

NOTES TO THE ACCOUNTS

1 Significant Accounting Policies

A. STATEMENT OF COMPLIANCE

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

B. BASIS OF PREPARATION OF THE ACCOUNTS

The measurement basis used in the preparation of the accounts is historical cost.

C. BASIS OF CONSOLIDATION

- (i) The consolidated accounts include the audited accounts of the Company and all its subsidiary companies made up to 31st December each year. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit and Loss from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.
- (ii) Goodwill/capital reserve arising on consolidation represents the excess/shortfall of the cost of investment in subsidiaries over the appropriate share of the fair value of the net assets acquired, and is eliminated directly against reserves.
- (iii) On disposal of a subsidiary during the year, any attributable amount of purchased goodwill which has previously been dealt with as a movement in Group reserves is included in the calculation of the profit or loss on disposal.

D. INVESTMENTS IN SUBSIDIARIES

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

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which are other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as expenses in the Company's Statement of Profit and Loss.

E. HELD TO MATURITY SECURITIES

The Group's policies for investments in securities other than investments in subsidiaries are as following:

- (i) Dated debt securities that the Group has the ability and intention to hold to maturity are classified as held to maturity securities. Held to maturity securities are stated in the Consolidated Balance Sheet at amortised cost less any provisions for diminution in value. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the Consolidated Statement of Profit and Loss, such provisions being determined for each investment individually.
- (ii) Provisions against the carrying value of held to maturity securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the Consolidated Statement of Profit and Loss as they arise.

F. FIXED ASSETS

Fixed assets are stated at cost less amortisation and depreciation with the exception of construction in progress which is stated at cost.

The carrying value of fixed assets (depreciated cost) is reviewed periodically to assess whether the recoverable value has declined below the carrying value. If such a decline has occurred, the carrying value is reduced to the recoverable value and the associated reduction is recognised as an expense in the Consolidated Statement of Profit and Loss. In assessing the recoverable value, future cash flows which are expected to be generated by assets are discounted to their present values.

G. AMORTISATION AND DEPRECIATION

Amortisation and depreciation are provided on fixed assets in use on the straight line basis at rates sufficient to write off the cost of the assets over their useful lives according to the following schedule:

Asset category	Useful life
Buildings (pre-1982)	20 years
Buildings (1982 and after)	25 to 50 years
Machinery, equipment, furniture and fixtures	4 to 50 years
Motor vehicles	4 to 7 years

Leasehold land is depreciated over the remaining lease periods to the extent that such depreciation is material.

H. PRE-OPERATING EXPENSES

Pre-operating expenses, comprising legal and professional fees and incidental costs incurred in setting up subsidiary companies are written off to the Consolidated Statement of Profit and Loss on a straight line basis over 5 years from commencement of operation.

I. REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the Consolidated Statement of Profit and Loss as follows:

- (i) Revenue arising from sales of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.
- (ii) Interest income from bank deposits and held to maturity securities is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

J. PRODUCTS, MATERIALS AND SUPPLIES

Both materials and supplies and products in hand and in progress are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

K. DEFERRED TAXATION

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

L. TRANSLATION OF FOREIGN CURRENCIES

Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. On consolidation, accounts of overseas subsidiary companies have been translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date.

Differences on exchange are dealt with in the Consolidated Statement of Profit and Loss with the exception of those arising on the translation of the accounts of overseas subsidiary companies which are dealt with in the exchange fluctuation reserve.

M. OPERATING LEASES

Rentals payable under operating leases are accounted for in the Consolidated Statement of Profit and Loss on a straight line basis over the periods of the respective leases.

N. BORROWING COSTS

Borrowing costs are expensed in the Consolidated Statement of Profit and Loss in the period in which they are incurred.

O. RETIREMENT COSTS

The Group operates a defined benefit retirement scheme for Hong Kong based staff and the regular cost of providing retirement benefits is charged to the Consolidated Statement of Profit and Loss over the expected service lives of the members of the scheme on the basis of level percentages of pensionable pay. Variations from regular cost arising from periodic actuarial valuations are allocated to the Consolidated Statement of Profit and Loss over the expected remaining service lives of the members.

