1. CORPORATE INFORMATION

During the year, the Group was principally engaged in investment holding, and the production, distribution and sale of beer, and terminated its operation of restaurants, pubs and other related services (the "Other Operations"). In the opinion of the directors, the Other Operations are not a major business line of the Group and accordingly, the termination of the Other Operations did not constitute a discontinued operation.

As at 31 December 2002, the Company was a 72%-owned subsidiary of Guangdong Investment Limited ("GDI"), a company incorporated and publicly listed in Hong Kong. In the opinion of the directors, the ultimate holding company of the Company as at 31 December 2002 was 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited), a company established in the People's Republic of China.

Subsequent to the balance sheet date, on 26 February 2003, GDI publicly announced that it entered into a conditional agreement with its parent company, GDH Limited, under which GDI and its subsidiaries would sell various of its entire investments in certain subsidiaries including, amongst others, 900,000,000 issued shares of the Company (the "Disposal Transaction"). The Disposal Transaction was completed on 31 March 2003. Accordingly, GDH Limited has become the Company's immediate holding company.

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

The following new and revised SSAPs have been adopted for the first time in the preparation of the current year's consolidated financial statements:

- SSAP 1 (Revised): "Presentation of Financial Statements"
- SSAP 11 (Revised): "Foreign Currency Translation"
- SSAP 15 (Revised): "Cash Flow Statements"
- SSAP 33: "Discontinuing Operations"
- SSAP 34: "Employee Benefits"

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

SSAP 1 (Revised) prescribes the basis for 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 SAAP is that a consolidated summary statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses which was previously required.

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

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 subsidiaries and associates operating in the mainland of the People's Republic of China ("Mainland China") are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rate at the balance sheet date. As it is impractical to reasonably determine the prior year adjustment, these changes in accounting policy are applied prospectively in accordance with SSAP 2. The effect on the results of the current year is not significant. 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 the SSAP is that the consolidated cash flows now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. The significant reclassifications resulting from the change in presentation are that taxes paid, interest received and paid, and dividends paid are now included in cash flows from operating activities. The presentation of the 2001 comparative cash flow statement has been changed to accord with the new layout. In addition, cash flows from subsidiaries operating in Mainland China are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rate at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on 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 had no material effect on the financial statements. Additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 23 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing (the "Listing Rules") of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Associate

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

The Group's share of the post-acquisition results and reserves of the associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses. Goodwill arising from the acquisition of associate, which was not previously eliminated in consolidated reserves, is included as part of the Group's interest in associate.

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

Joint venture companies established in Mainland China

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

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

A joint venture company is treated as:

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

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

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

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

Goodwill

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

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

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves 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 consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

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

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

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

Negative goodwill

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

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

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

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

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the 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 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 or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

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

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Reusable packaging materials

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

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

Fixed assets and depreciation

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

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

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

The directors have reassessed the estimated useful lives of certain plant, machinery and equipment, taking into account of current business environment and conditions, and the expected pattern of economic benefits from these assets, and have revised the estimated useful lives of these assets from 10 years to 15 years. These revised accounting estimates have been adopted prospectively from 1 January 2002. The effect of this change in accounting estimates is a decrease in depreciation charge and an increase in net profit attributable to shareholders by HK$18,677,000 and HK$15,082,000, respectively.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

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

Investment securities

Investment securities are non-trading investments in unlisted equity securities intended to be held on a long term basis, which are stated at cost less any impairment losses on an individual investment basis.

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

Inventories

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

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

Deferred tax

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

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

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

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

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings 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 (cont'd)

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 subsidiaries and associate operating in Mainland China are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of subsidiaries and associate operating in Mainland China are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rate 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 cash flows of subsidiaries operating in Mainland China are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of subsidiaries operating in Mainland China which arise throughout the year are translated to 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 subsidiaries and associate operating in Mainland China and the cash flows of subsidiaries operating in Mainland China were translated to Hong Kong dollars at the exchange rate at the balance sheet date. As it is impractical to reasonably determine the prior year adjustment, these changes in policy are applied prospectively in accordance with SSAP 2. 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.

