

NOTES TO FINANCIAL STATEMENTS

31 December 2002

1. CORPORATE INFORMATION

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

- production, distribution and sale of consumer products including beer, dairy products and processed food products in Beijing and the surrounding region
- investment in transportation infrastructure, the Capital Airport Expressway, which connects the Capital Airport and the city centre of Beijing, and the Shenzhen Shiguan Road and Bridge, which is located in Shenzhen Municipality
- provision of tourism services in Badaling Great Wall and Longqingxia
- provision of hotel services in Beijing and Wuxian, Jiangsu Province
- provision of retail services in Beijing and certain other cities in the People's Republic of China (the "PRC")
- investment in commercial and residential properties in Beijing and Hong Kong
- operation of a water purification and treatment plant in Beijing
- property construction and development
- provision of telecommunications and information technology ("IT") related services and products

During the year, substantially all of the Group's tourism and hotel operations were disposed of to a jointly-controlled entity, further details of which are set out in note 45(w) to the financial statements.

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

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

The following new and revised SSAPs and Interpretation are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"
- Interpretation 16 : "Disclosure — Service concession arrangements"



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

(continued)

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

SSAP 1 (Revised) prescribes the basis of the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on pages 30 to 31 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group reserves note.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for “Foreign currencies” in note 3 to the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates ruling at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in note 3 and in note 40(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company’s share option scheme, as detailed in note 38 to the financial statements. These share option scheme disclosures are similar to the disclosures previously included in the Report of the Directors in accordance with The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), which are now required to be included in the notes to the financial statements as a consequence of the SSAP.



2. **IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)**

(continued)

Interpretation 16 prescribes the disclosure requirements on service concession arrangements entered into by concession operator and concession provider in the financial statements. The principal impact of this Interpretation on the financial statements is the inclusion of additional operating concession disclosures which are set out in note 15 to the financial statements.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

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

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividend received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

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



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

Joint venture companies *(continued)*

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

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

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

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

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



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

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the associates is determined based on the agreed profit sharing ratio. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising on the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

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

Goodwill

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

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

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against the consolidated capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against the consolidated capital reserve. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

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



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

Goodwill *(continued)*

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

Negative goodwill

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

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

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

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

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the consolidated capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the consolidated capital reserve. Negative goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

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



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

Impairment of assets

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease, and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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



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

Fixed assets and depreciation *(continued)*

(ii) *Hotel properties*

Hotel properties are interests in hotel buildings and their integral fixed plants which are collectively used in the operation of the hotels. Such properties are not depreciated, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease, and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the value of hotel properties are dealt with as movements in the hotel property revaluation reserve. If this reserve is insufficient to cover a deficit, on an individual basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

(iii) *Construction in progress*

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

(iv) *Other fixed assets*

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

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

The 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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Fixed assets and depreciation** *(continued)**(iv) Other fixed assets (continued)*

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Properties under development

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



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

Properties under development *(continued)*

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

Properties under development which are expected to be completed within 12 months from the balance sheet date are classified as current assets.

Properties held for sale

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

Intangible assets

Operating concessions

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

Management information systems

Management information systems are stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 10 years.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet this criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products, subject to a maximum of 20 years, commencing from the date when the products are put into commercial production.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Long term investments**

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

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

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

Short term investments

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

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

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

Inventories

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

Construction contracts

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

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

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



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

Construction contracts *(continued)*

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

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

Government grants and subsidies

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

Provisions

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

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

Deferred tax

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

Operating leases

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



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

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.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cashflows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, further details of which are included in note 40(a) to the financial statements.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash without notice and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.



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

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) toll revenue and entrance fee income, on a receipt basis;
- (c) from the sale of completed properties, upon execution of the sale agreements;
- (d) rental and hotel income, on an accrual basis;
- (e) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” above;
- (f) from the rendering of services, when the services are rendered;
- (g) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (h) from the trading of listed or unlisted investments, on the transaction dates; and
- (i) other investment income, when the right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of 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.



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

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Pension costs

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

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

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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.

Share options scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.



4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

- (a) the brewery operations segment produces, distributes and sells brewery products;
- (b) the retail operations segment operates department stores in Beijing and certain other cities in the PRC;
- (c) the dairy operations segment produces, distributes and sells dairy products;
- (d) the expressway and toll road operations segment engages in the operations of the Capital Airport Expressway, which connects the Capital Airport and the city centre of Beijing, and the Shenzhen Shiguan Road and Bridge, which is located at Shenzhen Municipality;
- (e) the water treatment operations segment operates a water treatment plant in Beijing and sells purified water;
- (f) the hotel operations segment engages in the operations of hotels in Beijing and Wuxian, Jiangsu Province, to provide hotel services;
- (g) the tourism operations segment engages in the provision of tourism services in Badaling Great Wall and Longqingxia;
- (h) the property construction and development segment constructs and develops properties for sale;
- (i) the telecommunications and IT related services and products segment comprises the production and sale of telecommunication products through an associate, Beijing International Switching System Co., Ltd., and other IT projects including the construction of broadband infrastructure, the provision of Internet services and IT technical support and consultation services; and
- (j) the corporate and others segment comprises production, distribution and sales of wine and processed food products, restaurant operations, property investments and corporate income and expense items.

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



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4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for 2002:

2002

Group

	Brewery operations	Retail operations	Dairy operations	Expressway and toll road operations	Water treatment operations	Hotel operations	Tourism operations	Property construction and development	Telecom- munications and IT related services and products	Corporate and others	Eliminations	Consolidated
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue:												
Sales to external customers	2,422,130	1,928,209	1,048,148	378,226	372,951	140,956	102,582	97,491	222,157	298,848	—	7,011,698
Intersegment sales	142	—	—	—	—	182	—	—	—	2,992	(3,316)	—
Other revenue	54,842	44,012	57,558	1,631	—	4,524	23,055	—	18	32,413	—	218,053
Total	2,477,114	1,972,221	1,105,706	379,857	372,951	145,662	125,637	97,491	222,175	334,253	(3,316)	7,229,751
Segment results	227,374	116,524	130,859	241,599	156,095	12,941	55,423	(67,105)	44,708	(74,897)		843,521
Interest income												73,908
Unallocated revenue and gains												38,167
Unallocated expenses												(50,790)
Profit from operating activities												904,806
Finance costs												(219,898)
Share of profits and losses of:												
Jointly-controlled entities	(610)	9,249	7,813	—	—	—	—	—	223	(1,118)	—	15,557
Associates	(122)	(1,220)	—	—	—	922	—	—	43,960	7,134	—	50,674
Amortisation of goodwill arising on acquisition of jointly-controlled entities	(678)	(342)	—	—	—	—	—	—	—	(3,679)	—	(4,699)
Profit before tax												746,440
Tax												(227,049)
Profit before minority interests												519,391
Minority interests												(109,153)
Net profit from ordinary activities attributable to shareholders												410,238



4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

2002 (continued)

Group

	Brewery operations	Retail operations	Dairy operations	Expressway and toll road operations	Water treatment operations	Hotel operations	Tourism operations	Property construction and development	Telecom- munications and IT related services and products	Corporate and others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	5,372,974	2,262,581	1,108,137	2,091,066	1,254,171	32,968	—	295,052	459,813	6,163,099	(3,590,704)	15,449,157
Share of net assets of:												
Jointly-controlled entities	89,816	362,590	126,879	—	—	148,448	309,946	—	—	29,813	—	1,067,492
Associates	10,731	16,213	—	—	—	—	—	—	159,859	153,062	—	339,865
	5,473,521	2,641,384	1,235,016	2,091,066	1,254,171	181,416	309,946	295,052	619,672	6,345,974	(3,590,704)	16,856,514
Unallocated assets												560,197
Total assets												17,416,711
Segment liabilities	1,295,686	223,620	216,085	482,786	404,370	37,390	—	414,800	95,807	2,438,381	(3,590,704)	2,018,221
Unallocated liabilities												4,907,783
Total liabilities												6,926,004
Other segment information:												
Depreciation	247,138	49,296	56,977	44,757	85	14,391	9,465	10,101	1,285	29,296	—	462,791
Amortisation:												
Goodwill/(negative goodwill), net	232	342	(36,715)	687	—	—	—	—	10,630	5,650	—	(19,174)
Intangible assets	—	—	—	17,915	70,654	—	1,413	—	1,887	—	—	91,869
Impairment losses	—	4,538	—	—	—	—	5,078	—	—	41,174	—	50,790
Capital expenditure	485,022	24,151	143,119	13,491	—	2,539	11,189	10,860	10,903	86,366	—	787,640



NOTES TO FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

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

2001

Group

	Brewery operations	Retail operations	Dairy operations	Expressway and toll road operations	Water treatment operations	Hotel operations	Tourism operations	Property construction and development	Telecom- munications and IT related services and products	Corporate and others	Eliminations	Consolidated
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue:												
Sales to external customers	2,020,167	1,916,821	947,230	314,354	321,751	136,676	160,770	79,363	135,886	194,264	—	6,227,282
Intersegment sales	—	—	—	—	—	—	—	—	—	2,993	(2,993)	—
Other revenue	23,627	33,700	48,750	6,351	—	3,882	1,458	3,705	28	10,600	—	132,101
Total	2,043,794	1,950,521	995,980	320,705	321,751	140,558	162,228	83,068	135,914	207,857	(2,993)	6,359,383
Segment results	209,461	61,984	88,647	222,111	158,680	14,293	23,337	(12,168)	17,608	(86,573)		697,380
Interest income												140,606
Unallocated revenue and gains												110,871
Unallocated expenses												(5,000)
Profit from operating activities												943,857
Finance costs												(251,416)
Share of profits and losses of:												
Jointly-controlled entities	(9,055)	(943)	17,978	—	—	—	—	—	—	—	—	7,980
Associates	—	222	—	—	—	—	—	—	195,054	6,195	—	201,471
Amortisation of goodwill arising on acquisition of jointly-controlled entities	(339)	(342)	—	—	—	—	—	—	—	—	—	(681)
Profit before tax												901,211
Tax												(167,736)
Profit before minority interests												733,475
Minority interests												(155,947)
Net profit from ordinary activities attributable to shareholders												577,528



