NOTES TO THE FINANCIAL STATEMENTS

1 Significant Accounting Policies

A. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements 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 FINANCIAL STATEMENTS

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

C. SUBSIDIARIES

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

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the Consolidated Balance Sheet at fair value with changes in fair value recognised in the Consolidated Statement of Profit and Loss as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

In the Company's Balance Sheet, an investment in a subsidiary is stated at cost less any impairment losses (see Note 1(H)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the Statement of Profit and Loss as they arise.

D. GOODWILL

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries:

(i) For acquisitions before 1st January 2001, positive goodwill is eliminated against reserves.

(ii) For acquisitions on or after 1st January 2001, positive goodwill is amortised to the Consolidated Statement of Profit and Loss on a straight-line basis over its estimated useful life. Positive goodwill is stated in Consolidated Balance Sheet at cost less any accumulated amortisation and any impairment losses (see Note 1(H)).

(iii) On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortised through the Consolidated Statement of Profit and Loss or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

E. HELD TO MATURITY SECURITIES

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

(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.

1 Significant Accounting Policies *(Continued)*

E. HELD TO MATURITY SECURITIES *(Continued)*

(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

(i) Fixed assets are stated at cost less accumulated depreciation (see Note 1(G)) and impairment losses (see Note 1(H)), with the exception of construction in progress which is stated at cost less impairment losses (see Note 1(H)).

(ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Profit and Loss on the date of retirement or disposal.

G. DEPRECIATION

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives as follows:

Asset category	**Useful life**
Buildings	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. IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– Fixed assets; and

– Investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant Accounting Policies *(Continued)*

H. IMPAIRMENT OF ASSETS *(Continued)*

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the assets's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the Consolidated Statement of Profit and Loss in the year in which the reversals are recognised.

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.

(ii) Interest income from bank deposits and held to maturity securities is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(iii) Rental income receivable under operating leases is recognised in the Consolidated Statement of Profit and Loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the Consolidated Statement of Profit and Loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

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.

1 Significant Accounting Policies *(Continued)*

L. TRANSLATION OF FOREIGN CURRENCIES

Monetary assets and liabilities denominated 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, the results and balance sheet items of overseas subsidiary companies are translated into Hong Kong dollars at the 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 results and balance sheet items of overseas subsidiary companies which are dealt with in the exchange fluctuation reserve.

On disposal of an overseas subsidiary company, the cumulative amount of the exchange differences which relate to that overseas subsidiary company is included in the calculation of the profit or loss on disposal.

M. LEASED ASSETS

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) *Assets held for use in operating leases*

Where the Group leases out assets under operating leases, the assets are included in the Consolidated Balance Sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 1(G). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(H). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 1(I)(iii).

(ii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to Consolidated Statement of Profit and Loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the Consolidated Statement of Profit and Loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the Consolidated Statement of Profit and Loss in the accounting period in which they are incurred.

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.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the Consolidated Statement of Profit and Loss when incurred.

Staff engaged by the Group outside Hong Kong are covered by local retirement arrangements. The overseas arrangements are defined contribution schemes. Contributions to the schemes are charged to the Consolidated Statement of Profit and Loss at rates specified in the rules of the schemes.

1 Significant Accounting Policies *(Continued)*

P. RELATED PARTIES

For the purposes of these financial statements, 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 other 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 purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

R. SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen geographical segment information as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2 Gross turnover

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

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

Gross turnover represents the gross invoiced value of products sold.