Operating leases

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

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

Employee benefits

Retirement benefits scheme

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

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

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.

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

Cash and cash equivalents

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 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.

4. SEGMENT INFORMATION

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

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

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

(b) The Overseas and Hong Kong segment engages in distribution and sale of beer in Taiwan, Macau and Hong Kong; and

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

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

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

4. SEGMENT INFORMATION (cont'd)

(a) Geographical segments

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

Group

	Mainland China		Overseas and Hong Kong		Corporate		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	**539,028**	508,225	**54,024**	35,697	**-**	–	**-**	–	**593,052**	543,922
Intersegment sales	**14,369**	10,262	**-**	–	**-**	–	**(14,369)**	(10,262)	**-**	–
Other revenue and gains	**30,385**	42,280	**-**	–	**-**	–	**-**	–	**30,385**	42,280
Total	**583,782**	560,767	**54,024**	35,697	**-**	–	**(14,369)**	(10,262)	**623,437**	586,202
Segment results	**88,927**	71,876	**15,900**	8,285	**(3,534)**	(11,373)	**-**	–	**101,293**	68,788
Interest income & unallocated gains									**3,649**	1,600
Unallocated loss									**(4,611)**	–
Profit from operating activities									**100,331**	70,388
Finance costs									**-**	(7,857)
Share of loss of an associate	**(4,437)**	(13,424)	**-**	–	**-**	–	**-**	–	**(4,437)**	(13,424)
Profit before tax									**95,894**	49,107
Tax									**(11,329)**	(12,067)
Profit before minority interests									**84,565**	37,040
Minority interests									**(6,562)**	(2,606)
Net profit from ordinary activities attributable to shareholders									**78,003**	34,434

4. SEGMENT INFORMATION (cont'd)

(a) Geographical segments (cont'd)

Group (cont'd)

	Mainland China		Overseas and Hong Kong		Corporate		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 assets	**1,313,126**	1,294,429	**15,112**	10,709	**95,751**	8,792	**(1,716)**	(877)	**1,422,273**	1,313,053
Interest in an associate	**-**	42,997	**-**	–	**-**	–	**-**	–	**-**	42,997
Investment securities									**-**	4,611
Total assets									**1,422,273**	1,360,661
Segment liabilities	**210,457**	199,855	**4,209**	2,117	**6,226**	8,994	**(1,716)**	(877)	**219,176**	210,089
Unallocated liabilities									**1,173**	7,026
Total liabilities									**220,349**	217,115
Other segment information:										
Depreciation and amortisation	**88,933**	123,144	**30**	–	**183**	218	**-**	–	**89,146**	123,362
Impairment losses recognised in the profit and loss account	**-**	5,600	**-**	–	**-**	–	**-**	–	**-**	5,600
Unallocated amount									**4,611**	–
									4,611	5,600
Other non-cash expenses	**-**	1,659	**-**	1,014	**-**	–	**-**	–	**-**	2,673
Capital expenditure	**26,074**	9,746	**-**	–	**-**	54	**-**	–	**26,074**	9,800

(b) Business segments

During the year, the Group was engaged in the production, distribution and sale of beer, and terminated its operations of restaurants, pubs and other related services (the "Other Operations"). As the Other Operations contributed for less than 10% of the total revenue, the segment results, the total assets at all segments and other segment information in respect of each of the business segments are not presented.