4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

2001 (continued)

Group

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



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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments:

Group	Hong Kong		Mainland China		Overseas		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	23,169	13,708	6,847,209	6,151,320	141,320	62,254	—	—	7,011,698	6,227,282
Intersegment sales	—	—	2,992	2,993	—	—	(2,992)	(2,993)	—	—
Other revenue	16,092	17,935	201,961	114,048	—	118	—	—	218,053	132,101
Total	39,261	31,643	7,052,162	6,268,361	141,320	62,372	(2,992)	(2,993)	7,229,751	6,359,383
Other segment information:										
Segment assets	4,853,074	5,648,011	14,124,577	13,370,505	62,210	37,018	(3,590,704)	(3,810,054)	15,449,157	15,245,480
Share of net assets of:										
Jointly-controlled entities	—	471	1,067,492	570,514	—	—	—	—	1,067,492	570,985
Associates	4,942	2,177	334,923	378,541	—	—	—	—	339,865	380,718
Bank overdrafts included in segment assets	—	7,453	—	—	—	4,031	—	—	—	11,484
	4,858,016	5,658,112	15,526,992	14,319,560	62,210	41,049	(3,590,704)	(3,810,054)	16,856,514	16,208,667
Unallocated assets									560,197	449,163
Total assets									17,416,711	16,657,830
Capital expenditure	488	1,577	771,894	611,291	15,258	7,789	—	—	787,640	620,657



5. TURNOVER, OTHER REVENUE AND GAINS, NET

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

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

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover			
Brewery operations		2,422,130	2,020,167
Retail operations		1,928,209	1,916,821
Dairy operations		1,048,148	947,230
Expressway and toll road operations		378,226	314,354
Water treatment operations		372,951	321,751
Hotel operations		140,956	136,676
Tourism operations		102,582	160,770
Property construction and development		97,491	79,363
Telecommunications and IT related services and products		222,157	135,886
Corporate and others		298,848	194,264
		7,011,698	6,227,282
Other revenue			
Negative goodwill recognised as income		37,318	35,118
Rental income		42,220	17,549
Service income		14,712	—
Investment income		34,782	12,139
Exchange gains, net		—	700
Government subsidies		1,244	7,535
Corporate income tax and value-added tax refund		29,148	27,828
Sales of raw materials		18,477	9,161
Indemnification from a related company recognised	45	25,071	—
Operating concession fees waived by a related party	45(q)	9,544	—
Others		28,360	34,212
		240,876	144,242



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5. TURNOVER, OTHER REVENUE AND GAINS, NET *(continued)*

	Notes	2002 HK\$'000	2001 HK\$'000
Gains, net			
Gain on disposal of subsidiaries	40(c)	2,561	35,504
Gain on deemed disposal of interests in subsidiaries		—	1,510
Gain on partial disposal of interest in a subsidiary		—	3,271
Gain on disposal of long term investments		8,092	5,764
Gain on disposal of short term investments		2,509	46,478
Unrealised gain on revaluation of short term investments, net		—	6,203
Gain on disposal of fixed assets, net		2,182	—
		15,344	98,730
Other revenue and gains, net		256,220	242,972



6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	2002 HK\$'000	2001 HK\$'000
Depreciation	14	462,791	429,471
Amortisation of operating concessions*	15	89,982	72,055
Amortisation of management information systems*	15	1,887	315
Amortisation of goodwill**	16	13,445	2,981
Negative goodwill recognised as income***	16	(37,318)	(35,118)
Minimum lease payments under operating leases:			
Land and buildings		70,983	75,369
Leased lines		—	5,463
Auditors' remuneration		7,352	7,071
Staff costs (excluding directors' remuneration — note 8):			
Wages, salaries and staff welfare		626,464	478,612
Net pension contributions		73,468	45,873
		699,932	524,485
Impairment of fixed assets**	14	5,078	9,275
(Gain)/loss on disposal of fixed assets, net		(2,182)	2,295
Research and development expenditure		18,678	3,180
Less: Capitalised in deferred development costs		(15,840)	—
		2,838	3,180
Impairment of long term investments**		45,712	5,000
Unrealised (gain)/loss on revaluation of short term investments, net		10,100	(6,203)
Exchange (gains)/losses, net		532	(700)
Net rental income		(41,370)	(38,052)
Investment income:			
Listed		(737)	(2,345)
Unlisted		(34,045)	(9,794)

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

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

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



NOTES TO FINANCIAL STATEMENTS

31 December 2002

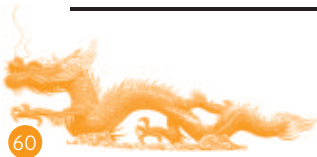
7. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on convertible bonds	1,628	—
Interest on bank loans and other loans wholly repayable within five years	206,273	235,774
Interest on other loans	11,997	16,047
Total finance costs	219,898	251,821
<i>Less: Interest capitalised</i>	—	(405)
	219,898	251,416

8. DIRECTORS' REMUNERATION

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive directors	—	—
Non-executive director	40	40
Independent non-executive directors	180	140
	220	180
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	10,067	9,472
Performance related bonuses	550	1,229
Pension scheme contributions	279	257
	10,896	10,958
	11,116	11,138



8. DIRECTORS' REMUNERATION (continued)

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

	2002	2001
	Number of	Number of
	directors	directors
Nil–HK\$1,000,000	13	13
HK\$1,000,001–HK\$1,500,000	1	1
HK\$1,500,001–HK\$2,000,000	—	—
HK\$2,000,001–HK\$2,500,000	2	2
HK\$2,500,001–HK\$3,000,000	1	1
	17	17

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

During the year, a total of 2,400,000 share options of Beijing Development (Hong Kong) Limited (“Beijing Development”), an indirectly owned subsidiary of the Company, were granted to two directors in respect of their services to Beijing Development Group, further details of which are set out in note 38 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors’ remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2001: four) directors. Details of the remuneration of the five highest paid employees are set out below:

	2002	2001
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	9,229	8,620
Performance related bonuses	340	1,029
Pension scheme contributions	291	278
	9,860	9,927



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9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	2002 Number of employees	2001 Number of employees
HK\$1,000,001–HK\$1,500,000	1	1
HK\$1,500,001–HK\$2,000,000	1	1
HK\$2,000,001–HK\$2,500,000	2	2
HK\$2,500,001–HK\$3,000,000	1	1
	5	5

10. TAX

	2002 HK\$'000	2001 HK\$'000
Group:		
The PRC		
— Hong Kong	710	515
— Mainland China	203,141	115,865
Overseas	1,062	225
Overprovision in prior years	(4,093)	—
Deferred — note 36	2,946	12,098
	203,766	128,703
Jointly-controlled entities:		
— Mainland China	12,722	5,897
Associates:		
— Mainland China	10,561	33,136
	227,049	167,736
Tax charge for the year	227,049	167,736

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. The income tax provision in respect of operations in Mainland China and overseas is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.



11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is approximately HK\$93,136,000 (2001: net profit of HK\$352,318,000).

12. DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
Interim — HK\$0.10 (2001: HK\$0.10) per ordinary share	62,250	62,250
Proposed final — HK\$0.18 (2001: HK\$0.18) per ordinary share	112,050	112,050
	174,300	174,300

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

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$410,238,000 (2001: HK\$577,528,000) and the weighted average of 622,500,000 (2001: 622,500,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2002 and 2001 have not been shown because the exercise of the outstanding share options of the Company during these years would not have a diluting effect on the earnings per share.

The convertible bonds of the Group were issued by Beijing Yanjing Brewery Company Limited ("Yanjing Brewery"), a subsidiary of the Company, which are convertible into ordinary shares of Yanjing Brewery, and hence, would not have a diluting effect on the earnings per share.