3 Profit from operations

in dollar thousands

	Group	
	2001	Restated 2000
The profit from operations is stated after charging the following items:		
Depreciation		
– Assets held for use under operating leases	**960**	786
– Other assets	**78,172**	77,588
Amortisation	**–**	6,212
Inventory costs	**396,242**	417,330
Payroll costs	**126,053**	127,094
Operating lease charges		
– Plant and machinery	**14,861**	14,864
– Land and buildings	**13,046**	15,418
Retirement costs	**12,426**	11,887
Auditors' remuneration	**1,909**	2,672

4 Finance costs

in dollar thousands

	Group 2001	2000
Interest expenses	**(23,340)**	(40,176)
Bank charges	**(87)**	(146)
	(23,427)	(40,322)

5 Other net income

in dollar thousands

	Group 2001	2000
Interest income	**12,807**	25,633
Rental income	**4,111**	5,775
Loss on disposal of fixed assets	**(200)**	(1,030)
Other income	**456**	2,829
	17,174	33,207

6 Taxation

in dollar thousands

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

	Group 2001	2000
Hong Kong taxation – under provision in respect of prior years	**–**	8
Overseas taxation	**2,210**	3,666
Deferred taxation (Note 22(a))	**2,921**	2,957
	5,131	6,631

No provision for Hong Kong profits tax has been made in the financial statements as accumulated tax losses brought forward exceed the estimated assessable profits for the year.

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 2001	2000
Balance of provision for overseas profits tax	**278**	53
Hong Kong profits tax recoverable relating to prior years	**–**	972

7 Directors' emoluments

in dollar thousands

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001	2000
Fees	**518**	516
Salaries and allowances	**5,323**	2,567
Discretionary bonus	**606**	544
Retirement fund contributions	**324**	12
	6,771	3,639

Included in the directors' emoluments were fees of $418,000 (2000: $466,000) paid to independent non-executive directors during the year. Directors' emoluments for 2001 included a sum of $3,861,000 (2000: $nil), which cost was borne by the Company's holding company.

The directors' emoluments are analysed as follows:

	Number of directors	
	2001	2000
$Nil to $1,000,000	**8**	9
$2,000,001 to $2,500,000	**1**	–
$3,000,001 to $3,500,000	**–**	1
$3,500,001 to $4,000,000	**1**	–

8 Individuals with highest emoluments

in dollar thousands

Of the five individuals with the highest emoluments, two are directors (2000: one) whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2000: four) individuals are as follows:

	Group	
	2001	2000
Salaries and allowances	**3,831**	6,837
Discretionary bonus	**1,096**	839
Retirement fund contributions	**333**	280
	5,260	7,956

The above emoluments are analysed as follows:

	Number of individuals	
	2001	2000
$1,000,001 to $1,500,000	**–**	1
$1,500,001 to $2,000,000	**3**	1
$2,000,001 to $2,500,000	**–**	1
$2,500,001 to $3,000,000	**–**	1

9 Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a profit of $86,262,000 (2000: loss of $55,205,000) which has been dealt with in the financial statements of the Company. The Company's loss for 2000 included a charge of $152,978,000 which aligned 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 Dividends

in dollar thousands

(a) Dividends attributable to the year

	Group 2001	Group 2000
Special dividend declared of $0.27 per share (2000: $nil per share)	**100,864**	–
First interim dividend declared of $0.04 per share (2000: $0.03 per share)	**14,943**	11,207
Second interim dividend declared of $0.04 per share (2000: $0.03 per share)	**14,943**	11,207
Third interim dividend declared of $0.04 per share (2000: $0.04 per share)	**14,943**	14,943
Total dividends declared during the year (Note 24)	**145,693**	37,357
Final dividend proposed after the balance sheet date of $0.04 per share (2000: $0.04 per share)	**14,943**	14,943
	160,636	52,300

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous year, approved and paid during the year

	Group 2001	Group 2000
Final dividend in respect of the previous year, approved and paid during the year, of $0.04 per share (2000: $0.03 per share) (Note 24)	**14,943**	11,207

11 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of $88,734,000 (2000:$87,657,000) and on 373,570,560 ordinary shares (2000: 373,570,560 shares), being the number of shares in issue throughout the year.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for both years.

12 Change in accounting policies

Dividend recognition

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st January 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) "Events after the balance sheet date" issued by the HKSA, the Group recognises dividends declared or proposed as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries is recognised as income in the Company's Statement of Profit and Loss in the accounting period in which the right to receive the dividend has been established.