5. TURNOVER AND REVENUE

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

Revenue from the following activities has been included in turnover:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Sale of goods	**593,052**	536,603
Operation of restaurants, pubs and other related services	**–**	7,319
	593,052	543,922

6. PROFIT FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	**351,680**	332,691
Depreciation	**82,479**	111,839
Minimum lease payments under operating leases in respect of land and buildings	**748**	875
Staff costs (excluding directors' remuneration – *note 8*):		
Wages and salaries	**50,355**	40,593
Pension contributions	**6,630**	4,994
Less: forfeited contributions*	**–**	–
Net pension contributions	**6,630**	4,994
	56,985	45,587
Amortisation of reusable packaging materials	**6,667**	11,523
Auditors' remuneration	**770**	937
Exchange losses, net	**387**	217
Losses/(gains) on disposal of fixed assets, net	**2,059**	(136)
Gain on disposal of a subsidiary	**(2,388)**	–
Interest income	**(1,261)**	(1,600)
Net rental income	**(1,048)**	–
Value-added tax exemption** *(note 28(a))*	**(24,908)**	(37,670)

6. PROFIT FROM OPERATING ACTIVITIES (cont'd)

* *At 31 December 2002, the Group had no forfeited contributions available to reduce its contributions to its retirement benefits scheme in future years (2001: Nil).*

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

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**–**	6,120
Other loans wholly repayable within five years	**–**	1,737
	–	7,857

8. DIRECTORS' REMUNERATION

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees:		
Non-executive	**90**	90
Executive	**1**	28
Other emoluments:		
Salaries, allowances and benefits in kind	**7**	512
Bonuses paid and payable	**6**	271
Pension scheme contributions	**1**	27
Less: forfeited contributions	**–**	–
	105	928

8. DIRECTORS' REMUNERATION (cont'd)

Fees include HK$90,000 (2001: HK$90,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

The remuneration of all eleven (2001: all ten) directors fell within the band of "Not more than HK$1,000,000" for the year ended 31 December 2002.

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

During the year, no share options (2001: 17,000,000) were granted to the directors in respect of their services to the Group. Further details of the share option scheme are set out in note 23 to the financial statements. No value in respect of the share options granted has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included one former director who resigned during the year (2001: two directors), details of whose remuneration while as a director are included in note 8 above. The details of the remuneration of the aforesaid former director (2001: Nil) and remaining four (2001: three) non-directors, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,542**	962
Bonuses paid and payable	**594**	124
Pension scheme contributions	**87**	52
	2,223	1,138

The remuneration of the above five (2001: three) highest paid employees all fell within the band of "Not more than HK$1,000,000" for the year ended 31 December 2002.

During the year, no share options were granted to any of the above highest paid employees (2001: 400,000 share options were granted to the above two highest paid employees), in respect of their services to the Group. Further details of the share option scheme are included in note 23 to the financial statements. No value in respect of the share options granted has been charged to the profit and loss account, or otherwise included in the above five highest paid employees' remuneration disclosures.

10. TAX

	2002	2001
	HK$'000	*HK$'000*
Company and subsidiaries:		
Hong Kong	**2,545**	1,301
Mainland China	**8,784**	10,766
	11,329	12,067
Associate:		
Mainland China	**–**	–
Tax charge for the year	**11,329**	12,067

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.

Enterprise Income Tax of Shenzhen Kingway Brewery Co., Ltd., ("Shenzhen Brewery") has been provided at the rate of 15% (2001: 15%) on the estimated assessable profits. Shenzhen Kingway Brewing Co., Ltd., ("Shenzhen Brewing") is entitled to a tax exemption for the first two profit-making years and a tax relief of 50% in the succeeding three years under the approval of the local tax authority. As Shenzhen Brewing did not generate any accumulated assessable profit since its establishment, accordingly, the tax exemption period has not commenced.

At the balance sheet date, the Group and the Company had no material unprovided deferred tax liabilities (2001: Nil).

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

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK$1,812,000 (2001: HK$37,595,000).