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14. FIXED ASSETS

Group

	Expressway and related structures HK\$'000	Land and buildings HK\$'000 <i>(Note f)</i>	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000 <i>(Note b)</i>	Investment and hotel properties HK\$'000 <i>(Note c)</i>	Total HK\$'000
Cost or valuation:									
At 1 January 2002	1,195,358	3,023,032	284,336	2,879,741	339,877	222,032	377,869	757,082	9,079,327
Acquisition of subsidiaries	—	169,247	36,242	489,189	5,767	15,569	3,127	—	719,141
Additions	—	62,225	13,402	151,393	55,283	39,303	442,766	12,138	776,510
Transfer from construction in progress	9,376	71,374	102	91,900	2,810	1,681	(177,243)	—	—
Disposals	—	(34,234)	(2,608)	(55,272)	(7,412)	(6,786)	(37,066)	(11,436)	(154,814)
Disposal of subsidiaries	—	(108,689)	(12,080)	(123,190)	(81,220)	(19,697)	(16,119)	(465,763)	(826,758)
Revaluation surplus, net	—	—	—	—	—	—	—	2,907	2,907
Reclassifications	—	(17,473)	—	29,580	(12,107)	—	—	—	—
Exchange realignment	203	454	42	491	55	37	64	92	1,438
At 31 December 2002	1,204,937	3,165,936	319,436	3,463,832	303,053	252,139	593,398	295,020	9,597,751
Comprising:									
At cost	1,204,937	3,165,936	319,436	3,463,832	303,053	252,139	593,398	—	9,302,731
At 2002 valuation	—	—	—	—	—	—	—	295,020	295,020
	1,204,937	3,165,936	319,436	3,463,832	303,053	252,139	593,398	295,020	9,597,751
Accumulated depreciation and impairment:									
At 1 January 2002	88,148	472,823	179,618	1,114,011	146,971	96,005	—	—	2,097,576
Acquisition of subsidiaries	—	57,935	26,642	156,444	2,187	9,100	—	—	252,308
Depreciation provided for the year	23,808	63,717	44,607	258,367	45,343	26,949	—	—	462,791
Provision for impairment	—	—	—	—	—	—	5,078	—	5,078
Disposals	—	(28,552)	(1,124)	(36,653)	(6,146)	(4,392)	—	—	(76,867)
Disposal of subsidiaries	—	(13,285)	(1,689)	(72,100)	(42,242)	(9,709)	(5,078)	—	(144,103)
Reclassifications	—	(17,052)	—	21,597	(4,545)	—	—	—	—
Exchange realignment	14	56	24	190	23	15	—	—	322
At 31 December 2002	111,970	535,642	248,078	1,441,856	141,591	117,968	—	—	2,597,105
Net book value:									
At 31 December 2002	1,092,967	2,630,294	71,358	2,021,976	161,462	134,171	593,398	295,020	7,000,646
At 31 December 2001	1,107,210	2,550,209	104,718	1,765,730	192,906	126,027	377,869	757,082	6,981,751



14. FIXED ASSETS (continued)

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

Group	Hong Kong	Elsewhere	Total
	HK\$'000	HK\$'000	HK\$'000
Long term leases	145,905	—	145,905
Medium term leases	56,840	4,463,148	4,519,988
	202,745	4,463,148	4,665,893

(b) Construction in progress

Construction in progress represents the following major projects which remained incomplete as at 31 December 2002:

Group	Expected year	HK\$'000
Name of project	of completion	
Wangfujing Beixia	2003	186,750
Brewery production plants	2003–2004	331,461
Other projects	Various	75,187
		593,398

(c) Investment and hotel properties

Group	Investment	Hotel	Total
	properties	properties	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	273,738	483,344	757,082
Additions	12,138	—	12,138
Disposals	(2,965)	(8,471)	(11,436)
Disposal of subsidiaries	—	(465,763)	(465,763)
Revaluation surplus/(deficit), net	(5,661)	8,568	2,907
Exchange realignment	11	81	92
At 31 December 2002	277,261	17,759	295,020



14. FIXED ASSETS *(continued)*

- (d)** Certain of the above land and buildings, plant and machinery, investment and hotel properties with an aggregate net book value at the balance sheet date of HK\$512,629,000 (2001: HK\$501,996,000) were pledged to secure certain bank and other loans granted to the Group (*note 33*).
- (e)** At 31 December 2002, the investment and hotel properties were revalued by DTZ Debenham Tie Leung Limited, CB Richard Ellis Limited and American Appraisal Hongkong Limited, independent professionally qualified valuers. The investment properties were revalued on an open market income capitalisation basis or an open market value basis using the Direct Comparison Method or the Depreciated Replacement Cost Approach. The hotel properties were revalued on an open or a fair market income capitalisation basis.
- (f)** Certain land and buildings of the Group and the Company were reclassified from investment properties during the year ended 31 December 2000 at the then carrying amount of HK\$41,000,000, as valued on 31 December 1999 by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer, on an open market value basis.
- (g)** Had the carrying values of the Group's revalued hotel properties and land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been HK\$21,506,000 (2001: HK\$350,239,000) and HK\$37,152,000 (2001: HK\$38,053,000), respectively.
- (h)** The investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements. The gross rental income received and receivable by the Group in respect of these investment properties amounted to HK\$20,598,000 (2001: HK\$20,291,000) for the year.



14. FIXED ASSETS (continued)**Company**

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Investment properties	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:						
At 1 January 2002	41,000	9,239	4,386	940	142,000	197,565
Additions	—	—	247	—	—	247
Disposals	—	—	(25)	—	—	(25)
Revaluation deficit	—	—	—	—	(8,000)	(8,000)
At 31 December 2002	41,000	9,239	4,608	940	134,000	189,787
Comprising:						
At cost	41,000	9,239	4,608	940	—	55,787
At 2002 valuation	—	—	—	—	134,000	134,000
	41,000	9,239	4,608	940	134,000	189,787
Accumulated depreciation:						
At 1 January 2002	660	7,500	3,244	724	—	12,128
Provided for the year	932	1,510	784	151	—	3,377
Disposals	—	—	(24)	—	—	(24)
At 31 December 2002	1,592	9,010	4,004	875	—	15,481
Net book value:						
At 31 December 2002	39,408	229	604	65	134,000	174,306
At 31 December 2001	40,340	1,739	1,142	216	142,000	185,437

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



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15. INTANGIBLE ASSETS

Group

	Operating concessions	Management information systems	Deferred development costs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Note a)</i>		<i>(Note b)</i>	
Cost:				
At 1 January 2002	1,469,369	18,868	—	1,488,237
Acquisition of a subsidiary	614,313	—	—	614,313
Additions	—	—	11,130	11,130
Disposal of a subsidiary	(56,523)	—	—	(56,523)
Exchange realignment	162	—	—	162
At 31 December 2002	2,027,321	18,868	11,130	2,057,319
Accumulated amortisation:				
At 1 January 2002	216,166	315	—	216,481
Provided for the year	89,982	1,887	—	91,869
Disposal of a subsidiary	(5,652)	—	—	(5,652)
Exchange realignment	38	—	—	38
At 31 December 2002	300,534	2,202	—	302,736
Net book value:				
At 31 December 2002	1,726,787	16,666	11,130	1,754,583
At 31 December 2001	1,253,203	18,553	—	1,271,756



15. INTANGIBLE ASSETS (continued)**(a) Operating concessions**

- (i) Pursuant to a concession agreement dated 17 June 1998 entered into between Beijing Long Qing Xia Tourism Development Co., Ltd. (“LQX Tourism”) and 延慶龍慶峽管理處 (“LQX Management”), LQX Tourism acquired at a consideration of RMB60 million an operating right from LQX Management to sell entrance tickets and provide tourism services in Longqingxia, a scenic area in Beijing, for a period of 40 years commencing on 19 August 1998. An additional concession fee is payable as determined by reference to the turnover of LQX Tourism for an accounting year based on the following progressive rates:

Turnover	Concession fee rate
The portion exceeds RMB35 million but less than RMB70 million, inclusive	20%
The portion exceeds RMB70 million but less than RMB100 million, inclusive	30%
The portion exceeds RMB100 million	40%

LQX Tourism was a 75% indirectly owned subsidiary of the Company and whole of the Company’s equity interest in LQX Tourism was transferred, as part of the Group’s capital contribution, to Beijing Tourism Development Company Limited (“BJ Tourism Development”), a jointly-controlled entity, in November 2002, further details of which are set out in note 45(w) to the financial statements. Accordingly, the operation concession was transferred to BJ Tourism Development Group thereafter.

- (ii) Pursuant to a concession agreement dated 13 July 1998 entered into between the Company and 北京市自來水公司 (“Beijing Water”), the Company acquired at a consideration of RMB1.5 billion an operating right from Beijing Water to operate a water purification and treatment plant No. 9 Phase I in Beijing and sell purified water, for a period of 20 years commencing on 24 November 1998. Beijing Water has guaranteed the Company a net cash inflow of RMB210 million from the water purification and treatment business for each of the year in the concession period. The concession right so granted was subsequently transferred by the Company to Beijing Bei Kong Water Production Co., Ltd., a wholly owned subsidiary set up by the Company for the purpose of holding this concession right and engaging the water purification and treatment business.
- (iii) Pursuant to a cooperative joint venture agreement dated 18 July 2001 entered into between Hong Kong Zhong Ji Facility Investment Co. Ltd. (“Zhong Ji”), a 96.5% indirectly owned subsidiary of the Company acquired during the year, and 深圳市石觀公路有限公司 (“Shiguan Road Limited”) for the establishment of Shenzhen Guanshun Road & Bridge Co., Ltd. (“Shenzhen Guanshun”), a 53.08% indirectly owned subsidiary of the Company, and as approved by relevant government authorities, Shiguan Road Limited transferred to Shenzhen Guanshun at a total consideration of RMB652 million a right to operate the Shenzhen Shiguan Road and Bridge, which is located in Shenzhen Municipality, the PRC, for a period of 20 years commencing on 12 April 2002.



15. INTANGIBLE ASSETS *(continued)*

(b) Deferred development costs

A government assistance of HK\$4,710,000 was received from a PRC government authority during the year in relation to a technology development project undertaken by the Group and was accounted for as a deduction in arriving at the carrying value of deferred development costs.

16. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries and minority interests, are as follows:

Group

	Goodwill	Negative goodwill
	HK\$'000	HK\$'000
<hr/>		
Cost:		
At 1 January 2002	129,469	(81,466)
Acquisition of subsidiaries <i>(note 40(b))</i>	42,256	(5,445)
Acquisition of minority interests	—	(412)
Exchange realignment	—	(14)
	<hr/>	
At 31 December 2002	171,725	(87,337)
<hr/>		
Accumulated amortisation/(recognition as income):		
At 1 January 2002	2,981	(35,118)
Amortisation provided/(recognised as income) for the year	13,445	(37,318)
Exchange realignment	—	(7)
	<hr/>	
At 31 December 2002	16,426	(72,443)
<hr/>		
Net book value:		
At 31 December 2002	155,299	(14,894)
<hr/>		
At 31 December 2001	126,488	(46,348)
<hr/>		



16. GOODWILL AND NEGATIVE GOODWILL (continued)

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 which permitted 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 as at 31 December 2002, arising from the acquisition of subsidiaries prior to 1 January 2001, are as follows:

Group	Goodwill eliminated against consolidated capital reserve	Negative goodwill credited to consolidated capital reserve
	HK\$'000	HK\$'000
Cost:		
At 1 January 2002	551,873	(756,635)
Reclassification to interests in jointly-controlled entities upon disposal of subsidiaries — <i>note 18</i>	(121,850)	—
At 31 December 2002	430,023	(756,635)
Accumulated impairment:		
At 1 January and 31 December 2002	—	—
Net amount:		
At 31 December 2002	430,023	(756,635)
At 31 December 2001	551,873	(756,635)



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17. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	3,970,343	3,764,724
Due from subsidiaries	2,182,269	2,291,313
Loans to a subsidiary	20,255	200,226
Due to subsidiaries	(390,511)	(382,808)
	5,782,356	5,873,455
Less: Provision for impairment	(92,035)	(55,000)
	5,690,321	5,818,455

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The loan to a subsidiary as at 31 December 2002 is unsecured, bears interest at prevailing market rate of bank loans with similar tenure and is repayable in 2003.

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 attributable equity interest held by		Principal activities
			Company	Group	
Beijing Yanjing Brewery Company Limited*	The PRC/ Mainland China	Ordinary RMB667,424,500	—	55.45	Production and sale of beer
燕京啤酒(包頭雪鹿) 股份有限公司 (Baotou Yanjing Brewery Company Limited)	The PRC/ Mainland China	RMB128,543,384	—	28.6 [†]	Production and sale of beer
北京燕京(桂林漓泉) 股份有限公司 (Beijing Yanjing (Guilin Liquan) Company Limited) [§]	The PRC/ Mainland China	RMB99,000,000	—	37.75 [†]	Production and sale of beer
燕京啤酒(赤峰)有限責任公司 (Yanjing Brewery (Chifeng) Company Limited)	The PRC/ Mainland China	RMB83,070,200	—	48.15 [†]	Production and sale of beer



17. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and operations	Issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by Company	Group	Principal activities
燕京啤酒(贛州)有限責任公司 (Yanjing Brewery (Ganzhou) Company Limited)	The PRC/ Mainland China	RMB86,880,000	—	33.5 [†]	Production and sale of beer
燕京啤酒(衡陽)有限責任公司 (Yanjing Brewery (Hengyang) Company Limited)	The PRC/ Mainland China	RMB180,660,000	—	51.99	Production and sale of beer
湖南燕京啤酒有限公司 (Hunan Yanjing Brewery Company Limited)	The PRC/ Mainland China	RMB95,000,000	—	49.62 [†]	Production and sale of beer
江西燕京啤酒有限責任公司 (Jiangxi Yanjing Brewery Company Limited)	The PRC/ Mainland China	RMB129,511,385	—	42.1 [†]	Production and sale of beer
燕京啤酒(萊州)有限公司 (Yanjing Brewery (Laizhou) Company Limited)	The PRC/ Mainland China	RMB187,053,800	—	69	Production and sale of beer
燕京啤酒(山東無名) 股份有限公司 (Yanjing Brewery (Shandong Wuming) Company Limited)	The PRC/ Mainland China	RMB83,499,643	—	30.91 [†]	Production and sale of beer
燕京啤酒(襄樊)股份有限公司 (Yanjing Brewery (Xiangfan) Company Limited)	The PRC/ Mainland China	RMB80,700,000	—	52.71	Production and sale of beer
福建燕京啤酒有限公司 (Fujian Yanjing Brewery Company Limited) ^δ	The PRC/ Mainland China	RMB50,000,000	—	49.91 [†]	Production and sale of beer
Beijing Wangfujing Department Store (Group) Co., Ltd. ("Wangfujing") [#]	The PRC/ Mainland China	Ordinary RMB392,973,026	—	50.1	Department store operations
成都王府井百貨有限公司 (Chengdu Wang Fu Jing Department Store Co., Ltd.)	The PRC/ Mainland China	RMB50,000,000	—	35.07 [†]	Department store operations



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17. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration/ and operations	Issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
廣州王府井百貨大樓 有限責任公司 (Guangzhou Wangfujing Department Store Company Limited)	The PRC/ Mainland China	RMB10,000,000	—	49.60 [†]	Department store operations
武漢王府井百貨有限責任公司 (Wuhan Wangfujing Department Store Company Limited) ^δ	The PRC/ Mainland China	RMB10,000,000	—	30.06 [†]	Department store operations
包頭王府井百貨有限責任公司 (Baotou Wangfujing Department Store Co., Ltd.) ^δ	The PRC/ Mainland China	RMB10,000,000	—	50.08	Department store operations
Beijing San Yuan Foods Co., Ltd. ("San Yuan")	The PRC/ Mainland China	RMB485,000,000	—	74.77	Production and sale of dairy products
呼倫貝爾三元乳業有限責任公司 (Hu Lun Bei Er San Yuan Dairy Company Limited)	The PRC/ Mainland China	RMB41,249,861	—	48.60 [†]	Production and sale of dairy products
Beijing Capital Expressway Development Co., Ltd.	The PRC/ Mainland China	US\$64,053,700	—	96	Operation of an expressway
Shenzhen Guanshun Road & Bridge Co., Ltd. ^δ	The PRC/ Mainland China	RMB217,500,000	—	53.08	Operation of a toll road
Beijing Bei Kong Water Production Co., Ltd.	The PRC/ Mainland China	US\$1,000,000	100	100	Operation of a water treatment plant
北京宏業房地產開發公司 (Beijing Hongye Real Estate Development Co.)	The PRC/ Mainland China	RMB30,000,000	—	50 [†]	Property investment and development
北京三元嘉銘房地產 開發有限公司 (Beijing San Yuan Jia Ming Property Development Company Limited)	The PRC/ Mainland China	RMB30,000,000	—	56.08	Property development



17. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration/ and operations	Issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Beijing Maglev Technology Development Co., Ltd	The PRC/ Mainland China	RMB80,000,000/ RMB100,000,000	51	59.7	Research and development of magnetic levitation technology and provision of related services
Beijing Development (Hong Kong) Limited ^π	Hong Kong	HK\$446,258,750	—	53.93	Investment holding
Becom Software Co., Ltd.	The PRC/ Mainland China	RMB50,000,000	—	32.36 [†]	Provision of management information system services
Beijing Enterprises Teletron Information Technology Co., Ltd.	The PRC/ Mainland China	RMB65,000,000	—	53.93	Construction of information networks, provision of IT technical support and consultation services, and trading of IT products
Human Education Information Service Co., Ltd. ^δ	The PRC/ Mainland China	RMB10,000,000	—	32.36 [†]	Construction of information networks, provision of IT technical support
Beijing Enterprises Holdings High-Tech Development Co., Ltd.	The PRC/ Mainland China	US\$30,000,000	80	80	Investment holding
Beijing Enterprises Holdings Investment Management Co., Ltd.	The PRC/ Mainland China	HK\$61,100,000	100	100	Provision of management and consultancy services



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17. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and operations	Issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
北京豐收葡萄酒有限公司 (Beijing Feng Shou Winery Co., Ltd.)	The PRC/ Mainland China	US\$2,700,000	51	51	Production and sale of wine
北京順興葡萄酒有限公司 (Beijing Shun Xing Wine Co., Ltd.)	The PRC/ Mainland China	RMB11,880,000	51	51	Production and sale of wine
Beijing Western-Style Food Co., Ltd.	The PRC/ Mainland China	RMB15,750,000	—	95	Processing and sale of food products
北京發展物業投資管理有限公司 (Beijing Development Property Investment and Management Co., Ltd.)	The PRC/ Mainland China	US\$4,000,000	—	46.11 [†]	Property investment
Beijing Enterprises (Properties) Limited	British Virgin Islands/ Hong Kong	Ordinary US\$160	100	100	Property investment
Helken Industries Limited	Hong Kong	Ordinary HK\$2	100	100	Property investment
北京燕京中發生物技術有限公司 (Beijing Yanjing Zhong Fa Biochemical Technology Company Limited)	The PRC/ Mainland China	RMB40,000,000	—	44.36 [†]	Production and sale of biochemical products

[†] These entities are accounted for as subsidiaries by virtue of control over the entities.

^{*} Shares of Yanjing Brewery are listed on the Shenzhen Stock Exchange. The shares in Yanjing Brewery held by the Group are legal person shares and cannot be traded on any stock exchange.

[#] Shares of Wangfujing are 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 cannot be traded on any stock exchange.

