1. CORPORATE INFORMATION

During the year, the Group was principally engaged in investment holding, the production, distribution and sale of beer, and the operation of restaurants, pubs and other related services. There were no changes in the nature of the Group's activities during the year.

The Company is a 72% owned subsidiary of Guangdong Investment Limited ("GDI"), a company incorporated and publicly listed in Hong Kong. In the opinion of the directors, the ultimate holding company of the Company as at 31 December 2001 was 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited), a company established in the People's Republic of China.

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 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") (cont'd)

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 earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new 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. This revised SSAP has been applied prospectively and its 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 28 to the financial statements.

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. This has had no significant impact on these 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. This has had no significant impact on these financial statements.

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

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. This has had no significant impact on 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 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 3 to the financial statements. The required new additional disclosures are included in notes 15 and 16 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 impact on the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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 and associate acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intra-group transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

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

Associate

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 the associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the associate is 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 arising from the acquisition of associate, which was not previously eliminated in consolidated reserves, is included as part of the Group's interest in associate.

Joint venture companies established in the mainland of the People's Republic of China ("Mainland China")

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 with the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distribution 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.

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

Joint venture companies established in the mainland of the People's Republic of China ("Mainland China") (cont'd)

A joint venture company is accounted for as:

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

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

(c) an associate, if the Group 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) an investment security, if the Group 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.

Goodwill

Goodwill arising on acquisition of subsidiaries 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 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. In the case of 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 consolidated reserves 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 consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries 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 reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

Goodwill (cont'd)

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, 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.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries 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 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 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 capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

Negative goodwill (cont'd)

On disposal of subsidiaries 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 reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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.

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.

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.

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

Reusable packaging materials

Reusable packaging materials currently in use are stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to the profit and loss account on the straight-line basis over a period of three years.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost 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 and overhaul costs, 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.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold land in Mainland China	Over the shorter of the lease terms or the life of the joint ventures
Buildings	4.5% – 20%
Plant, machinery and equipment	4.5% – 20%
Furniture and fixtures	18% – 20%
Motor vehicles	18% – 20%

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.

Construction in progress represents buildings, machinery and equipment under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

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

Investment securities

Investment securities are non-trading investments in unlisted equity securities intended to be held on a long term basis, which 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.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

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

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;

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

Revenue recognition (cont'd)

(b) income from the operation of restaurants, pubs and other related services, based on the period in which such services are rendered;

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

(d) value-added tax refund, when the right to receive the refund has been established; and

(e) dividends and investment income, when the right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings 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 revised accounting treatments for dividends resulting from the adoption of SSAP 9 (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 note 12 to the financial statements.

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 subsidiaries and the associate operating in Mainland China are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are included in the exchange fluctuation reserve.

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

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 rentals receivable 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.

Retirement benefits scheme

The Company and certain of its subsidiaries operate a defined contribution Mandatory Provident Fund retirement benefits scheme (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 except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme being effective, the Company and certain of its subsidiaries operated a defined contribution retirement benefits scheme (the "Prior Scheme") for those employees who were eligible to participate in this scheme. This Prior Scheme operated in a similar way to the MPF Scheme, except that when an employee left the Prior Scheme before his/her interest in the Group's employer contributions vested fully, the contributions payable by the Group were reduced by the relevant amount of forfeited employer's contributions. With effect from 1 December 2000, the Group froze the Prior Scheme and ceased to make contributions to it. The Group's employer voluntary contributions are refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules for the Prior Scheme.

The employees of the Group's certain subsidiaries which operate in Mainland China are mandatory to participate in local pension scheme ("LPS") operated by the local municipal government. These subsidiaries are required to contribute 8% of their payroll costs to the LPS. Contributions under the LPS are charged to the profit and loss account as they become payable in accordance with the rules of the LPS.

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

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

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 geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the location of customers. Each of the Group's geographical segments represents a strategic geographical unit that offers products and services which are subject to risks and returns that are different from those of other geographical segments. Summary details of the geographical segments are as follows:

(a) The Hong Kong segment engages in distribution and sale of beer;

(b) The Mainland China segment engages in production, distribution and sale of beer, and operation of restaurants, pubs and other related services; and

(c) The corporate segment engages in providing corporate services to the Hong Kong segment and the Mainland China segment in Hong Kong.