	Group	
	2002	2001
	HK$'000	*HK$'000*
Profit/(loss) for the year attributable to:		
Company and subsidiaries	**82,440**	47,858
Associate	**(4,437)**	(13,424)
	78,003	34,434

12. DIVIDENDS

	2002	2001
	HK$'000	*HK$'000*
Interim – 1.0 HK cent (2001: Nil) per share	**12,500**	–
Proposed final – 1.0 HK cent (2001: 1.0 HK cent) per share	**12,500**	12,500
	25,000	12,500

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

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the year of HK$78,003,000 (2001: HK$34,434,000), and the weighted average number of 1,250,000,000 (2001: 1,250,000,000) shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK$78,003,000. The weighted average number of shares used in the calculation is 1,254,191,136 shares, comprising 1,250,000,000 shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 4,191,136 shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

No diluted earnings per share is presented for the year ended 31 December 2001, as the effect of the Company's outstanding share options was anti-dilutive.

14. FIXED ASSETS

Group

	Land and buildings HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:						
At beginning of year	438,905	1,212,933	5,531	43,129	15,683	1,716,181
Additions	688	1,239	–	321	7,348	9,596
Disposals	–	(1,136)	(3,725)	(152)	–	(5,013)
Reclassifications	705	823	–	–	(1,528)	–
Exchange adjustments	(184)	(517)	–	(18)	(10)	(729)
At 31 December 2002	440,114	1,213,342	1,806	43,280	21,493	1,720,035
Accumulated depreciation:						
At beginning of year	91,996	482,871	2,673	25,931	–	603,471
Provided during the year	18,836	56,876	377	6,390	–	82,479
Disposals	–	(983)	(1,833)	(100)	–	(2,916)
Exchange adjustments	(47)	(237)	–	(14)	–	(298)
At 31 December 2002	110,785	538,527	1,217	32,207	–	682,736
Net book value:						
At 31 December 2002	329,329	674,815	589	11,073	21,493	1,037,299
At 31 December 2001	346,909	730,062	2,858	17,198	15,683	1,112,710

14. FIXED ASSETS (cont'd)

Company

	Furniture and fixtures HK$'000
Cost:	
At beginning of year	916
Disposals	(916)
At 31 December 2002	–
Accumulated depreciation:	
At beginning of year	388
Provided during the year	183
Disposals	(571)
At 31 December 2002	–
Net book value:	
At 31 December 2002	–
At 31 December 2001	528

As at 31 December 2002, the net book value of the Group's leasehold land and buildings is analysed as follows:

	2002 HK$'000	2001 HK$'000
Long term leases in Mainland China	**31,208**	32,990
Medium term leases in Mainland China	**298,121**	313,919
	329,329	346,909

15. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**261,816**	261,816
Due from subsidiaries	**774,030**	857,896
Due to subsidiaries	**(52,562)**	(52,573)
	983,284	1,067,139
Provision for amounts due from subsidiaries	**(84,841)**	(80,300)
	898,443	986,839

The balances with subsidiaries are unsecured and not repayable within one year from the balance sheet date. Except for the amounts due from Shenzhen Brewery and Shenzhen Brewing which are interest-bearing, the details of which are set out in notes 29(iv) and 29(v) to the financial statements; and the amount due from Morefit Limited, a wholly-owned subsidiary, of HK$247,702,000 (2001: HK$272,779,000) which bears interest at six months' London Inter Bank Offered Rate ("LIBOR") plus 0.75% per annum, the remaining balances are interest-free.

The Group has adopted the transitional provision of SSAP 30 which permits goodwill of HK$131,099,000 and negative goodwill of HK$41,969,000 as at 1 January and 31 December 2002 in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against reserves or credited to the capital reserve, respectively.

15. INTERESTS IN SUBSIDIARIES (cont'd)

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

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of attributable equity interest held by Company	Percentage of attributable equity interest held by Group	Principal activities
Guangdong Kingway Sales Limited	Hong Kong	Ordinary HK$2	100%	100%	Sale and marketing of beer
Shenzhen Kingway Brewery Co., Ltd.*	Mainland China	US$50,000,000	–	95%	Production, distribution and sale of beer and investment holding
Shenzhen Kingway Brewing Co., Ltd.*	Mainland China	US$12,000,000	–	87%	Production, distribution and sale of beer
Shenzhen Kingway Packaging Co., Ltd.*	Mainland China	US$12,000,000	–	87%	Provision of bottling and packaging services
Shenzhen Kingway Utility Co., Ltd.*	Mainland China	US$12,000,000	–	87%	Provision of utilities services

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

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.