^π Shares of Beijing Development are listed on the Stock Exchange.

^δ 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		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	—	—	28,286	—
Share of net assets	1,067,492	570,985	—	—
Goodwill on acquisition	22,381	19,717	—	—
Due from jointly-controlled entities	10,023	8,754	—	—
Due to jointly-controlled entities	(51,900)	(4,004)	—	—
	1,047,996	595,452	28,286	—

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 2002	20,398
Acquisition of jointly-controlled entities	7,358
Exchange realignment	5
At 31 December 2002	27,761
Accumulated amortisation:	
At 1 January 2002	681
Amortisation provided for the year	4,699
At 31 December 2002	5,380
Net book value:	
At 31 December 2002	22,381
At 31 December 2001	19,717



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18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 which permitted 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 jointly-controlled entities prior to 1 January 2001, is as follows:

Group

	Goodwill eliminated against consolidated capital reserve
	HK\$'000
Cost:	
At 1 January 2002	—
Reclassification from goodwill and negative goodwill upon disposal of subsidiaries — <i>note 16</i>	121,850
At 31 December 2002	121,850
Accumulated impairment:	
At 1 January and 31 December 2002	—
Net amount:	
At 31 December 2002	121,850
At 31 December 2001	—

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

The Group's trade receivable balances due from the jointly-controlled entities are disclosed in note 26 to the financial statements.



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	
燕京啤酒(曲阜三孔) 有限責任公司 (Yanjing Beer (Qu Fu Sankong) Co., Ltd.)	Corporate	The PRC/ Mainland China	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/ Mainland China	US\$20,800,000	37.39	50	50	Provision of fast food services
Beijing Tourism Development Company Limited ^δ	Corporate	Cayman Islands	HK\$10,000	40	44.4	40	Investment holding
Jian Guo Hotel Joint Venture of Beijing ("Jian Guo Hotel") [#]	Corporate	The PRC/ Mainland China	US\$23,000,000	20.2	50.5	50.5	Hotel operations
Beijing Badaling Tourism Co., Ltd. ("Badaling Tourism") [#]	Corporate	The PRC/ Mainland China	RMB286,000,000	30	75	75	Operation of tourism businesses and hotel operations
Beijing Long Qing Xia Tourism Development Co., Ltd. [#]	Corporate	The PRC/ Mainland China	RMB120,000,000	30	75	75	Operation of tourism businesses
北京王府井百貨商業物業管理有限公司 (Beijing Wang Fu Jing Retail Management Company Limited)	Corporate	The PRC/ Mainland China	US\$59,600,000	25.05	50	50	Provision of retail management services
北京雙安商場有限責任公司 (Shuang An Department Store Company Limited)	Corporate	The PRC/ Mainland China	RMB280,000,000	25.05	42.9	50	Department store operations
中關村國際商城發展有限公司 (Zhong Guan Cun Universal Mall Department)	Corporate	The PRC/ Mainland China	RMB100,000,000	26.05	50	52	Property development
北京秦昌玻璃有限公司 (Beijing Qin Chang Glass Company Limited) ^{† δ}	Corporate	The PRC/ Mainland China	RMB100,000,000	30	28.6	30	Production and sale of flat glasses



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31 December 2002

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

[#] These companies are accounted for as jointly-controlled entities of the Company instead of subsidiaries as previously did after the Group has disposed substantially all of its hotel and tourism operations to BJ Tourism Development, a jointly-controlled entity of the Company, during the year, further details of which are set out in note 45(w) to the financial statements.

[†] Except for this directly held jointly-controlled entity, all of the other jointly-controlled entities are indirectly held by the Company.

[§] Acquired/incorporated during the year.

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.

The following is a condensed summary of additional financial information of Jian Guo Hotel, Badaling Tourism and LQX Tourism, which became jointly-controlled entities of the Group during the year as mentioned above:

	Jian Guo Hotel		Badaling Tourism		LQX Tourism	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS						
Turnover	107,967	107,712	91,047	154,058	42,257	35,676
Profit before tax	12,828	14,547	34,807	16,662	10,640	4,441
Profit after tax	8,121	11,296	16,605	16,662	6,572	2,567
Share of profit after tax attributable to the Group*	4,101	5,704	12,454	12,497	4,929	1,925

* Operating results of Jian Guo Hotel, Badaling Tourism and LQX Tourism were consolidated to the financial statements of the Group for the years ended 31 December 2002 and 2001 until they became jointly-controlled entities of the Group in December 2002.



18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

	Jian Guo Hotel		Badaling Tourism		LQX Tourism	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES						
Fixed assets	272,084	272,749	360,023	379,376	39,615	37,961
Operating concession	—	—	—	—	50,871	52,276
Other non-current assets	2,561	2,355	29,821	2,594	—	—
Current assets	50,351	39,369	90,724	112,688	37,936	38,624
Current liabilities	(26,063)	(21,484)	(160,153)	(171,245)	(9,940)	(4,910)
Non-current liabilities	—	—	(20,725)	(39,560)	—	—
Net assets	298,933	292,989	299,690	283,853	118,482	123,951
Share of net assets attributable to the Group	150,961	147,959	224,767	212,890	88,862	92,963

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	—	—	141,742	113,473
Share of net assets	339,865	380,718	—	—
Due from associates	63,808	36,053	—	1,778
Loans to associates	—	176,070	—	141,285
Due to an associate	(317)	—	—	—
	403,356	592,841	141,742	256,536

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 which permitted 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 on the acquisition of associates prior to 1 January 2001, was HK\$224,569,000 as at 1 January and 31 December 2002. The amount of goodwill is stated at cost.



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19. INTERESTS IN ASSOCIATES (continued)

The loans to associates in the prior year were unsecured and included an interest-free loan of HK\$34,785,000 and a loan of HK\$141,285,000, which bore 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/ Mainland China	US\$45,520,000	40	33.3	40	Production and sale of telecommunications products
Beijing Peking University WBL Biotech Co., Ltd. [†]	Corporate	The PRC/ Mainland China	RMB80,000,000	26.55	22.2	26.55	Production and sale of healthcare products
中生北控生物科技股份有限公司 (Zhongsheng Beikong Bio-Technology Company Limited)	Corporate	The PRC/ Mainland China	RMB70,017,528	28	33.3	35	Production and sale of pharmaceutical products
北京市政交通一卡通有限公司 (Beijing Municipal Administration & Communications Card Co., Ltd.)	Corporate	The PRC/ Mainland China	RMB50,000,000	38	22.2	38	Development and operation of smart card system
北京机电院高技术股份有限公司 (BMEI Co., Ltd.) ^δ	Corporate	The PRC/ Mainland China	RMB130,000,000	40	36.4	40	Production and sale of mechanical and electrical equipment

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

^δ Incorporated during the year.

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.



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	
	2002	2001
	HK\$'000	HK\$'000
RESULTS		
Turnover	1,438,277	3,828,029
Profit before tax	109,900	487,634
Profit after tax	88,520	407,725
Share of profit after tax attributable to the Group	35,408	163,090
	31 December	
	2002	2001
	HK\$'000	HK\$'000
ASSETS AND LIABILITIES		
Fixed assets	228,965	213,700
Other non-current assets	375,064	464,714
Current assets	1,516,514	2,679,144
Current liabilities	(1,711,187)	(2,652,129)
Non-current liabilities	(9,710)	(22,816)
Net assets	399,646	682,613
Share of net assets attributable to the Group	159,858	273,045



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20. PLEDGED BANK BALANCES AND TIME DEPOSITS

	Group	
	2002 HK\$'000	2001 HK\$'000
Pledged bank balances	27,673	15,937
Pledged time deposits	45,082	24,634
	72,755	40,571
<i>Less: Portion classified as current assets</i>	(62,854)	(29,719)
Long term portion	9,901	10,852

- (i) Short term pledged time deposits of HK\$44,116,000 (2001: HK\$24,634,000) and a short term pledged balance of HK\$5,085,000 in the prior year were pledged to banks to secure certain short term bank loans granted to the Group.
- (ii) A long term pledged bank balance of HK\$9,901,000 (2001: HK\$10,852,000) and short term pledged bank balances of HK\$17,772,000 (2001: Nil) were pledged to banks as securities for mortgage loans granted to certain purchasers of the Group's properties held for sale.
- (iii) Short term pledged time deposits of HK\$966,000 (2001: Nil) were pledged as guarantees for tenders and contracts.

21. LONG TERM INVESTMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Listed equity investments in Hong Kong, at cost	52,100	20,100	20,100	20,100
Unlisted equity investments, at cost	376,045	316,690	82,176	82,176
	428,145	336,790	102,276	102,276
<i>Less: Provision for impairment</i>	(78,016)	(32,304)	(17,600)	(15,100)
	350,129	304,486	84,676	87,176
Market value of listed investments	18,100	1,480	650	1,480

The market values of the Group's and the Company's long term listed equity investments at the date of approval of these financial statements were HK\$3,050,000 and HK\$650,000, respectively.



22. SHORT TERM INVESTMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Listed equity investments, at market value:				
Hong Kong	11,815	30,629	11,616	29,645
Elsewhere	7,154	14,191	—	—
	18,969	44,820	11,616	29,645
Unlisted equity investments in				
Mainland China, at fair value	1,074	—	—	—
Unlisted fund in elsewhere, at fair value	27,239	—	27,239	—
	47,282	44,820	38,855	29,645

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\$15,595,000 and HK\$15,360,000, 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\$94,459,000 (2001: 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\$11,527,000 (2001: HK\$11,587,000) were pledged to secure certain bank and other loans granted to the Group (*note 33*).