In determining the Group's business segments, revenues and results are attributed to the segments based on the nature of their operations and the products and services they provide.

Intersegment transactions mainly represent sale of beer by the Mainland China segment which was made on the bases determined within the Group.

4. SEGMENT INFORMATION (cont'd)

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments.

Group

	Mainland China		Hong Kong		Corporate		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	**508,225**	595,802	**35,697**	18,090	**-**	–	**-**	–	**543,922**	613,892
Intersegment sales	**10,262**	5,041	**-**	–	**-**	–	**(10,262)**	(5,041)	**-**	–
Other revenue	**42,280**	50,174	**-**	–	**-**	–	**-**	–	**42,280**	50,174
Total	**560,767**	651,017	**35,697**	18,090	**-**	–	**(10,262)**	(5,041)	**586,202**	664,066
Segment results	**71,876**	90,301	**8,285**	1,155	**(11,373)**	(11,854)	**-**	–	**68,788**	79,602
Interest income									**1,600**	3,698
Unallocated expense									**-**	(10,135)
Profit from operating activities									**70,388**	73,165
Finance costs									**(7,857)**	(30,483)
Share of loss of an associate	**(13,424)**	(14,496)	**-**	–	**-**	–	**-**	–	**(13,424)**	(14,496)
Profit before tax									**49,107**	28,186
Tax									**(12,067)**	(19,042)
Profit before minority interests									**37,040**	9,144
Minority interests									**(2,606)**	1,098
Net profit from ordinary activities attributable to shareholders									**34,434**	10,242

4. SEGMENT INFORMATION (cont'd)

(a) Geographical segments (cont'd)

Group (cont'd)

	Mainland China		Hong Kong		Corporate		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 assets	**1,294,429**	1,490,891	**10,709**	5,188	**8,792**	42,703	**(877)**	(1,243)	**1,313,053**	1,537,539
Interest in an associate	**42,997**	62,079	**-**	–	**-**	–	**-**	–	**42,997**	62,079
Investment securities									**4,611**	4,611
Unallocated assets									–	1,700
Total assets									**1,360,661**	1,605,929
Segment liabilities	**199,855**	154,455	**2,117**	1,615	**8,994**	9,710	**(877)**	(1,243)	**210,089**	164,537
Unallocated liabilities									**7,026**	322,071
Total liabilities									**217,115**	486,608
Other segment information:										
Depreciation and amortisation	**123,144**	126,764	**-**	15	**218**	804	**-**	–	**123,362**	127,583
Impairment losses recognised in the profit and loss account	**5,600**	32,367	**-**	–	**-**	–	**-**	–	**5,600**	32,367
Unallocated amounts									**-**	10,135
									5,600	42,502
Other non-cash expenses	**1,659**	10,283	**1,014**	–	**-**	–	**-**	–	**2,673**	10,283
Capital expenditure	**9,746**	27,014	**-**	–	**54**	625	**-**	–	**9,800**	27,639

(b) Business segments

During the year, the Group was engaged in the production, distribution and sale of beer, and the operation of restaurants, pubs and other related services. As the operation of restaurants, pubs and other related services contributed for less than 10% of the total revenue, the segment results and the total assets of all segments, the business segment information is not presented.

5. TURNOVER AND REVENUE

Turnover represents the invoiced value of goods sold, net of discounts, returns, value-added tax and consumption tax; and income earned from the operation of restaurants, pubs and other related services, net of business tax, after elimination of all significant intra-group transactions.

Revenue from the following activities has been included in turnover:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Sale of goods	**536,603**	603,278
Operation of restaurants, pubs and other related services	**7,319**	10,614
	543,922	613,892

6. PROFIT FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$'000	*HK$'000*
Cost of inventories sold	**332,691**	386,172
Depreciation	**111,839**	112,361
Minimum lease payments under operating leases in respect of land and buildings	**875**	1,992
Staff costs (excluding directors' remuneration – *note 8*):		
Wages and salaries	**40,593**	49,517
Pension contributions	**4,994**	3,723
Less: forfeited contributions*	**–**	–
Net pension contributions	**4,994**	3,723
	45,587	53,240
Impairment of investment securities	**–**	1,000
Amortisation of reusable packaging materials	**11,523**	15,222
Auditors' remuneration	**937**	1,062
Losses/(gains) on disposal of fixed assets, net	**(136)**	112
Exchange losses/(gains), net**	**217**	(12,234)
Interest income	**(1,600)**	(3,698)
Value-added tax exemption***	**(37,670)**	(38,489)