16. INTEREST IN AN ASSOCIATE

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	–	80,964
Provision for impairment	–	(37,967)
	–	42,997

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

Particulars of the associate are as follows:

Company	Business structure	Place of registration and operation	Percentage of ownership interest attributable to the Group 2002	Percentage of ownership interest attributable to the Group 2001	Principal activities
Shandong Huazhong Amber Brewery Co., Ltd.	Corporate	Mainland China	–	50%	Production, distribution and sale of beer

The associate was disposed of as a part of the disposal of a subsidiary during the year.

17. INVESTMENT SECURITIES

	Group and Company 2002 HK$'000	Group and Company 2001 HK$'000
Unlisted equity investment, at cost	**5,611**	5,611
Provision for impairment	**(5,611)**	(1,000)
	–	4,611

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

18. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**16,064**	13,611
Spare parts and consumables	**28,616**	28,874
Packaging materials	**17,330**	17,946
Work in progress	**9,792**	10,625
Finished goods	**9,064**	5,796
	80,866	76,852

At 31 December 2002 and 2001, all of the inventories were carried at cost.

19. TRADE RECEIVABLES

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

The aged analysis of trade receivables based on payment due date is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within 3 months	**24,275**	34,564
More than 3 months and less than 6 months	**1,236**	881
More than 6 months and less than 1 year	**848**	4,797
More than 1 year	**2,977**	13,612
	29,336	53,854
Less: Provision for doubtful debts	**(3,233)**	(16,527)
	26,103	37,327

20. TRADE PAYABLES

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within 3 months	**37,702**	29,814
More than 3 months and less than 6 months	**–**	1,324
More than 6 months and less than 1 year	**58**	245
More than 1 year	**4,577**	4,572
	42,337	35,955

21. DUE TO MINORITY EQUITYHOLDERS OF SUBSIDIARIES

The amounts due to the minority equityholders of subsidiaries were unsecured and interest-free, of which HK$60,852,000 (2001: Nil) is repayable within one year from the balance sheet date and the remaining balance is not repayable within one year from the balance sheet date.

22. SHARE CAPITAL

Shares

	Company	
	2002	2001
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,250,000,000 shares of HK$0.10 each	**125,000**	125,000

There were no changes to the carrying amount or the number of shares of the Company for the two years ended 31 December 2002 and 2001.

Share options

Details of the Company's share option scheme and the share options issued under the share option scheme are included in note 23 to the financial statements.

23. 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.

On 31 May 2002, the Company terminated its then share option scheme adopted on 22 July 1997 (the "Old Option Scheme") and adopted a new share option scheme (the "New Option Scheme").

Pursuant to the Old Option Scheme, the exercise price of the share options as determined by the directors would be a price equal to the higher of the nominal value of the shares and an amount not less than 80% of the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant of the option.

In response to the amendments by the Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules, the Company terminated the Old Option Scheme and then adopted the New Option Scheme on 31 May 2002 as follows:

The purpose of the New Option Scheme is to provide incentives to the participants to contribute to the Group, to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis, to maintain good relationship with its consultants, professional advisers, suppliers of goods or services and customers and to attract human resources that are valuable to the Group. Eligible participants of the New Option Scheme include the directors (including non-executive and independent non-executive directors), employees or executives of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and substantial shareholders of the Group. The New Option scheme unless otherwise terminated or amended, will remain in force for a period of 10 years from 10 January 2003.

The maximum numbers of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the shares is issued from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the New Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the New Option Scheme. As at 31 December 2002, the total number of shares issuable for option granted under the share option schemes of the Company was 21,050,000, which represented approximately 1.68% of the Company's share in issue as at that date.

23. SHARE OPTION SCHEME (cont'd)

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in general meeting of the Company.