P. RELATED PARTIES

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

Q. CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purpose of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

2 Gross turnover and segmental information

in dollar thousands

The principal activities of the Company and its subsidiaries are manufacture and distribution of bottled, canned and draught beers.

As the Group's turnover and profits are almost entirely attributable to these activities, no analysis by activity is provided.

Gross turnover represents the gross invoiced value of products sold.

An analysis of the geographical locations of trading operations of the Group is given below:

	Group Gross turnover		Group Profit/(loss) before taxation	
	2000	1999	2000	1999
Hong Kong	778,647	778,629	86,588	66,130
The People's Republic of China	<u>576,537</u>	<u>564,273</u>	<u>7,020</u>	<u>(2,660)</u>
	<u>1,355,184</u>	<u>1,342,902</u>	<u>93,608</u>	<u>63,470</u>

3 Profit from operations
in dollar thousands

	Group	
	2000	1999
The profit from operations is stated after charging the following items:		
Depreciation and amortisation of fixed assets	78,374	86,892
Amortisation of pre-operating expenses	6,212	6,282
Inventory costs	337,254	343,717
Payroll cost	127,094	144,121
Operating lease charges:		
— Plant and machinery	14,864	15,242
— Land and buildings	15,418	17,585
Retirement costs	11,887	14,404
Auditors' remuneration	<u>2,672</u>	<u>2,279</u>

4 Finance cost
in dollar thousands

	Group	
	2000	1999
Interest expenses	(40,176)	(32,105)
Bank charges	(146)	(149)
	<u>(40,322)</u>	<u>(32,254)</u>

5 Other net income
in dollar thousands

	Group	
	2000	1999
Interest income	25,633	20,040
Rental income	5,775	8,318
Severance payment	(2,764)	(10,822)
Realised/unrealised loss on unlisted investments	—	(2,419)
Loss on disposal of fixed assets	(1,030)	(464)
Other income/(expenses)	2,067	(2,666)
	<u>29,681</u>	<u>11,987</u>

6 Taxation

in dollar thousands

- (a) Taxation in the Consolidated Statement of Profit and Loss is made up as follows:

	Group	
	2000	1999
Hong Kong taxation — under provision in respect of prior years	8	2,902
Overseas taxation	6,623	3,842
	6,631	6,744

No provision has been made for Hong Kong taxation for 2000.

Hong Kong taxation is calculated at the appropriate tax rates on the estimated assessable Hong Kong profits in respect of prior years.

Overseas taxation is calculated at the appropriate tax rates on the estimated overseas profits for the year.

- (b) Taxation in the Consolidated Balance Sheet is made up as follows:

	Group	
	2000	1999
Provision for overseas profits tax for the year	3,158	1,714
(Recoverable)/payable Hong Kong tax relating to prior years	(972)	2,902
	2,186	4,616

Amount of taxation payable expected to be settled after more than 1 year is \$nil (1999: \$nil).

7 Directors' emoluments
in dollar thousands

	Group	
	2000	1999
Fees	516	530
Salaries, bonuses and allowances	3,111	3,079
Retirement fund contributions	12	122
Termination payments	—	111
	<u>3,639</u>	<u>3,842</u>

Included in the directors' emoluments were fees of \$466,000 (1999: \$480,000) paid to non-executive directors during the year.

The directors' emoluments are analysed as follows:

	Number of directors	
	2000	1999
\$Nil to \$1,000,000	9	9
\$2,000,001 to \$2,500,000	—	—
\$3,000,001 to \$3,500,000	<u>1</u>	<u>1</u>

8 Individuals with highest emoluments
in dollar thousands

The highest individual emolument is included with other directors' emoluments in Note 7. The aggregate of emoluments in respect of the remaining four highest paid individuals is as follows:

	Group	
	2000	1999
Salaries, bonuses and allowances	7,676	8,162
Retirement fund contributions	<u>280</u>	<u>302</u>
	<u>7,956</u>	<u>8,464</u>

Included in the above emoluments for 2000 is a sum of \$362,000 which is also included in directors emoluments (1999: \$nil).