6. PROFIT FROM OPERATING ACTIVITIES (cont'd)

* *At 31 December 2001, the Group had no forfeited contributions available to reduce contributions to the pension scheme in future years (2000: Nil).*

** *Included in exchange gains for the year ended 31 December 2000 was an amount of HK$10,937,000 arising from the closing rate translation of DEM loans due to GDI, which were fully repaid during the year.*

*** *The amount represents the exemption of net output value-added tax on those beer products that are both produced and sold in Shenzhen entitled by Shenzhen Kingway Brewery Co., Ltd.*

7. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**6,120**	14,754
Other loans wholly repayable within five years	**1,737**	15,729
	7,857	30,483

8. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	HK$'000	*HK$'000*
Fees:		
Non-executive	**90**	90
Executive	**28**	11
Other emoluments:		
Salaries, allowances and benefits in kind	**512**	1,499
Bonuses paid and payable	**271**	32
Pension scheme contributions	**27**	49
Less: forfeited contributions	**–**	–
	928	1,681

8. DIRECTORS' REMUNERATION (cont'd)

Fees include HK$90,000 (2000: HK$90,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of all ten (2000: all sixteen) directors fell within the band of "Not more than HK$1,000,000" for the year ended 31 December 2001.

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

During the year, 17,000,000 options to acquire ordinary shares in the Company were granted to certain directors. 17,000,000 options shall be exercised from 11 April 2002 to 10 April 2007 (both dates inclusive) to subscribe for 17,000,000 ordinary shares at a price of HK$0.383 per ordinary share.

Further details of the share option scheme are set out under the heading "Share Options of the Company, its Subsidiaries and Associated Corporation" in the Report of the Directors on pages 25 to 31. No value in respect of the above share options granted has been charged to the profit and loss account for the year ended 31 December 2001.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included two (2000: two) directors, details of whose remuneration are set out in note 8 to the financial statements. Details of the remuneration of the remaining three (2000: three) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**962**	1,113
Bonuses paid and payable	**124**	82
Pension scheme contributions	**52**	44
	1,138	1,239

The remuneration of the above three (2000: three) non-director, highest paid employees all fell within the band of "Not more than HK$1,000,000" for the year ended 31 December 2001.

9. FIVE HIGHEST PAID INDIVIDUALS (cont'd)

During the year, 400,000 options to acquire ordinary shares in the Company were granted to two of the above three non-director, highest paid employees in respect of their services to the Group. 400,000 options shall be exercised from 11 April 2002 to 10 April 2007 (both dates inclusive) to subscribe for 400,000 ordinary shares at a price of HK$0.383 per ordinary share.

Further details of the share option scheme are included in the disclosures set out under the heading "Share Options of the Company, its Subsidiaries and Associated Corporation" in the Report of the Directors on pages 25 to 31. No value in respect of the above share options granted has been charged to the profit and loss account for the year ended 31 December 2001.

10. TAX

	2001	2000
	HK$'000	*HK$'000*
Company and subsidiaries:		
Hong Kong	**1,301**	198
Mainland China	**10,766**	18,844
	12,067	19,042
Associate:		
Mainland China	**–**	–
Tax charge for the year	**12,067**	19,042

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.

Tax on assessable profits of subsidiaries of the Company in Mainland China has been calculated at the rates of tax applicable to those subsidiaries based on existing legislation, interpretations and practices in respect thereof.

At the balance sheet date, the Group and the Company had no material unprovided deferred tax liabilities (2000: Nil).

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is HK$37,595,000 (2000: HK$25,123,000).

	2001	2000
	HK$'000	*HK$'000*
Profit/(loss) for the year attributable to:		
Company and subsidiaries	**47,858**	24,738
Associate	**(13,424)**	(14,496)
	34,434	10,242

12. DIVIDEND

	2001	2000
	HK$'000	*HK$'000*
Proposed final dividend		
– 1.0 (2000: 1.0) HK cent per share	**12,500**	12,500

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", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of HK$12,500,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December 2000, by HK$12,500,000.

The effect of this change in accounting policy as at 31 December 2001 is that the current year's proposed final dividend of HK$12,500,000 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 the basic earnings per share is based on the net profit attributable to shareholders for the year of HK$34,434,000 (2000: HK$10,242,000) and on the weighted average number of 1,250,000,000 (2000: 1,250,000,000) shares in issue during the year.

