land use fee paid for the operations of a hotel in Beijing. The basis for the determination of the contingent rent payments is set out in note 43(n) to the financial statements.

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

Notes to Financial Statements

31 December 2001

41. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Land and buildings:				
Authorised, but not contracted for	109,580	72,982	—	—
Contracted, but not provided for	99,990	58,012	—	—
	209,570	130,994	—	—
Plant and machinery:				
Authorised, but not contracted for	45,322	115,172	—	—
Contracted, but not provided for	42,555	44,868	—	—
	87,877	160,040	—	—
Capital contributions to subsidiaries and associates:				
Authorised, but not contracted for	72,197	—	—	—
Contracted, but not provided for	94,315	40,776	76,294	151,825
	166,512	40,776	76,294	151,825
Total capital commitments	463,959	331,810	76,294	151,825

42. POST BALANCE SHEET EVENTS

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

- (i) On 6 March 2002, the Company has conditionally agreed to provide a corporate guarantee (the "Guarantee") executed by the Company in favour of the prospective investors for the payment of principal and interest thereon in respect of the 5 years convertible bonds to be issued by Yanjing Brewery, an indirect owned subsidiary, with an aggregate principal amount of RMB700 million with a face value of RMB100 each. Yanjing Beer Group, which has beneficial interests in Yanjing Brewery, agrees to provide the Company with a counter indemnity to indemnify the Company in respect of any contingencies arising from the portion of the Guarantee exceeding the Company's effective proportional equity interest of 55.45% in Yanjing Brewery. The granting of the Guarantee is subject to the approval by shareholders of the Company in an extraordinary general meeting to be held on 11 April 2002.
- (ii) On 1 April 2002, a formal listing application was made by San Yuan for the proposed listing of its shares on the Shanghai Stock Exchange. San Yuan proposes to offer 150 million new shares of par value at RMB1.00 each for subscription in the PRC at an issue price yet to be determined. As at the date of approval of these financial statements, the listing procedures are still in progress.

43. RELATED PARTY TRANSACTIONS

In addition to the transactions set out in notes 18, 19 and 28, during the year, the Group entered into the following material transactions with related parties:

Name of company	Nature of transaction	Notes	2001	2000
			HK\$'000	HK\$'000
Ultimate holding company				
Beijing Holdings Limited and its associates	Rental income	(a)	3,170	3,259
	Rental and related expenses	(a)	4,459	5,235
Joint venture partners of subsidiaries				
Yanjing Beer Group and its associates	Purchase of bottle labels	(b)	38,577	41,008
	Purchase of bottle caps	(b)	46,059	44,340
	Sale of beer	(p)	1,417	—
	Canning service fees paid	(c)	18,052	14,577
	Comprehensive support service fees paid	(d)	14,656	13,191
	Land rent expenses	(e)	1,643	1,643
	Trademark licensing fees paid	(f)	15,236	14,303
	Less: 20% refund for advertising subsidies	(f)	(3,047)	(2,861)
	Refund for marketing subsidies	(g)	—	20,997
	Acquisition of equity interest in Hengyang Yanjing	(h)	—	159,558
Acquisition of equity interest in Xiangfan Yanjing	(h)	—	63,586	
Beijing San Yuan Group Company ("San Yuan Group") and its associates	Purchase of raw milk	(i)	198,009	—
	Interest income on advances made	(j)	4,629	—
	Land use fee paid	(k)	2,261	—
	Acquisition of equity interest in San Yuan Hua Guan	(l)	21,225	—
	Acquisition of a dairy product production factory and related assets and liabilities	(l)	6,266	—
	Establishment of a jointly-controlled entity	(m)	1,500	—
Beijing Tourism Corporation and its associates	Land use fees paid	(n)	3,400	3,770
Jointly-controlled entities				
Beijing McDonald's	Sale of equity interest in Guangdong San Yuan McDonald's Food Company Limited ("Guangdong McDonald's")	(o)	92,780	—
	Sale of dairy products	(p)	25,728	—
Nantong Wangfujing Department Store Company Limited	Compensation income	(q)	—	2,143

Notes to Financial Statements

31 December 2001

43. RELATED PARTY TRANSACTIONS (continued)

Name of company	Nature of transaction	Notes	2001	2000
			HK\$'000	HK\$'000
Associates				
Beijing International Switching System Co., Ltd.	Interest income	(r)	9,623	5,800
Wanbo Property Management Company Limited	Rental income	(a)	2,166	2,405

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

Notes:

- (a) The rentals were determined by reference to the prevailing 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 the 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 Yanjing Brewery as its office, canteen and staff dormitories, were determined by reference to the prevailing 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 would 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 was at a mutually-agreed amount pursuant to an agreement entered into between Yanjing Brewery and Yanjing Beer Group on 9 April 2001, and was 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.
- (h) 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.
- (i) The purchase prices of the raw milk were determined by reference to the prevailing market rates.
- (j) Interest income from San Yuan Group arose from advances made to San Yuan Group, which bore interest at the prevailing market rates at the time the advances were made.
- (k) Land use fee was charged at a mutually-agreed amount of RMB2,400,000 for the year ended 31 December 2001.

43. RELATED PARTY TRANSACTIONS *(continued)*

Notes: (continued)

- (l) The considerations were determined on the basis of the fair values of San Yuan Hua Guan and the dairy product production factory and related assets and liabilities with reference to the appraisal reports prepared by an independent PRC valuer.
- (m) The capital contribution to the jointly-controlled entity made by the Group is in accordance with the joint venture agreement entered into between the Group, San Yuan Group and other third parties.
- (n) Land use fees were determined based on 3% of the annual gross turnover of Jian Guo Hotel Joint Venture Beijing.
- (o) The equity interest in Guangdong McDonald's was sold at cost.
- (p) The selling prices of the beer and dairy products were determined by reference to the prevailing market rates.
- (q) The compensation income received in the prior year was based on a mutually-agreed amount of RMB2,275,000.
- (r) Detailed terms of the loan are disclosed in note 19 to the financial statements.

44. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform to the current year's presentation.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 April 2002.