The above emoluments are analysed as follows:

	Number of individuals	
	2000	1999
\$1,000,001 to \$1,500,000	1	—
\$1,500,001 to \$2,000,000	1	2
\$2,000,001 to \$2,500,000	1	1
\$2,500,001 to \$3,000,000	1	1

9 Profit attributable to shareholders

The profit attributable to shareholders included a loss of \$55,205,000 (1999 profit of \$87,332,000) which has been dealt with in the accounts of the Company. The Company's loss for 2000 included a charge of \$152,978,000 which aligns the carrying value of the investment in San Miguel Shunde Brewery Company Limited in the Company's balance sheet with the carrying value of the investment in the Consolidated Balance Sheet.

10 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of \$87,657,000 (1999: \$60,100,000) and on 373,570,560 ordinary shares (1999: 373,570,560 shares), being the weighted average number of shares in issue during the year.

The amount of diluted earnings per share is not presented as the amount is the same as the basic earnings per share as presented in the accounts.

11 Fixed assets
in dollar thousands

	Total	Land	Buildings	Machinery, equipment, furniture & fixtures	Motor vehicles	Construction in progress
(a) Group						
Cost						
At 1st January 2000	2,645,322	246,162	842,900	1,461,540	40,480	54,240
Exchange adjustments	3,872	165	1,248	2,122	112	225
Additions	14,643	—	531	5,030	1,478	7,604
Disposals	(4,945)	—	—	(3,514)	(1,314)	(117)
Transfer from construction in progress	—	—	7,106	509	—	(7,615)
At 31st December 2000	<u>2,658,892</u>	<u>246,327</u>	<u>851,785</u>	<u>1,465,687</u>	<u>40,756</u>	<u>54,337</u>
Aggregate amortisation and depreciation						
At 1st January 2000	369,172	2,971	64,374	272,703	29,124	—
Exchange adjustments	666	13	105	472	76	—
Charge for the year	78,374	747	20,490	53,422	3,715	—
Written back on disposals	(3,574)	—	—	(2,420)	(1,154)	—
At 31st December 2000	<u>444,638</u>	<u>3,731</u>	<u>84,969</u>	<u>324,177</u>	<u>31,761</u>	<u>—</u>
Net book value at 31st December 2000	<u>2,214,254</u>	<u>242,596</u>	<u>766,816</u>	<u>1,141,510</u>	<u>8,995</u>	<u>54,337</u>
Net book value at 31st December 1999	<u>2,276,150</u>	<u>243,191</u>	<u>778,526</u>	<u>1,188,837</u>	<u>11,356</u>	<u>54,240</u>

	Total	Land	Buildings	Machinery, equipment, furniture & fixtures	Motor vehicles	Construction in progress
(b) Company						
Cost						
At 1st January 2000	1,538,357	107,292	458,772	958,592	13,692	9
Additions	4,721	—	—	2,559	1,543	619
Disposals	(2,164)	—	—	(1,196)	(968)	—
Transfer from construction in progress	—	—	—	487	—	(487)
At 31st December 2000	<u>1,540,914</u>	<u>107,292</u>	<u>458,772</u>	<u>960,442</u>	<u>14,267</u>	<u>141</u>
Aggregate amortisation and depreciation						
At 1st January 2000	200,032	—	30,012	158,980	11,040	—
Charge for the year	46,662	—	9,175	36,244	1,243	—
Written back on disposals	(2,036)	—	—	(1,183)	(853)	—
At 31st December 2000	<u>244,658</u>	<u>—</u>	<u>39,187</u>	<u>194,041</u>	<u>11,430</u>	<u>—</u>
Net book value at 31st December 2000	<u>1,296,256</u>	<u>107,292</u>	<u>419,585</u>	<u>766,401</u>	<u>2,837</u>	<u>141</u>
Net book value at 31st December 1999	<u>1,338,325</u>	<u>107,292</u>	<u>428,760</u>	<u>799,612</u>	<u>2,652</u>	<u>9</u>

(c) The analysis of net book value of land is as follows:

	Group		Company	
	2000	1999	2000	1999
Medium term leasehold land				
— in Hong Kong	209,014	209,014	107,292	107,292
— outside Hong Kong	33,582	34,177	—	—
	<u>242,596</u>	<u>243,191</u>	<u>107,292</u>	<u>107,292</u>

- (d) The gross amounts of fixed assets of the Group and the Company held for use on short term operating leases were \$204,305,000 (1999: \$203,704,000) and the related accumulated depreciation charges were \$12,559,000 (1999: \$10,513,000).