Diluted earnings per share for the two years ended 31 December 2001 and 2000 reflecting the exercise of all outstanding share options is not presented because the impact is anti-dilutive.

14. FIXED ASSETS

Group

	Land and buildings	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At beginning of year	439,575	1,206,761	6,716	43,474	19,499	1,716,025
Additions	–	1,038	54	1,161	2,067	4,320
Disposals	(406)	–	(1,236)	(1,480)	–	(3,122)
Reclassifications	–	5,871	–	–	(5,871)	–
Exchange adjustments	(264)	(737)	(3)	(26)	(12)	(1,042)
At 31 December 2001	438,905	1,212,933	5,531	43,129	15,683	1,716,181
Accumulated depreciation:						
At beginning of year	72,418	398,350	3,412	20,057	–	494,237
Provided during the year	19,621	84,764	399	7,055	–	111,839
Disposals	–	–	(1,136)	(1,169)	–	(2,305)
Exchange adjustments	(43)	(243)	(2)	(12)	–	(300)
At 31 December 2001	91,996	482,871	2,673	25,931	–	603,471
Net book value:						
At 31 December 2001	346,909	730,062	2,858	17,198	15,683	1,112,710
At 31 December 2000	367,157	808,411	3,304	23,417	19,499	1,221,788

14. FIXED ASSETS (cont'd)

Company

	Furniture and fixtures HK$'000
Cost:	
At beginning of year	983
Additions	54
Disposals	(121)
At 31 December 2001	916
Accumulated depreciation:	
At beginning of year	247
Provided during the year	218
Disposals	(77)
At 31 December 2001	388
Net book value:	
At 31 December 2001	528
At 31 December 2000	736

As at 31 December 2001, the net book value of the Group's leasehold land and buildings is analysed as follows:

	2001 **HK$'000**	2000 HK$'000
Long term leases in Mainland China	**32,990**	33,228
Medium term leases in Mainland China	**313,919**	333,929
	346,909	367,157

15. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**261,816**	261,816
Due from subsidiaries	**857,896**	874,515
Due to subsidiaries	**(52,573)**	–
	1,067,139	1,136,331
Provision for amounts due from subsidiaries	**(80,300)**	(37,275)
	986,839	1,099,056

The balances with subsidiaries are unsecured and not repayable within one year from the balance sheet date. Except for the amounts due from Shenzhen Kingway Brewery Co. Ltd. ("Shenzhen Brewery") and Shenzhen Kingway Brewing Co. Ltd. ("Shenzhen Brewing") which are interest-bearing, the details of which are set out in notes 31(v) and 31(vi) to the financial statements; and the amount due from Morefit Limited, a wholly-owned subsidiary, of HK$272,779,000 which bears interest at 6 months' London InterBank Offered Rate ("LIBOR") plus 0.75% per annum (2000: HK$273,669,000 which bears interest ranging from 6 months' Frankfurt Interbank Offered Rate ("FIBOR") plus 0.65% to 6 months' LIBOR plus 0.65% per annum), the remaining balances are interest-free.

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill of HK$131,099,000 and negative goodwill of HK$41,969,000 in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against reserves or credited to the capital reserve, respectively.

During the year, the Group had no goodwill or negative goodwill arising from the acquisition of subsidiaries.

15. INTERESTS IN SUBSIDIARIES (cont'd)

Particulars of the subsidiaries at the balance sheet date were as follows:

Company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of attributable equity interest held by Company	Percentage of attributable equity interest held by Group	Principal activities
Baligold Developments Limited	British Virgin Islands	Ordinary US$1	100%	100%	Investment holding
Central China (Asia) Investment Limited	Hong Kong	Ordinary HK$10,000	–	100%	Investment holding
Crown Right Development Limited	Hong Kong	Ordinary HK$2	100%	100%	Investment holding
Ease Court Investment Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$2	–	100%	Investment holding
Guangdong Brewery (Nominees) Limited	Hong Kong	Ordinary HK$2	100%	100%	Nominee services
Guangdong Kingway Sales Limited	Hong Kong	Ordinary HK$2	100%	100%	Sale and marketing of beer
Harbour Bright Enterprises Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$2	–	100%	Investment holding
Helmuth Enterprises Limited	British Virgin Islands	Ordinary US$1	–	100%	Investment holding
Morefit Limited	British Virgin Islands	Ordinary US$1	–	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES (cont'd)