24. PROPERTIES UNDER DEVELOPMENT

	Group	
	2002 HK\$'000	2001 HK\$'000
At cost	296,537	141,303
Less: Portion classified as current assets	(174,735)	—
Long term portion	121,802	141,303



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25. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	741,820	697,964
Work in progress	65,826	60,875
Finished goods	110,025	117,586
Trading stocks	54,137	66,543
	971,808	942,968

At 31 December 2002, none of the inventories was carried at net realisable value (2001: HK\$23,874,000).

26. TRADE RECEIVABLES

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

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

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	499,457	458,626	1,872	8,500
One to two years	66,518	32,367	—	9,098
Two to three years	5,754	1,987	—	—
Over three years	110	—	—	—
	571,839	492,980	1,872	17,598

Included in the Group's trade receivables as at the balance sheet date are amounts of HK\$23,722,000 (2001: HK\$2,096,000) due from jointly-controlled entities arising from transactions carried out in the ordinary course of business of the Group. The balance with jointly-controlled entities are unsecured, interest-free and are repayable within similar credit periods offered by the Group to its major customers.



27. OTHER RECEIVABLES

	Note	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Prepayments		36,304	31,086	3,506	3,332
Deposits and other debtors		512,440	415,607	26,632	9,688
Due from related companies	28	118,565	38,444	15,284	—
Due from holding companies	28	6,396	4,263	—	—
		673,705	489,400	45,422	13,020
<i>Less: Portion classified as current assets</i>		(673,705)	(482,402)	(45,422)	(13,020)
Long term portion		—	6,998	—	—

The long term portion of other receivables in the prior year represented an amount due from 北京燕京啤酒集團公司 (Beijing Yanjing Beer Group Company) ("Yanjing Beer Group"), a related company which has beneficial interests in Yanjing Brewery, in respect of a certain refund of marketing subsidies to the Group, which is receivable on 31 December 2003.

Included in the Group's deposits and other debtors as at the balance sheet date is an amount of HK\$28,752,000 (2001: Nil) paid in advance to a related company arising from purchases of raw materials carried out in the ordinary course of business of the Group. The balance with the related company is unsecured and interest-free.

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.



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29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	2,012,703	1,874,474	8,092	7,757
Time deposits	1,660,335	2,197,806	703,672	767,568
	3,673,038	4,072,280	711,764	775,325
Less: Pledged bank balances and time deposits — note 20	(72,755)	(40,571)	—	—
	3,600,283	4,031,709	711,764	775,325

30. TRADE PAYABLES

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	561,721	381,294
One to two years	52,186	3,057
Two to three years	4,786	2,930
Over three years	14,159	18,079
	632,852	405,360

Included in the Group's trade payables are amounts of HK\$92,410,000 (2001: 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 similar credit periods offered by the related companies to their major customers.



31. TAXES PAYABLE

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income/profits tax	71,296	36,322	—	—
Consumption tax	52,210	47,398	—	—
Value-added tax	90,347	72,738	—	—
Business tax	18,041	15,076	—	1,275
Others	9,525	23,081	8,083	8,082
	241,419	194,615	8,083	9,357

32. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals		164,953	137,350	—	25,921
Other liabilities		600,108	666,048	24,023	—
Due to related companies	28	233,273	205,940	23,183	7,023
Due to holding companies	28	8,596	25,078	8,596	25,078
		1,006,930	1,034,416	55,802	58,022



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33. BANK AND OTHER BORROWINGS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts, secured	—	11,484	—	—
Bank loans:				
Secured	507,630	260,413	—	—
Unsecured	3,309,677	4,137,399	1,400,850	1,401,840
	3,817,307	4,397,812	1,400,850	1,401,840
Other loans, unsecured	431,032	284,552	—	—
Total bank and other loans	4,248,339	4,693,848	1,400,850	1,401,840
Bank overdrafts repayable within one year or on demand	—	11,484	—	—
Bank loans repayable:				
Within one year	1,659,030	2,750,160	—	—
In the second year	694,190	127,857	—	—
In the third to fifth years, inclusive	1,451,010	1,488,405	1,400,850	1,401,840
Beyond five years	13,077	31,390	—	—
	3,817,307	4,397,812	1,400,850	1,401,840
Other loans repayable:				
Within one year	120,859	94,791	—	—
In the second year	45,635	31,867	—	—
In the third to fifth years, inclusive	109,319	95,729	—	—
Beyond five years	155,219	62,165	—	—
	431,032	284,552	—	—
Total bank and other loans	4,248,339	4,693,848	1,400,850	1,401,840
Less: Portion classified as current liabilities	(1,779,889)	(2,856,435)	—	—
Long term portion	2,468,450	1,837,413	1,400,850	1,401,840



33. BANK AND OTHER BORROWINGS *(continued)*

- (a) The other loans include interest-free loans of HK\$223,371,000 (2001: Nil) and HK\$3,961,000 (2001: HK\$4,047,000) from related companies and a third party, respectively. The remaining other loans of HK\$203,700,000 (2001: HK\$280,505,000) bear interest at rates ranging from 5% to 7% (2001: 6% to 7%) per annum.
- (b) HK\$349,985,000 (2001: HK\$208,206,000) of the Group's unsecured bank loans at the balance sheet date were guaranteed by a Beijing Municipal Government department, the joint venture partners of certain of the Group's PRC subsidiaries or their associates and two independent third parties.
- (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\$512,629,000 (2001: HK\$501,996,000).
 - (ii) Mortgages over certain of the Group's properties held for sale with an aggregate carrying amount at the balance sheet date of HK\$11,527,000 (2001: HK\$11,587,000).
 - (iii) Mortgages over certain of the Group's bank balances and time deposits at the balance sheet date of HK\$44,116,000 in aggregate (2001: HK\$29,719,000).

34. CONVERTIBLE BONDS

On 16 October 2002, Yanjing Brewery, a subsidiary held indirectly as to 55.45% by the Company, issued at face value 5-year 1.2% convertible bonds (the "Convertible Bonds") in an aggregate principal amount of RMB700,000,000 with a face value of RMB100 each.

The Convertible Bonds are convertible, at the option of the bondholders, into fully-paid ordinary shares of Yanjing Brewery at a conversion price of RMB10.49 per share, subject to adjustments in certain events. The conversion period for the Convertible Bonds is from 16 October 2003 to 16 October 2007 (the "Conversion Period"), both days inclusive. Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds are redeemable at face value at the end of the Conversion Period, together with any accrued interest.



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34. CONVERTIBLE BONDS (continued)

Yanjing Brewery has the right to redeem the Convertible Bonds, in whole or in part, during the Conversion Period, at a redemption price of RMB102 each, subject to adjustments in certain events, when the closing price of ordinary shares of Yanjing Brewery is higher than the then conversion price of the Convertible Bonds by more than 30% in 20 consecutive days. On the other hand, the bondholders have the right to have Yanjing Brewery to redeem the Convertible Bonds at redemption price, subject to adjustments in certain events, when the closing price of ordinary shares of Yanjing Brewery is lower than the then conversion price of the Convertible Bonds by more than 30% in 20 consecutive days.

The Convertible Bonds are guaranteed by the Company, which has been approved by shareholders of the Company in an extraordinary general meeting held on 11 April 2002. Yanjing Beer Group, which has beneficial interests in Yanjing Brewery, has undertaken to counter 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.

35. OTHER LONG TERM LIABILITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Pension and related liabilities	14,131	18,838
Others	49,165	9,166
	63,296	28,004

36. DEFERRED TAX

	Group	
	2002	2001
	HK\$'000	HK\$'000
At 1 January	18,558	6,461
Charge for the year — note 10	2,946	12,098
Exchange realignment	3	(1)
At 31 December	21,507	18,558



36. DEFERRED TAX (continued)

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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowances	21,507	18,558	—	—
Tax losses	—	—	(15,581)	(14,748)
	21,507	18,558	(15,581)	(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.

37. SHARE CAPITAL

	Company	
	2002 HK\$'000	2001 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

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements. No share options were granted or exercised during the year.



38. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading “Employee benefits” in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company’s share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The directors of the Company may, at their discretion, invite employees, including executive directors, of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK\$1 per grant of options. The Scheme became effective on 16 May 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme (the “Maximum Number”) is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. No option may be granted to any one person which if exercised in full would result in the total number of ordinary shares of the Company issued and issuable to him/her under all the options previously granted to him/her and the said option exceeding 25% of the Maximum Number. At 31 December 2002, the number of shares issuable under share options granted under the Scheme was 17,550,000, which represented approximately 2.8% of the Company’s shares in issue as at that date.

An option may not be transferred and is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part.

The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of an ordinary share; and (ii) 80% of the average of the closing prices of the Company’s ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option.