An offer of the grant of a share option may be accepted within 14 days from the date of the offer upon payment of a consideration of HK$1.00 by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the higher of (i) the closing price of the Company's shares as stated on the Stock Exchange's daily quotation sheet on the date of the grant, which must be a business day; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of the grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

There were no share options granted to or exercised by the directors of the Company under the share option schemes of the Company during the year.

23. SHARE OPTION SCHEME (cont'd)

The following share options were outstanding under the share option schemes of the Company during the year.

Name or category of participants	Number of share options			Date of grant of share options*	Exercise period of share options#	Exercise price of share options**	Price of Company's share at date of grant of options***
	At 1 January 2002	Cancelled during the year	At 31 December 2002			*HK$*	*HK$*
Directors and chief executive							
Mr. Jiang Guoqiang	10,000,000	–	10,000,000	10-10-2001	11-04-2002 to 10-04-2007	0.383	0.380
Mr. Zhou Dongxiang	1,200,000	–	1,200,000	20-08-1997	20-02-1998 to 19-02-2003	2.100	2.725
	7,000,000	–	7,000,000	10-10-2001	11-04-2002 to 10-04-2007	0.383	0.380
	18,200,000	–	18,200,000				
Other employees							
In aggregate	2,650,000	(200,000)	2,450,000	20-08-1997	20-02-1998 to 19-02-2003	2.100	2.725
	5,400,000	(5,000,000)	400,000	10-10-2001	11-04-2002 to 10-04-2007	0.383	0.380
	8,050,000	(5,200,000)	2,850,000				
	26,250,000	(5,200,000)	21,050,000				

23. SHARE OPTION SCHEME (cont'd)

* *The vesting period of the share option is from the date of the grant until the commencement of the exercise period.*

** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

*** *The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price on the Stock Exchange on the business day on which the options were granted.*

\# *If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).*

At the balance sheet date, the Company had 21,050,000 share options outstanding under the Old Option Scheme and the New Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 21,050,000 additional shares of the Company and additional share capital of HK$2,105,000 and share premium of approximately HK$12,224,000 (before issue expenses).

Subsequent to the balance sheet date, 400,000 share options under the Old Option Scheme were exercised. This resulted in the issue of 400,000 shares of the Company and new issued share capital of HK$40,000 and share premium of HK$113,200 (before issue expenses). In addition, 3,650,000 outstanding share options under the Old Option Scheme lapsed automatically at the expiry date of the relevant option period subsequent to the balance sheet date.

24. RESERVES

Group

	Share premium HK$'000	Capital reserve* HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Enterprise development fund# HK$'000	Reserve fund# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2001	739,583	51,104	4,746	216	15,246	139,060	949,955
Net profit for the year	–	–	–	–	–	34,434	34,434
Proposed final dividend	–	–	–	–	–	(12,500)	(12,500)
Exchange adjustments	–	–	(339)	–	–	–	(339)
At 31 December 2001 and 1 January 2002	739,583	51,104	4,407	216	15,246	160,994	971,550
Net profit for the year	–	–	–	–	–	78,003	78,003
Interim dividend	–	–	–	–	–	(12,500)	(12,500)
Proposed final dividend	–	–	–	–	–	(12,500)	(12,500)
Disposal of a subsidiary	–	–	(917)	–	–	–	(917)
Exchange adjustments	–	–	(288)	–	–	–	(288)
At 31 December 2002	**739,583**	**51,104**	**3,202**	**216**	**15,246**	**213,997**	**1,023,348**
Retained by:							
Company and subsidiaries	739,583	51,104	3,202	216	15,246	213,997	1,023,348
Associates	–	–	–	–	–	–	–
At 31 December 2002	**739,583**	**51,104**	**3,202**	**216**	**15,246**	**213,997**	**1,023,348**
Company and subsidiaries	739,583	51,104	3,459	216	15,246	197,320	1,006,928
Associates	–	–	948	–	–	(36,326)	(35,378)
At 31 December 2001	739,583	51,104	4,407	216	15,246	160,994	971,550