Company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of attributable equity interest held by Company	Percentage of attributable equity interest held by Group	Principal activities
Mountain View Developments Limited	British Virgin Islands	Ordinary US$1	100%	100%	Investment holding
Shenzhen Kingway Brewery Co., Ltd.*	Mainland China	US$50,000,000	–	95%	Production, distribution and sale of beer and investment holding
Shenzhen Kingway Brewing Co., Ltd.*	Mainland China	US$12,000,000	–	87%	Production, distribution and sale of beer
Shenzhen Kingway Packaging Co., Ltd.*	Mainland China	US$12,000,000	–	87%	Provision of bottling and packaging services
Shenzhen Kingway Utility Co., Ltd.*	Mainland China	US$12,000,000	–	87%	Provision of utilities services

* *These subsidiaries are established as Sino-foreign equity joint venture companies.*

16. INTEREST IN AN ASSOCIATE

	Group 2001 HK$'000	Group 2000 HK$'000
Share of net assets	**80,964**	94,446
Provision for impairment	**(37,967)**	(32,367)
	42,997	62,079

The Group's share of the post-acquisition accumulated deficits, other than the exchange fluctuation reserve, of the associate at 31 December 2001 was HK$34,923,000 (2000: HK$21,499,000).

16. INTEREST IN AN ASSOCIATE (cont'd)

The Group's share of the post-acquisition exchange fluctuation reserve surplus of the associate at 31 December 2001 was HK$948,000 (2000: HK$1,006,000).

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 reserves or credited to the capital reserve, respectively.

In prior year, impairment of goodwill arising from acquisition of the associate previously dealt with in reserves amounting to HK$9,135,000 was charged to the profit and loss account.

During the year, the Group had no goodwill or negative goodwill arising from the acquisition of associate.

Particulars of the associate are as follows:

Company	Business structure	Place of registration and operation	Percentage of ownership interest attributable to the Group 2001	2000	Principal activities
Shandong Huazhong Amber Brewery Co., Ltd.	Corporate	Mainland China	**50%**	50%	Production, distribution and sale of beer

17. INVESTMENT SECURITIES

	Group and Company 2001 HK$'000	2000 HK$'000
Unlisted equity investment, at cost	**5,611**	5,611
Provision for impairment	**(1,000)**	(1,000)
	4,611	4,611

The balance represents investment in a company which was established in Mainland China and is engaged in the distribution and sale of wine and beer in Mainland China.

18. LOAN TO A DIRECTOR

A loan to a director, the particulars of which disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

Name of Director	31 December 2001 HK$'000	Maximum outstanding during the year HK$'000	1 January 2001 HK$'000
Chau Kam Wing, Donald	–	1,700	1,700
Portion classified as current assets	–		(51)
Long term portion	–		1,649

The loan granted to the director was secured by a residential property situated in Hong Kong, bore interest at Hong Kong best lending rate less 3% per annum and was fully repaid during the year.

The purpose of the advance was to facilitate the purchase of the residential premises for Mr. Chau Kam Wing, Donald's main residence.

19. INVENTORIES

	Group 2001 HK$'000	Group 2000 HK$'000
Raw materials	**13,611**	6,140
Spare parts and consumables	**28,874**	32,093
Packaging materials	**17,946**	14,926
Work in progress	**10,625**	12,610
Finished goods	**5,796**	13,443
	76,852	79,212

At 31 December 2001 and 2000, all of the inventories were carried at cost.

20. TRADE RECEIVABLES

The Group's trading terms with customers are either on cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30-180 days of issuance. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

The ageing analysis of trade receivables based on payment due date, net of provisions, is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Within 3 months	**34,564**	16,851
More than 3 months and less than 6 months	**705**	18,574
More than 6 months and less than 1 year	**2,045**	2,057
More than 1 year	**13**	207
	37,327	37,689

21. INTEREST-BEARING BANK LOANS, UNSECURED

The maturities of the bank loans are as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Repayable:		
Within one year or on demand	**–**	94,277
In the second year	**–**	65,994
	–	160,271
Portion classified as current liabilities	**–**	(94,277)
Long term portion	**–**	65,994

22. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Within 3 months	**29,814**	30,012
More than 3 months and less than 6 months	**1,324**	2,237
More than 6 months and less than 1 year	**245**	4,219
More than 1 year	**4,572**	58
	35,955	36,526