38. SHARE OPTION SCHEME (continued)**The Company** (continued)

The following share options were outstanding under the Scheme as at 31 December 2002:

	Number of options held			
	<i>Note (a)</i>		<i>Note (b)</i>	
	2002	2001	2002	2001
Directors:				
Mr. Hu Zhao Guang	400,000	400,000	3,600,000	3,600,000
Mr. Bai Jin Rong	—	240,000	—	2,160,000
Mr. Xing Chun Hua	240,000	240,000	2,160,000	2,160,000
Mr. Zheng Wan He	200,000	200,000	1,800,000	1,800,000
Mr. Wei En Hong	200,000	200,000	1,800,000	1,800,000
Mr. Li Fu Cheng	200,000	200,000	1,800,000	1,800,000
Mr. Li Zhong Gen	200,000	200,000	1,800,000	1,800,000
	1,440,000	1,680,000	12,960,000	15,120,000
Employees in aggregate	320,000	320,000	2,830,000	2,830,000
	1,760,000	2,000,000	15,790,000	17,950,000

Notes:

- (a) These options were granted on 3 March 1998, at an exercise price per share of HK\$17.03. The cash consideration paid by each director and employee for the options granted was HK\$1 per grant of options. The options may be exercised at any time in the next 10 years commencing on 1 September 1998. No such options were exercised during the year.
- (b) These options were granted on 23 June 1998 at an exercise price per share of HK\$17.03. The consideration paid by each director and employee for the options granted was HK\$1 per grant of options. The options may be exercised in 9 equal portions. The first portion is exercisable at any time commencing on 1 January 1999, and one additional portion becomes exercisable on 1 January in each of the following years. All of the options (to the extent not exercised) will become exercisable on 1 January 2007, and if not otherwise exercised, will lapse on 1 January 2009. No portion of these share options was exercised during the year.
- (c) Owing to the resignation of Mr. Bai Jin Rong on 23 December 2002, a total of 2,400,000 share options granted to him on 3 March 1998 (240,000 share options) and 23 June 1998 (2,160,000 share options) lapsed on 23 December 2002.



38. SHARE OPTION SCHEME (continued)**Beijing Development**

At 31 December 2002, the interests of the directors of the Company in options to subscribe for shares of Beijing Development, an indirectly owned subsidiary of the Company listed on the Stock Exchange, under the share option scheme of Beijing Development, were as follows:

	Number of options held			
	Note (a)		Note (b)	
	2002	2001	2002	2001
Directors:				
Mr. Xiong Da Xin	2,800,000	2,800,000	1,200,000	—
Mr. Bai Jin Rong	2,600,000	2,600,000	1,200,000	—
	5,400,000	5,400,000	2,400,000	—

Notes:

- (a) These options were granted on 19 June 2001 at an exercise price of HK\$1.13 per option. The options may be exercised in 2 or 3 equal portions. The first portion is exercisable at any time commencing on 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26 June 2006. No portion of these share options was exercised during the year.
- (b) These options were granted on 18 January 2002 at an exercise price of HK\$1.00 per option. The closing price of shares of Beijing Development on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options was HK\$0.98. The options can be exercised in 3 equal portions. The first portion is exercisable at any time commencing on 18 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 17 January 2007. No portion of these share options was exercised during the year.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options of Beijing Development granted during the year to the directors because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, and would be misleading.



39. RESERVES**(a) Group**

- (i) The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 30 to 31 of the financial statements.
- (ii) The revised SSAP 11 was adopted during the year, as explained in note 2 and under the heading "Foreign currencies" in note 3 to the financial statements. As a result, the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, rather than at the exchange rates ruling at the balance sheet date, as was previously the case. This change in accounting policy, however, has had no material effect on the financial statements and has not resulted in a prior year adjustment.
- (iii) 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 2002 was distributable in the form of cash dividends.
- (iv) Certain amounts of goodwill and negative goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates in prior years remain eliminated against/credited to the consolidated capital reserve as further explained in notes 16, 18 and 19 to the financial statements.

(b) Company

	Share premium account	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2001	4,839,497	534,737	5,374,234
Net profit for the year	—	352,318	352,318
Interim 2001 dividend	—	(62,250)	(62,250)
Proposed final 2001 dividend	—	(112,050)	(112,050)
At 31 December 2001 and 1 January 2002	4,839,497	712,755	5,552,252
Net loss for the year	—	(93,136)	(93,136)
Interim 2002 dividend	—	(62,250)	(62,250)
Proposed final 2002 dividend	—	(112,050)	(112,050)
At 31 December 2002	4,839,497	445,319	5,284,816



40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Prior year adjustments**

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities, interest and dividends received are now included in cash flows from investing activities, and dividends paid are now included in cash flows from financing activities. The presentation of the 2001 comparative consolidated cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. This change has, however, had no material impact on the 2001 comparative cash flows.



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

(b) Acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Fixed assets	466,833	599,339
Operating concession	614,313	—
Interest in a jointly-controlled entity	14,255	472
Interests in associates	—	3,348
Long term investments	23,924	—
Properties held for sale	—	13,856
Inventories	12,146	78,920
Trade receivables	17,998	45,141
Prepayments, deposits and other debtors	21,556	46,321
Due from associates	—	65,240
Due from related companies	—	17,531
Cash and bank balances	93,431	492,787
Trade payables	(76,813)	(41,624)
Taxes payable	(38,057)	(76,783)
Accruals and other liabilities	(67,270)	(137,023)
Due to jointly-controlled entities	(22,433)	(7,944)
Due to related companies	—	(2,588)
Bank and other borrowings	(426,518)	(352,456)
Other long term liabilities	(20,074)	(12,337)
Minority interests	(161,960)	(237,349)
Net assets	451,331	494,851
Goodwill arising on acquisition (note 16)	42,256	69,425
Negative goodwill arising on acquisition (note 16)	(5,445)	(78,812)
	488,142	485,464
Satisfied by:		
Cash	488,142	485,464



40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***(b) Acquisition of subsidiaries** *(continued)*

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

	2002	2001
	HK\$'000	HK\$'000
Cash and bank balances acquired	93,431	492,787
Bank overdrafts acquired	—	(21,043)
Cash consideration paid	(488,142)	(485,464)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(394,711)	(13,720)

The subsidiaries acquired during the year contributed HK\$409,738,000 to the Group's consolidated turnover, and had a net profit after tax and before minority interests of HK\$40,314,000 for the year.

The subsidiaries acquired in the prior 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 that year.



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

(c) Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Fixed assets	682,655	266,561
Operating concession	50,871	—
Long term investments	2,493	—
Interests in associates	3,315	—
Due from a jointly-controlled entity	26,353	—
Due from an associate	1,154	—
Due to an associate	(368)	—
Inventories	25,216	1,436
Trade receivables	6,982	4,099
Prepayments, deposits and other debtors	27,541	904
Cash and bank balances	127,700	30,199
Trade payables	(12,944)	(384)
Taxes payable	(8,961)	(19,570)
Accruals and other liabilities	(98,411)	(104,581)
Bank and other borrowings	(107,395)	(134,363)
Minority interests	(268,775)	(45,471)
Net assets	457,426	(1,170)
Gain on disposal of subsidiaries (note 5)	2,561	35,504
	459,987	34,334
Satisfied by:		
Reclassification to interests in jointly-controlled entities and an associate from interests in subsidiaries	458,394	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	1,593	(1,066)
	459,987	34,334



40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(c) 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:

	2002 HK\$'000	2001 HK\$'000
Cash and bank balances disposed of	(127,700)	(30,199)
Cash consideration received/(paid)	1,593	(1,066)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(126,107)	(31,265)

The results of the subsidiaries disposed of during the year contributed HK\$245,880,000 to the Group's consolidated turnover, and had a net profit after tax and before minority interests of HK\$36,167,000 for the year.

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

(d) Major non-cash transactions

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\$29,675,000, non-cash current assets valued at HK\$7,933,000.

(e) Restricted cash and cash equivalent balances

Certain of the Group's bank balances and time deposits with aggregate amount of HK\$44,116,000 (2001: HK\$29,719,000) are pledged to banks to secure certain bank loans granted to the Group, as further explained in notes 20 and 33 to the financial statements.

A long term pledged bank balance of HK\$9,901,000 (2001: HK\$10,852,000) and short term pledged bank balances of HK\$17,772,000 (2001: Nil) were pledged to banks as securities for mortgage loans granted to certain purchasers of the Group's properties held for sale, as further explained in note 20 to the financial statements.

Short term pledged bank balances of HK\$966,000 (2001: Nil) were pledged as guarantees for tenders and contracts, as further explained in note 20 to the financial statements.



41. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given in respect of mortgage loans granted by banks to the Group's purchasers of properties held for sale	56,820	10,852	—	—
Guarantees given for banking facilities granted and utilised by a non-wholly owned subsidiary	—	—	174,282	—
Guarantee given for the Convertible Bonds issued by Yanjing Brewery — note 34	—	—	659,444	—
	56,820	10,852	833,726	—

42. 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 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	19,536	27,206	8,500	8,500
In the second to fifth years, inclusive	79,633	48,606	—	8,500
After five years	59,814	46,339	—	—
	158,983	122,151	8,500	17,000



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

The Group leases certain of its office properties, restaurant premises and staff quarters under operating lease arrangements, with leases negotiated with original terms ranging from 1 to 50 years.

At 31 December 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	80,145	64,105	—	1,200
In the second to fifth years, inclusive	272,027	219,472	—	—
After five years	818,413	705,477	—	—
	1,170,585	989,054	—	1,200

During the year, the Group charged contingent rent payments of HK\$3,407,000 (2001: HK\$3,400,000) 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 45(s) to the financial statements.



43. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Land and buildings:				
Authorised, but not contracted for	144,742	109,580	—	—
Contracted, but not provided for	143,390	99,990	—	—
	288,132	209,570	—	—
Plant and machinery:				
Authorised, but not contracted for	—	45,322	—	—
Contracted, but not provided for	122,142	42,555	—	—
	122,142	87,877	—	—
Capital contributions to subsidiaries and associates:				
Authorised, but not contracted for	—	72,197	—	—
Contracted, but not provided for	—	94,315	—	76,294
	—	166,512	—	76,294
Total capital commitments	410,274	463,959	—	76,294



44. POST BALANCE SHEET EVENTS

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

- (i) On 6 January 2003, Beijing Development acquired 60% interest in Beijing Enterprises VST Software Engineering Technology Co. Ltd. ("Beijing VST") from independent third parties for a total consideration of HK\$21,204,090 satisfied as to HK\$8,481,690 in cash and HK\$12,722,400 by way of the allotment of 12,722,400 ordinary shares of Beijing Development. Beijing VST is principally engaged in the development and sale of social security information management and tax information management system in the PRC. Upon the completion of the transaction, the Company's shareholding in Beijing Development was diluted from 53.93% as at 31 December 2002 to 52.44%.
- (ii) On 17 January 2003, Yanjing Brewery, together with a wholly owned subsidiary of Yanjing Beer Group, set up Beijing Yanjing Beverage Company Limited ("Yanjing Beverage"), a Sino-foreign equity joint venture company, with a registered capital of US\$10 million. Pursuant to the joint venture agreement, Yanjing Brewery owns 75% equity interest in Yanjing Beverage and shall pay capital contribution according to its equity interest which is US\$7.5 million. The principal activity of Yanjing Beverage is the production and sale of healthy beverage products and the provision of subsequent sales services in the PRC.
- (iii) On 14 April 2003, the Company entered into a conditional sale and purchase agreement with Beijing Development for the acquisition by Beijing Development of the Company's entire equity interest in Business Net Limited, a wholly owned subsidiary of the Company, and a shareholder loan of RMB19,000,000 at a total consideration to HK\$40,000,000 satisfied as to HK\$5,000,000 in cash and HK\$35,000,000 by way of the allotment of 35,000,000 ordinary shares of Beijing Development. The sole asset of Business Net Limited is a 38% interest in the registered capital of Beijing Municipal Administration & Communications Card Co., Ltd., a Sino-foreign equity joint venture company established by the Company in 2000 and engaged in the production and issuance of contactless multipurpose electronic payment cards and the investment, operation and management of the automated fee collection system and related facilities in Beijing. Upon the completion of the transaction, the Company's shareholding in Beijing Development will be increased from 52.44% to 55.81%.



45. RELATED PARTY TRANSACTIONS

Save as the transactions and balances detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year:

Name of company	Nature of transaction	Notes	2002 HK\$'000	2001 HK\$'000
Ultimate holding company				
Beijing Holdings Limited	Rental income	(a)	2,809	3,170
and its associates	Rental and related expenses	(a)	4,492	4,459
Joint venture partners of subsidiaries and their associates				
Yanjing Beer Group and its associates	Purchase of bottle labels	(b)	49,615	38,577
	Purchase of bottle caps	(b)	48,569	46,059
	Sale of beer	(c)	—	1,417
	Canning service fees paid	(d)	21,495	18,052
	Comprehensive support service fees paid	(e)	14,644	14,656
	Land rent expenses	(f)	1,643	1,643
	Trademark licensing fees paid	(g)	16,174	15,236
	Less: 20% refund for advertising subsidies	(g)	(3,235)	(3,047)
	Interest expenses on advances made	(h)	1,413	942
北京三元集團有限責任公司 (Beijing San Yuan Group Company) ("San Yuan Group") and its associates	Purchase of raw milk	(i)	189,288	198,009
	Purchases of packaging materials	(i)	18,806	15,580
	Interest income on advances made	(j)	—	4,629
	Land use fee paid	(k)	2,515	2,261
	Sales of land and buildings	(l)	3,451	—
	Sales of properties held for sale	(c)	1,206	—
	Rental income and property management fee	(m)	1,761	—
	Acquisition of equity interest in San Yuan Hua Guan Food Company Limited ("San Yuan Hua Guan")	(n)	—	21,225
	Acquisition of a dairy product production factory and related assets and liabilities	(n)	—	6,266
	Establishment of a jointly-controlled entity	(o)	—	1,500



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45. RELATED PARTY TRANSACTIONS (continued)

Name of company	Nature of transaction	Notes	2002 HK\$'000	2001 HK\$'000
Joint venture partners of subsidiaries and their associates				
<i>(continued)</i>				
延慶縣八達嶺特區辦事處 (Badaling Tourism Zones Special Administration) ("BTZA") and its associates	Management fee income Waive of operating concession fees payable Establishment of a subsidiary	(p) (q) (r)	46,386 9,544 80,000	— — —
北京首都旅遊集團有限公司 (Beijing Capital Tourism Group Company Limited) ("Capital Tourism") and its associates	Land use fees paid	(s)	3,407	3,400
Beijing Jia Ming Property Development Company Limited	Acquisition of a land	(t)	21,432	—
Jointly-controlled entities				
Beijing McDonald's	Sale of equity interest in Guangdong San Yuan McDonald's Food Company Limited ("Guangdong McDonald's")	(u)	—	92,780
	Sale of dairy products	(c)	28,722	25,728
Associates				
Beijing International Switching System Co., Ltd.	Interest income	(v)	3,782	9,623
萬博物業管理有限公司 (Wanbo Property Management Company Limited)	Rental income	(a)	9,421	2,166

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



45. RELATED PARTY TRANSACTIONS (continued)*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) The selling prices of the beer, properties held for sale and dairy products were determined by reference to the prevailing market rates.
- (d) 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.
- (e) Comprehensive support service fees paid included the following:
 - a security and canteen services fee which was determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (f) Land rent expenses were charged at a mutually-agreed amount of RMB1,744,000 per annum.
- (g) Trademark licensing fees paid were for the use of the “Yanjing” trademark and were determined based on 1% of the annual sales of beer and mineral water products made 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.
- (h) Interest expenses paid to Yanjing Beer Group arose from advances made to Yanjing Brewery, which bore interest at the prevailing market rates at the time the advances were made.
- (i) The purchase prices of the raw milk and the packaging materials 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 RMB2,670,000 (2001: RMB2,400,000) for the year ended 31 December 2002.
- (l) The consideration received was based on a mutually-agreed amount of RMB3,663,000.
- (m) The rental income and property management fee were based on mutually-agreed rates of RMB1,460,000 and RMB410,000, respectively.
- (n) 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 qualified valuer.
- (o) 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.
- (p) The management fee income was determined based on 40% of gross entrance fee to the Badaling Great Wall received, subject to adjustment by reference to the quality of the services rendered by the Group as assessed by BTZA.



45. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

- (q) During the year, an associate of BTZA waived the operating concession fees payable by Badaling Tourism of RMB10,130,000 in relation to the operation of the Group's tourism business at the Badaling Great Wall.
- (r) The capital contribution to the subsidiary made by the Group is in accordance with the joint venture agreement entered into between the Company, Badaling Tourism and an associate of BTZA.
- (s) Land use fees were determined based on 3% of the annual gross turnover of Jian Guo Hotel.
- (t) The consideration paid for the acquisition is determined by reference to the value of the land of RMB23,090,000 as at 8 February 2002 as assessed by an independent PRC qualified valuer.
- (u) The equity interest in Guangdong McDonald's was sold at cost.
- (v) Detailed terms of the loan are disclosed in note 19 to the financial statements.
- (w) On 10 July 2002, Magic Melody Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement (the "Shareholders' Agreement") with two subsidiaries of Capital Tourism ("Capital Tourism Associates") and a third party for the establishment of a joint venture company to be principally engaged in hotel services and tourism services in the PRC and the United States of America.

Pursuant to the Shareholders' Agreement, each of Magic Melody Limited, Capital Tourism Associates and the third party (collectively "JV Shareholders") injected its assets into the joint venture company as capital contributions. The values of the assets as contributed by each of the JV Shareholders are based on the valuation carried out by an independent qualified valuer using an open market value basis as at 31 December 2001. According to the values of the assets contributed by each JV Shareholder, the joint venture company was owned as to 40%, 32.5% and 27.5% by Magic Melody Limited, Capital Tourism Associates and the third party, respectively.

The joint venture company, BJ Tourism Development, was thereafter incorporated in the Cayman Islands with limited liability on 9 September 2002 and the injections of the assets by each of the JV Shareholders were completed in December 2002.

For the purpose of the aforesaid assets injection, the Group disposed substantially all of its hotel and tourism operations including its 50.5%, 75% and 75% equity interests in Jian Guo Hotel, Badaling Tourism and LQX Tourism, respectively, during the year to BJ Tourism Development, a jointly-controlled entity, as the Group's capital contributions. Thereafter, Jian Guo Hotel, Badaling Tourism and LQX Tourism are no longer subsidiaries but jointly-controlled entities of the Group.

In addition to the above material transactions entered into during the year, the Yanjing Beer Group has undertaken to indemnify the Group on an amount of HK\$25,071,000 which is equivalent to the net impact to the Group's net profit as a result of the corporate income tax of Yanjing Brewery being in excess of 15% for the year ended 31 December 2002. The indemnification, which would be executed when the relevant tax payment is made by Yanjing Brewery, was recognised by the Group in the current year to match with the corporate income tax charge of Yanjing Brewery accrued by the Group.



46. 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 comparative amounts have been reclassified to conform to the current year's presentation.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 April 2003.