As a result of this new accounting policy, the Group's net assets at the year end have been increased by $14,943,000 (2000: $14,943,000). There is no impact on the Group's profit attributable to shareholders for the years presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior years.

12 Change in accounting policies *(Continued)*

Goodwill

In prior years, positive goodwill arising on acquisition of subsidiaries was eliminated directly against reserves. With effect from 1st January 2001, in order to comply with Statement of Standard Accounting Practice ("SSAP") 30 "Business combinations" issued by the HKSA, the Group adopted an accounting policy of recognising positive goodwill on the Consolidated Balance Sheet and amortising it on a straight-line basis to the Consolidated Statement of Profit and Loss over its estimated useful economic life. The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 with the effect that the new accounting policy has been adopted prospectively and no adjustments have been made to the opening balance of retained profits and reserves and comparative information.

13 Segment Reporting

in dollar thousands

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen because this is more relevant to the Group in making operating and financial decisions.

Segment revenue from external customers is not further analysed by the geographical location of customers as the segment revenue based on location of customers is almost entirely the same as the segment revenue based on location of assets.

No business segments analysis of the Group is presented as all the Group's turnover and trading result are generated from the manufacture and distribution of bottled, canned, and draught beers.

	Hong Kong		PRC		Inter-segment elimination		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
Revenue from external customers	**777,266**	778,647	**599,157**	654,503	**–**	–	**1,376,423**	1,433,150
Inter-segment revenue	**–**	6,730	**–**	–	**–**	(6,730)	**–**	–
Other revenue	**4,111**	5,775	**–**	–	**–**	–	**4,111**	5,775
Total revenue	**781,377**	791,152	**599,157**	654,503	**–**	(6,730)	**1,380,534**	1,438,925
Segment result	**70,362**	69,768	**35,792**	38,529			**106,154**	108,297
Unallocated operating income and expenses							**12,807**	25,633
Profit form operations							**118,961**	133,930
Finance costs							**(23,427)**	(40,322)
Taxation							**(5,131)**	(6,631)
Minority interests							**(1,669)**	680
Profit attributable to shareholders							**88,734**	87,657
Depreciation and amortisation for the year	**48,861**	48,795	**30,271**	35,791			**79,132**	84,586

	Hong Kong		PRC		Inter-segment elimination		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
Segment assets	**1,763,459**	2,025,517	**926,459**	965,777	**(1,968)**	(10,116)	**2,687,950**	2,981,178
Unallocated assets							**49,807**	20,935
Total assets							**2,737,757**	3,002,113
Segment liabilities	**71,487**	59,915	**119,400**	139,513	**(1,968)**	(10,116)	**188,919**	189,312
Unallocated liabilities							**280,648**	473,460
Total liabilities							**469,567**	662,772
Capital expenditure incurred during the year	**11,780**	7,155	**13,381**	7,488			**25,161**	14,643