23. DUE TO IMMEDIATE HOLDING COMPANY

The maturities of the amounts due to immediate holding company are as follows:

	Group and Company	
	2001	2000
	HK$'000	*HK$'000*
Repayable:		
Within one year or with no fixed terms of repayment	**–**	25,325
In the second to fifth years, inclusive	**–**	72,531
	–	97,856
Portion classified as current liabilities	**–**	(25,325)
Long term portion	**–**	72,531

The amounts due to immediate holding company were unsecured and fully repaid during the year. Of the total amounts at 31 December 2000, HK$67,434,000 and HK$29,274,000 bore interest at 6 months' LIBOR plus 0.65% per annum and 6 months' FIBOR plus 0.65% per annum, respectively. The remaining balance was interest-free.

24. DUE TO MINORITY EQUITYHOLDERS OF SUBSIDIARIES

The amounts due to the minority equityholders of subsidiaries are unsecured, interest-free and not repayable within one year. As at 31 December 2000, HK$60,732,000 of the total amounts bore interest at long term lending rate per annum announced by People's Bank of China and were repaid or became interest-free during the year.

25. ISSUED CAPITAL

	Company	
	2001	2000
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,250,000,000 shares of HK$0.10 each	**125,000**	125,000

There were no changes in the carrying amount or the number of ordinary shares of the Company for the two years ended 31 December 2000 and 2001.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share Options of the Company, its Subsidiaries and Associated Corporation" in the Report of the Directors on pages 25 to 31.

At the beginning of the year, there were 9,450,000 options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during periods ranging from 20 February 1998 to 19 February 2003. The subscription price payable upon the exercise of these options was HK$2.1 per share, subject to adjustment.

During the year, the Company granted a total of 22,400,000 share options under the Scheme at nil consideration. The share options granted entitle the holders to subscribe for shares of the Company at any time during periods ranging from 11 April 2002 to 10 April 2007. The subscription price per share payable upon the exercise of these options was HK$0.383, subject to adjustment.

During the year, 5,600,000 options were cancelled upon the resignation of certain directors and employees and no option is exercised by the directors and/or employees of the Company and its subsidiaries.

25. ISSUED CAPITAL (cont'd)

Share options (cont'd)

At the balance sheet date, the Company had 26,250,000 share options outstanding under the Scheme, with exercise periods ranging from 20 February 1998 to 10 April 2007 and exercise prices ranging from HK$0.383 to HK$2.1 per share. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 26,250,000 additional shares of HK$0.1 each and proceeds, before the related issue expenses, of approximately HK$16,664,000.

26. RESERVES

Group

	Share premium	Capital reserve *	Exchange fluctuation reserve	Enterprise development fund#	Reserve fund#	Retained profits	Total
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2000	739,583	41,969	2,409	216	15,246	141,318	940,741
Net profit for the year	–	–	–	–	–	10,242	10,242
Proposed final 2000 dividend	–	–	–	–	–	(12,500)	(12,500)
Impairment of goodwill arising from acquisition of associate	–	9,135	–	–	–	–	9,135
Exchange adjustments	–	–	2,337	–	–	–	2,337
At 31 December 2000 and 1 January 2001	739,583	51,104	4,746	216	15,246	139,060	949,955
Net profit for the year	–	–	–	–	–	34,434	34,434
Proposed final 2001 dividend	–	–	–	–	–	(12,500)	(12,500)
Exchange adjustments	–	–	(339)	–	–	–	(339)
At 31 December 2001	739,583	51,104	4,407	216	15,246	160,994	971,550

\# *Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of a Company's subsidiary operating in Mainland China has been transferred to the reserve fund and the enterprise development fund which are restricted as to use. The amounts transferred from the retained profits are determined by the board of directors of that subsidiary. These funds are not available for distribution.*

* *The amounts of goodwill and negative goodwill remaining in reserves, arising from the acquisitions of subsidiaries and an associate, are HK$131,099,000 and HK$41,969,000, respectively, as at 1 January and 31 December 2001. The amount of goodwill is stated at the cost of HK$140,234,000 less impairment of HK$9,135,000 which arose in prior years.*