12 Interests in subsidiaries

in dollar thousands except share capital of subsidiaries

	Company	
	2000	1999
Unlisted shares, at cost	603,249	603,249
Amounts due from subsidiaries	332,422	329,748
Amounts due to subsidiaries	(116,114)	(177,309)
	819,557	755,688
Less: provision (<i>note 9</i>)	(152,978)	—
	666,579	755,688

The following list is the subsidiaries of the Group:

Company	Place of incorporation/ operation	Issued and fully paid up share capital (All being ordinary except otherwise stated)	Percentage of shares held by		Principal activities
			Company	Subsidiaries	
Beer World Hong Kong Limited	Hong Kong	\$1,000	100%	—	Beer Trading
Best Investments International Inc.	British Virgin Islands	US\$50,000 Preferences: US\$60,000,000	100%	—	Investment
Guangzhou San Miguel Brewery Company Limited	The People's Republic of China ("PRC")	US\$25,495,000	—	70%	Manufacture and sale of beer

Company	Place of incorporation/ operation	Issued and fully paid up share capital (All being ordinary except otherwise stated)	Percentage of shares held by		Principal activities
			Company	Subsidiaries	
Hongkong Brewery Limited	Hong Kong	\$100	100%	—	Dormant
Ravelin Limited	Hong Kong	\$10,000,000	100%	—	Property Holding
San Miguel (Guangdong) Limited	Hong Kong	A: US\$9,000,000 B: \$1,000	92.989% 100%	— —	Investment Holding
San Miguel Shunde Brewery Company Limited	PRC	US\$27,933,000	—	85%	Manufacture and sale of beer
San Miguel Shunde Holdings Limited	Hong Kong	\$2,000,000	92%	—	Investment Holding

Guangzhou San Miguel Brewery Company Limited is an equity joint venture formed between the Company's subsidiary, San Miguel (Guangdong) Limited, and Guangzhou Brewery. According to the shareholders' agreement, the company has an operating period of 30 years expiring on 28th November 2020.

San Miguel Shunde Brewery Company Limited is an equity joint venture formed between the Company's subsidiary, San Miguel Shunde Holdings Limited, and Guangdong Province Shunde County Brewery. According to the shareholders' agreement, the company has an operating period of 50 years expiring on 4th August 2042.

13 Other assets*in dollar thousands*

Other assets represent pre-operating expenses and deposits for the land and leased factory used by a PRC subsidiary.

Movement in other assets comprise:

	Group	
	2000	1999
Pre-operating expenses:		
Balance at 1st January	6,186	12,435
Amortisation for the year	(6,212)	(6,282)
Exchange difference	26	33
	<hr/>	<hr/>
Balance at 31st December	—	6,186
Deposits for the land and leased factory:		
Balance at 1st January and 31st December	7,543	7,543
	<hr/>	<hr/>
	7,543	13,729
	<hr/>	<hr/>

14 Inventories*in dollar thousands*

	Group		Company	
	2000	1999	2000	1999
Products in hand and in process	15,020	26,523	8,857	19,906
Materials and supplies	78,224	85,311	26,199	23,043
	<hr/>	<hr/>	<hr/>	<hr/>
	93,244	111,834	35,056	42,949
	<hr/>	<hr/>	<hr/>	<hr/>

The amount of inventories held by the Group carried at net realisable value is \$12,944,000 (1999: \$16,901,000).

15 Trade receivables and creditors — ageing analysis
in dollar thousands

Credit is offered to customers following financial assessment and an established payment record. Security in the form of mortgages or bank guarantees is obtained from major customers. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. Customers considered to be a credit risk trade on a cash basis. Professional staff monitor accounts receivable and follow up collections. General credit terms are payment by the end of the month following the month in which sales took place.