14 Fixed assets

in dollar thousands

	Total	Land	Buildings	Machinery, equipment, furniture & fixtures	Motor vehicles	Construction in progress
(a) Group						
Cost						
At 1st January 2001	2,658,892	246,327	851,785	1,465,687	40,756	54,337
Exchange adjustments	(444)	(19)	(146)	(242)	(12)	(25)
Additions	25,161	–	6,965	7,083	2,972	8,141
Disposals	(20,805)	–	(10)	(14,393)	(6,402)	–
Transfer from construction in progress	–	–	5,796	52,008	866	(58,670)
At 31st December 2001	2,662,804	246,308	864,390	1,510,143	38,180	3,783
Accumulated depreciation						
At 1st January 2001	444,638	3,731	84,969	324,177	31,761	–
Exchange adjustments	(90)	(2)	(17)	(61)	(10)	–
Charge for the year	79,132	746	17,757	57,365	3,264	–
Written back on disposals	(17,066)	–	–	(11,060)	(6,006)	–
At 31st December 2001	506,614	4,475	102,709	370,421	29,009	–
Net book value at 31st December 2001	**2,156,190**	**241,833**	**761,681**	**1,139,722**	**9,171**	**3,783**
Net book value at 31st December 2000	2,214,254	242,596	766,816	1,141,510	8,995	54,337
(b) Company						
Cost						
At 1st January 2001	1,540,914	107,292	458,772	960,442	14,267	141
Additions	8,072	–	–	4,620	2,972	480
Disposals	(12,355)	–	–	(6,383)	(5,972)	–
Transfer from construction in progress	–	–	–	195	–	(195)
At 31st December 2001	1,536,631	107,292	458,772	958,874	11,267	426
Accumulated depreciation						
At 1st January 2001	244,658	–	39,187	194,041	11,430	–
Charge for the year	46,657	–	9,176	36,216	1,265	–
Written back on disposals	(11,998)	–	–	(6,360)	(5,638)	–
At 31st December 2001	279,317	–	48,363	223,897	7,057	–
Net book value at 31st December 2001	**1,257,314**	**107,292**	**410,409**	**734,977**	**4,210**	**426**
Net book value at 31st December 2000	1,296,256	107,292	419,585	766,401	2,837	141

14 Fixed assets (Continued)

in dollar thousands

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

	Group		Company	
	2001	2000	**2001**	2000
Medium term leasehold land				
– in Hong Kong	**209,014**	209,014	**107,292**	107,292
– outside Hong Kong	**32,819**	33,582	**–**	–
	241,833	242,596	**107,292**	107,292

(d) The gross amounts of fixed assets of the Group held for use on short term operating leases were $95,989,000 (2000: $78,453,000) and the related accumulated depreciation charges were $6,712,000 (2000: $4,823,000).

The operating leases typically run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2001	2000
Within 1 year	**3,207**	3,423
After 1 year but within 5 years	**2,819**	1,439
	6,026	4,862

15 Interests in subsidiaries

in dollar thousands except share capital of subsidiaries

	Company	
	2001	Restated 2000
Unlisted shares, at cost	**603,249**	603,249
Amounts due from subsidiaries	**326,790**	332,422
Amounts due to subsidiaries	**(122,151)**	(139,304)
	807,888	796,367
Less: provision	**(166,978)**	(152,978)
	640,910	643,389

15 Interests in subsidiaries *(Continued)*

in dollar thousands except share capital of subsidiaries

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 Company	Percentage of shares held by Subsidiaries	Principal activities
Beer World Hong Kong Limited	Hong Kong	$1,000	100%	–	Beer Trading
Best Investments International Inc.	British Virgin Islands	US$50,000	100%	–	Investment
		Preferences: US$60,000,000	100%	–	
Guangzhou San Miguel Brewery Company Limited	The People's Republic of China ("PRC")	US$25,495,000	–	70%	Manufacture and sale of beer
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	92.989%	–	Investment Holding
		B: $1,000	100%	–	
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.

16 Other assets

Other assets represents deposits for the land and leased factory used by a PRC subsidiary.

17 Inventories

in dollar thousands

	Group		Company	
	2001	2000	**2001**	2000
Products in hand and in process	**22,517**	15,020	**13,913**	8,857
Materials and supplies	**72,986**	78,224	**25,380**	26,199
	95,503	93,244	**39,293**	35,056

The amount of inventories held by the Group carried at net realisable value is $19,578,000 (2000: $12,944,000).

18 Trade receivables and payables – 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 trade receivables and follow up collections. General credit terms are payment by the end of the month following the month in which sales took place.