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

* *The amounts of goodwill and negative goodwill remaining in reserves, arising from the acquisitions of subsidiaries, are HK$131,099,000 and HK$41,969,000, respectively, as at 1 January and 31 December 2002. The amount of goodwill was stated at the cost of HK$131,099,000 (2001: HK$140,234,000) less nil impairment (2001: HK$9,135,000) as at 31 December 2002.*

24. RESERVES (cont'd)

Company

	Share premium	Capital reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note)		
At 1 January 2001	739,583	140,234	114,743	994,560
Net loss for the year	–	–	(37,595)	(37,595)
Proposed final dividend	–	–	(12,500)	(12,500)
At 31 December 2001 and 1 January 2002	739,583	140,234	64,648	944,465
Net loss for the year	–	–	(1,812)	(1,812)
Interim dividend	–	–	(12,500)	(12,500)
Proposed final dividend	–	–	(12,500)	(12,500)
At 31 December 2002	**739,583**	**140,234**	**37,836**	**917,653**

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

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary

	2002	2001
	HK$'000	*HK$'000*
Net assets disposed of:		
Interest in an associate	**38,529**	–
Amount due to group companies	**(121,232)**	–
	(82,703)	–
Amount due to group companies disposed of	**121,232**	–
Release of exchange reserve upon disposal	**(917)**	–
	37,612	–
Gain on disposal	**2,388**	–
	40,000	–
Satisfied by:		
Cash	**20,000**	–
Increase in other receivables	**20,000**	–
	40,000	–

The net inflow of cash and cash equivalents in respect of the disposal of subsidiary was HK$20,000,000.

The results of the subsidiary disposed of contributed nil and net loss of HK$4,447,000 to the Group's turnover and profit after tax, respectively.

26. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**857**	–

At the balance sheet date, the Company did not have such operating lease arrangements.

(b) As lessee

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

At 31 December 2002, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due were as follow:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**434**	596	**–**	355
In the second to fifth years, inclusive	**290**	–	**–**	–
	724	596	**–**	355

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 to the financial statements, the Group and the Company had the following commitments in respect of property, plant and equipment at the balance sheet date:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for	**10,457**	1,112	**–**	–
Authorised, but not contracted for	**4,981**	–	**–**	–
	15,438	1,112	**–**	–

28. POST BALANCE SHEET EVENTS

(a) According to a notice from Shenzhen tax authority dated 19 December 2002, the policy for value-added tax exemption on the products that are both produced and sold in Shenzhen has been ceased effective from 1 January 2003. The Group was entitled to value-added tax exemption of HK$24,908,000 for the year ended 31 December 2002 (note 6).

(b) On 9 August 2002, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party for the disposal of the Group's 100% interest in Central China (Asia) Investment Limited ("CCAIL"), which has 50% interest in Shandong Huazhong Amber Brewery Co., Ltd. ("Amber Brewery"), for a cash consideration of HK$40 million. During the year, a non-refundable amount of HK$20 million was received by the Group and the equity interest in CCAIL was transferred to the purchaser in accordance with the Agreement. As a result, a gain on disposal of HK$2,388,000 has been credited to the profit and loss account for the year ended 31 December 2002. In accordance with the Agreement, the remaining of HK$20 million should be received on or before 10 March 2003.

In February 2003, a request from the purchaser to extend the payment date of the remaining balance has been raised. Up to the date of approval of these financial statements, the Group are in the process of negotiation with the purchaser for the possible extension of payment date. According to the recent discussions of the contract parties, the remaining balance is expected to be settled on 9 May 2003.

28. POST BALANCE SHEET EVENTS (cont'd)

(c) In February 2003, GDI, the then immediate holding company of the Company, entered into a conditional sale and purchase agreement with GDH Limited, the then intermediate holding company of the Company, in respect of the disposal of its entire shareholdings in various investments including, amongst others, the Company (the "Disposal Transaction"). The Disposal Transaction was subsequently completed on 31 March 2003. Since then, GDH Limited and GDI became the Company's immediate holding company and fellow company, respectively.