The ageing of trade receivables is as follows:

	Group		Company	
	2000	1999	2000	1999
Less than 30 days	63,916	58,527	33,730	18,399
31 to 60 days	46,647	43,621	25,735	13,778
61 to 90 days	19,806	14,967	11,553	6,431
over 90 days	18,847	39,245	556	1,673
	149,216	156,360	71,574	40,281

The ageing of creditors is as follows:

	Group		Company	
	2000	1999	2000	1999
Less than 30 days	23,094	39,722	14,972	25,407
31 to 60 days	9,556	7,377	3,371	416
61 to 90 days	1,564	4,254	—	177
over 90 days	2,037	7,955	12	1,159
	36,251	59,308	18,355	27,159

16 Cash and cash equivalents
in dollar thousands

	Group		Company	
	2000	1999	2000	1999
Deposits with banks	373,963	273,290	—	—
Cash at bank and in hand	44,873	50,055	9,579	12,966
	418,836	323,345	9,579	12,966

17 Bank loans and advances
in dollar thousands

	Group		Company	
	2000	1999	2000	1999
Secured	—	11,267	—	—
Unsecured	468,307	470,941	—	4,479
	468,307	482,208	—	4,479
Bank loans and advances are repayable as follows:				
Within one year or on demand	78,051	93,490	—	4,479
More than 1 year but less than 2 years (<i>note 18</i>)	390,256	—	—	—
More than 2 years but less than 5 years (<i>note 18</i>)	—	388,718	—	—
	390,256	388,718	—	—
	468,307	482,208	—	4,479

18 Interest-bearing liabilities*in dollar thousands*

The unsecured bank loan bears interest at the London Interbank Offer Rate plus 1.16% per annum and is repayable on 7th March 2002.

None of the interest-bearing liabilities are expected to be settled within one year.

19 Leased factory maintenance provision*in dollar thousands*

Pursuant to a subsidiary's factory lease agreement which expires on 28th February 2021, the subsidiary is required to pay to the lessor an annual fee of approximately \$4.03 million for maintaining the leased factory, for which provision is made each year (adjusted for exchange differences). The fee is payable upon expiration or early termination of the lease agreement and may be settled by any qualifying capital expenditure incurred by the subsidiary on the purchase or construction of any separate and identifiable equipment or building during the term of the lease.

As this factory lease is not expected to be terminated within the next twelve months, the accumulated provision is included in non-current liabilities.

	Group	
	2000	1999
Balance at 1st January	30,322	26,320
Provision made during the year	4,080	4,063
Provision utilised	(2,718)	(149)
Exchange difference	126	88
Balance at 31st December	31,810	30,322

20 Share capital
in dollar thousands

	Company	
	2000	1999
Authorised:		
400,000,000 ordinary shares of \$0.50 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
373,570,560 ordinary shares of \$0.50 each	<u>186,785</u>	<u>186,785</u>

21 Reserves
in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Group					
Balance at 1st January 1999	1,976,239	65,739	57,312	(6,330)	1,859,518
Profit for the year	60,100	—	—	—	60,100
Dividend	(41,093)	—	—	—	(41,093)
Exchange gain arising on consolidation	<u>609</u>	<u>—</u>	<u>—</u>	<u>609</u>	<u>—</u>
Balance at 31st December 1999	<u>1,995,855</u>	<u>65,739</u>	<u>57,312</u>	<u>(5,721)</u>	<u>1,878,525</u>
Balance at 1st January 2000	1,995,855	65,739	57,312	(5,721)	1,878,525
Profit for the year	87,657	—	—	—	87,657
Dividend	(52,300)	—	—	—	(52,300)
Exchange gain arising on consolidation	<u>897</u>	<u>—</u>	<u>—</u>	<u>897</u>	<u>—</u>
Balance at 31st December 2000	<u>2,032,109</u>	<u>65,739</u>	<u>57,312</u>	<u>(4,824)</u>	<u>1,913,882</u>

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

The capital reserve and exchange fluctuation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill/capital reserve arising on acquisition of subsidiaries and translation of foreign currencies (note 1).