26. RESERVES (cont'd)

Company

	Share premium	Capital reserve	Retained profits	Total
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
At 1 January 2000	739,583	140,234	152,366	1,032,183
Net loss for the year	–	–	(25,123)	(25,123)
Proposed final 2000 dividend	–	–	(12,500)	(12,500)
At 31 December 2000 and 1 January 2001	739,583	140,234	114,743	994,560
Net loss for the year	–	–	(37,595)	(37,595)
Proposed final 2001 dividend	–	–	(12,500)	(12,500)
At 31 December 2001	739,583	140,234	64,648	944,465

Note: On 23 April 1998, a special resolution was passed in a special general meeting of the Company for a reduction of its share premium account in the amount of HK$140,234,000 for the purpose of transferring such amount to the credit of the capital reserve account against goodwill arising on the acquisitions of subsidiaries and an associate.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK$'000	*HK$'000*
Profit from operating activities	**70,388**	73,165
Interest income	**(1,600)**	(3,698)
Depreciation	**111,839**	112,361
Amortisation of reusable packaging materials	**11,523**	15,222
Losses/(gains) on disposal of fixed assets, net	**(136)**	112
Impairment of investment securities	**–**	1,000
Impairment investment in an associate	**5,600**	32,367
Impairment of goodwill arising from an acquisition of an associate	**–**	9,135
Decrease/(increase) in trade receivables	**343**	(4,647)
Decrease in prepayments, deposits and other receivables	**5,156**	4,102
Decrease in inventories	**2,360**	19,172
Decrease in loan to a director	**1,700**	51
Increase/(decrease) in trade payables	**(549)**	19,459
Increase/(decrease) in other payables and accruals	**9,131**	(29,183)
Increase/(decrease) in VAT payable	**(11,991)**	5,460
Increase in amount due to a fellow subsidiary	**4,963**	970
Net cash inflow from operating activities	**208,727**	255,048

(b) Analysis of changes in financing activities during the year

	Minority interests	
	2001	2000
	HK$'000	*HK$'000*
At 1 January	**31,866**	37,849
Share of profit/(loss) for the year	**2,606**	(1,098)
Dividend payable to minority equityholder	**–**	(4,714)
Exchange adjustments	**24**	(171)
At 31 December	**34,496**	31,866

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

(b) Analysis of changes in financing activities during the year (cont'd)

	Interest-bearing bank loans	
	2001	2000
	HK$'000	*HK$'000*
At 1 January	**160,271**	277,074
Net cash outflow from financing activities	**(160,174)**	(108,455)
Repayment of interest-bearing bank loans with maturity less than three months from the date of the advance	**–**	(9,392)
Exchange adjustments	**(97)**	1,044
At 31 December	**–**	160,271

	Due to the immediate holding company	
	2001	2000
	HK$'000	*HK$'000*
At 1 January	**97,856**	221,303
Net cash outflow from financing activities	**(97,856)**	(124,178)
Interest payable	**–**	731
At 31 December	**–**	97,856

	Due to minority equityholders of subsidiaries	
	2001	2000
	HK$'000	*HK$'000*
At 1 January	**103,335**	103,995
Net cash outflow from financing activities	**(8,707)**	(4,714)
Interest charged during the year	**391**	4,133
Dividend paid to minority equityholder	**(4,304)**	(5,185)
Dividend payable to minority equityholder	**–**	4,714
Interest paid to minority equityholder	**(2,470)**	–
Exchange adjustments	**(64)**	392
At 31 December	**88,181**	103,335

28. OPERATING LEASE ARRANGEMENTS

SSAP 14 (Revised) 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. Since the Group has applied this SSAP prospectively, accordingly, the prior year comparative amounts for operating leases have not been restated to accord with the current year's presentation.

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 2001, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due were as follow:

	Group *HK$'000*	**Company** *HK$'000*
Within one year	596	355

As at 31 December 2000, the annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:

	Group *HK$'000*	**Company** *HK$'000*
Within one year	456	–
In the second to fifth years, inclusive	532	532
	988	532

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 to the financial statements, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital commitments in respect of property, plant and equipment:				
Contracted for	**1,112**	1,480	**–**	–

30. CONTINGENT LIABILITIES

As at 31 December 2001, neither the Group, nor the Company had significant contingent liabilities. As at 31 December 2000, contingent liabilities of the Company in respect of guarantees given to banks to secure banking facilities granted and utilised by the Group's non-wholly-owned subsidiaries amounted to HK$28,283,000.