(d) On 28 March 2003, Morefit Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 深圳市寶安區投資管理有限公司 ("SBA"), a 10% equityholder in each of Shenzhen Kingway Brewing Co., Ltd., Shenzhen Kingway Packaging Co., Ltd. and Shenzhen Kingway Utility Co., Ltd. (collectively the "SK Companies"), to acquire SBA's 10% interest in each of the SK Companies together with the shareholder's loans of the SK Companies due to SBA for a total consideration of RMB75,000,000 in cash. Payment of the consideration will be funded by internal resources of the Group.

After the completion of the acquisition, the Group's interest in each of the SK Companies will be increased from 87% to 97%.

The agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the approval of the shareholders voting at a special general meeting convened to approve the agreement on the terms specified therein. Further details of these are set out in the Company's announcement dated 28 March 2003.

The acquisition has not been completed up to the date of approval of this report and the Group is unable to estimate the goodwill/negative goodwill arising from this acquisition with reasonable accuracy.

29. CONNECTED AND RELATED PARTY TRANSACTIONS

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

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

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

(i) During the year, the Group purchased malt from Guangzhou Malting Co., Ltd ("GMCL") which is a 51.6% owned subsidiary of GDI, on what the directors believe to be terms similar to those offered to other customers unrelated to GDI. For the year ended 31 December 2002, the aggregate amount of malt purchased by the Group was RMB71,175,000 (2001: RMB58,674,000). The balance due to GMCL as at 31 December 2001 was unsecured, interest-free and was fully settled during the year.

(ii) The Group entered into a tenancy agreement dated 2 February 2001 with Bateson Developments Limited ("BDT"), a wholly-owned subsidiary of GDI, whereby the Group agreed to lease a leasehold property (the "Property") owned by BDT as office premises at a monthly rental of HK$44,370 for a term of two years commencing from 1 September 2000 and expiring on 31 August 2002, with an option on the Group's part to renew for a further two years at the then prevailing open market rent to be agreed between the two parties. On 1 November 2002, the tenancy agreement was renewed at a monthly rental of HK$36,218 for a term of two years commencing from 1 September 2002 and expiring on 31 August 2004.

(iii) As at 31 December 2002, there were advances made by the Group's wholly-owned subsidiary, Morefit Limited, to the Group's non-wholly-owned subsidiary, Shenzhen Brewing, in which the Group holds 87% equity interest, in the aggregate amount of HK$249,090,000 (2001: HK$274,195,000). The loans were used to finance the construction and operation of the plant in Bao An, Mainland China.

Included in the total amount, HK$168,566,000 (2001: HK$193,636,000) is unsecured, bears interest at six months' LIBOR plus 0.75% per annum, of which HK$63,790,000 (2001: HK$50,136,000) is repayable within one year and the remaining balance of HK$104,776,000 (2001: HK$143,500,000) is repayable within five years from the balance sheet date. The remaining balance of HK$80,524,000 (2001: HK$80,559,000) is unsecured, interest free and is not repayable within one year.

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

(iv) As at 31 December 2002, there were advances made by the Company to the Group's non-wholly-owned subsidiary, Shenzhen Brewery, in which the Group has a 95% equity interest, in the aggregate amount of HK$178,721,000 (2001: HK$212,570,000). The loans were used to finance its expansion plan and the construction of the plant in Bao An, Mainland China.

Out of the total balance, the outstanding loan balance of HK$56,063,000 (2001: HK$89,860,000) is unsecured, bears interest at six months' LIBOR plus 0.75% per annum and is repayable within five years. The remaining outstanding loan balance of HK$122,658,000 (2001: HK$122,710,000) is unsecured, interest-free and is not repayable within one year.

(v) As at 31 December 2002, there were advances made by the Company to Shenzhen Brewing in the aggregate amount of HK$66,137,000 (2001: HK$66,166,000). The loans were used to finance its operation.

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

30. 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 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 with the current year's presentation.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 11 April 2003.