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Company					
Balance at 1st January 1999	1,958,402	65,739	—	—	1,892,663
Profit for the year	87,332	—	—	—	87,332
Dividend	(41,093)	—	—	—	(41,093)
Balance at 31st December 1999	2,004,641	65,739	—	—	1,938,902
Balance at 1st January 2000	2,004,641	65,739	—	—	1,938,902
Loss for the year (<i>note 9</i>)	(55,205)	—	—	—	(55,205)
Dividend	(52,300)	—	—	—	(52,300)
Balance at 31st December 2000	1,897,136	65,739	—	—	1,831,397

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

The distributable reserves of the Company as at 31st December 2000 were \$1,831,397,000 (1999: \$1,938,902,000).

22 Deferred taxation
in dollar thousands

Major components of deferred tax are set out below:

	Group			
	2000		1999	
	Potential liabilities		Potential liabilities	
	Provided	Unprovided	Provided	Unprovided
Depreciation allowances in excess of related depreciation	—	152,263	—	128,338
Future benefit of tax losses	—	(107,200)	—	(100,035)
	—	45,063	—	28,303

No provision has been made for the potential liabilities of deferred tax because they are not expected to crystallise in the foreseeable future.

23 Commitments
in dollar thousands

- (a) The aggregate amount of commitments for capital expenditure, for which no provision has been made in the accounts, totalled approximately:

	Group		Company	
	2000	1999	2000	1999
Contracted for	808	2,289	808	1,530
Authorised by the directors but not contracted for	6,621	9,744	2,369	2,027
	7,429	12,033	3,177	3,557

- (b) At 31st December, the Group and the Company had commitments under operating leases to make payments in the following year as follows:

	Group		Company	
	2000	1999	2000	1999
Land and buildings				
Leases expiring:				
Within 1 year	1,011	4,416	—	3,293
After 1 year but within 5 years	7,562	5,647	9,401	4,902
After 5 years	5,191	5,170	—	—
Plant and machinery				
Leases expiring:				
Within 1 year	—	31	—	31
After 1 year but within 5 years	508	509	508	509
After 5 years	14,326	14,266	—	—
	28,598	30,039	9,909	8,735

24 Material related party transactions

The Group purchased and sold products and materials from and to companies that either had a controlling interest in the Group or were also subsidiaries of the ultimate holding company. These transactions were carried out under the same terms as the related parties trade with other customers. During 2000, total purchases from and sales to these related parties totalled \$90,860,000 (1999: \$82,543,000) and \$18,222,000 (1999: \$24,701,000) respectively. The net amount due to these related parties amounted to \$15,664,000 (1999: \$13,149,000) on 31st December 2000.

In 1996, the Company sold machinery and equipment, on commercial terms, for \$130,463,000 to a holding company of San Miguel Brewery Hong Kong Limited. The amount due from this related party at 31st December 2000 was \$65,230,000 (1999: \$65,230,000) and interest has been charged at a commercial rate.

25 **Contingent liabilities**

in dollar thousands

In accordance with a subsidiary company's factory lease agreement, except for certain specified reasons, the subsidiary company is required to pay the lessor a penalty of \$10.58 million (adjusted for exchange differences) if the agreement is terminated before 28th February 2021, the expiry date of the lease.

As at 31st December 2000, there were contingent liabilities in respect of guarantees given to banks by the Company to secure banking facilities made available to subsidiary companies.

	Company	
	2000	1999
Guarantees to banks	<u>468,306</u>	<u>466,462</u>

26 **Comparative figures**

The presentation and classification of amounts due from/to holding company and fellow subsidiaries have been changed from the reporting of a net balance to separate disclosure as two distinct line items in the Consolidated Balance Sheet and the Company Balance Sheet. In addition, the deposits for the land and leased factory have been reclassified from trade and other receivables to other non-current assets. Comparative figures have been reclassified to conform with the current year's presentation.

27 **Ultimate holding company**

San Miguel Corporation, incorporated in the Republic of the Philippines, is regarded by the directors as being the Company's ultimate holding company at 31st December 2000.