31. CONNECTED AND RELATED PARTY TRANSACTIONS

Listed below are connected transactions disclosed in accordance with the Listing Rules and related party transactions disclosed in accordance with SSAP 20 "Related Party Disclosures".

The transactions referred to in items (i), (ii), (iii) and (viii) below constitute related party transactions and those referred to in items (i) to (vii) below constitute connected transactions disclosed under the Listing Rules.

(i) During the year, the Group purchased malt from Guangzhou Malting Co., Ltd ("GMCL") which is a 51.6% owned subsidiary of GDI, on what the directors believe to be terms similar to those offered to other customers unrelated to GDI. For the year ended 31 December 2001, the aggregate amount of malt purchased by the Group was RMB58,674,000 (2000: RMB37,609,000). The balance due to GMCL is unsecured, interest-free and has no fixed terms of repayment.

31. CONNECTED AND RELATED PARTY TRANSACTIONS (cont'd)

(ii) The Company entered into a tenancy agreement on 2 February 2001 with Bateson Developments Limited ("BDT"), a wholly-owned subsidiary of GDI, whereby the Company agreed to lease a leasehold property (the "Property") owned by BDT as office premises at a monthly rental of HK$44,370 for a term of two years commencing from 1 September 2000 and expiring on 31 August 2002, with an option on the Company's part to renew for a further two years at the then prevailing open market rent to be agreed between the two parties.

(iii) As at 31 December 2000, there were loan advances made by GDI in the aggregate amount of HK$96,708,000. The loans were used to finance the construction of a plant and purchases of machinery and equipment for the Group's operations. The balances were unsecured, bore interest ranging from 6 months' FIBOR plus 0.65% to 6 months' LIBOR plus 0.65% per annum. During the year, the loan advances were fully repaid. The interest expenses arising during the year on the aforementioned loans were HK$1,346,000 (2000: HK$11,596,000).

(iv) As at 31 December 2001, there were advances made by the Group's wholly-owned subsidiary, Morefit Limited, to the Group's non-wholly-owned subsidiary, Shenzhen Brewing, in which the Group holds 87% equity interest, in the aggregate amount of HK$274,195,000 (2000: HK$193,373,000). The loans were used to finance the construction and operation of the plant in Bao An, Mainland China.

Included in the total amount, HK$193,636,000 (2000: HK$193,373,000) are unsecured, bear interest at 6 months' LIBOR plus 0.75% per annum (2000: LIBOR plus 2% per annum) and of which HK$50,136,000 (2000: HK$50,136,000) is repayable within one year and the remaining balance of HK$143,500,000 (2000: HK$143,237,000) is repayable within five years from the balance sheet date. The remaining balance of HK$80,559,000 (2000: Nil) is unsecured, interest-free and is not repayable within one year.

31. CONNECTED AND RELATED PARTY TRANSACTIONS (cont'd)

(v) As at 31 December 2001, there were advances made by the Company to the Group's non-wholly-owned subsidiary, Shenzhen Brewery, in which the Group has a 95% equity interest, in the aggregate amount of HK$212,570,000 (2000: HK$232,747,000). The loans were used to finance its expansion plan and the construction of the plant in Bao An, Mainland China.

Out of the total balance, the outstanding loan balance of HK$89,860,000 (2000: HK$123,645,000) is unsecured, bears interest at 6 months' LIBOR plus 0.75% per annum and is repayable within five years from the balance sheet date. The remaining outstanding loan balance of HK$122,710,000 is unsecured, interest-free and is not repayable within one year (2000: HK$109,102,000 bore interest at long term lending rate per annum announced by the People's Bank of China).

(vi) As at 31 December 2001, there were advances made by the Company to Shenzhen Brewing in the aggregate amount of HK$66,166,000 (2000: Nil). The loans were used to finance its operation.

The advances are unsecured, interest-free and are not repayable within one year.

(vii) As at 31 December 2000, the Company executed a guarantee for banking facilities granted and utilised by the Group's non-wholly-owned subsidiary, Shenzhen Brewery, for its operations amounted to HK$28,283,000. The loan utilised by Shenzhen Brewery was fully repaid during the year.

(viii) During the year, an interest expense was incurred on funds advanced by minority equityholders of the Company's subsidiaries aggregating HK$391,000 (2000: HK$4,133,000), further details of which, including the terms, are disclosed in note 24 to the financial statements.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 12 April 2002.