18 Trade receivables and payables – ageing analysis *(Continued)*

in dollar thousands

The ageing of trade receivables is as follows:

	Group		Company	
	2001	2000	**2001**	2000
Less than 30 days	**73,615**	63,916	**32,932**	33,730
31 to 60 days	**34,332**	46,647	**30,160**	25,735
61 to 90 days	**14,607**	19,806	**14,403**	11,553
over 90 days	**22,216**	18,847	**7,030**	556
	144,770	149,216	**84,525**	71,574

The ageing of trade payables is as follows:

	Group		Company	
	2001	2000	**2001**	2000
Less than 30 days	**44,875**	23,094	**33,879**	14,972
31 to 60 days	**9,881**	9,556	**4,957**	3,371
61 to 90 days	**3,455**	1,564	**575**	–
over 90 days	**1,778**	2,037	**97**	12
	59,989	36,251	**39,508**	18,355

19 Cash and cash equivalents

in dollar thousands

(a) Cash and cash equivalents comprise:

	Group		Company	
	2001	2000	**2001**	2000
Deposits with banks	**186,354**	373,963	**–**	–
Cash at bank and in hand	**55,090**	44,873	**22,265**	9,579
	241,444	418,836	**22,265**	9,579

(b) At 31st December 2001, the deposits with banks were placed to mature as follows:

	Group		Company	
	2001	2000	**2001**	2000
Within 3 months	**159,738**	373,963	**–**	–
After 3 months but within 1 year	**26,616**	–	**–**	–
	186,354	373,963	**–**	–

20 Bank loans and advances (unsecured)

in dollar thousands

Bank loans and advances are repayable as follows:

	Group		Company	
	2001	2000	**2001**	2000
Within one year or on demand	**78,002**	78,051	**–**	–
More than 1 year but less than 2 years	**–**	390,256	**–**	–
More than 2 years but less than 5 years	**195,005**	–	**–**	–
	195,005	390,256	**–**	–
	273,007	468,307	**–**	–

20 Bank loans and advances (unsecured) *(Continued)*

in dollar thousands

The unsecured bank loan of $195,005,000 with an original term of over one year and repayable on 7th March 2002 remains classified as a non-current liability in the balance sheet as an agreement has been reached with a banker to refinance the loan on a long-term basis.

21 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 RMB4.3 million (approximately $4.08 million) for maintaining the leased factory, for which provision is made each year. 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	
	2001	2000
Balance at 1st January	**31,810**	30,322
Provision made during the year	**4,078**	4,080
Provision utilised	**–**	(2,718)
Exchange difference	**(14)**	126
Balance at 31st December	**35,874**	31,810

22 Deferred tax

in dollar thousands

(a) Movements on deferred taxation comprises:

	Group	
	2001	2000
Balance at 1st January	**3,105**	148
Transfer from Consolidated Statement of Profit and Loss (Note 6(a))	**2,921**	2,957
Balance at 31st December	**6,026**	3,105

(b) Major components of deferred tax of the Group are set out below:

	Group			
	2001 Potential liabilities		2000 Potential liabilities	
	Provided	**Unprovided**	Provided	Unprovided
Depreciation allowances in excess of related depreciation	**6,026**	**185,036**	3,105	181,683
Future benefit of tax losses	**–**	**(174,426)**	–	(191,479)
	6,026	**10,610**	3,105	(9,796)

Deferred tax has been provided to the extent that management anticipate it will crystallise in the foreseeable future.

23 Share capital

in dollar thousands

	Company 2001	Company 2000
Authorised:		
400,000,000 ordinary shares of $0.50 each	**200,000**	200,000
Issued and fully paid:		
373,570,560 ordinary shares of $0.50 each	**186,785**	186,785

24 Reserves

in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Group					
Balance at 1st January 2000					
– as previously reported	1,995,855	65,739	57,312	(5,721)	1,878,525
– prior year adjustment in respect of:					
– dividend proposed (Note 12)	11,207	–	–	–	11,207
– as restated	2,007,062	65,739	57,312	(5,721)	1,889,732
Dividends approved in respect of the previous year (Note 10(b))	(11,207)	–	–	–	(11,207)
Profit for the year	87,657	–	–	–	87,657
Dividends declared in respect of the current year (Note 10(a))	(37,357)	–	–	–	(37,357)
Exchange gain arising on consolidation	897	–	–	897	–
Balance at 31st December 2000	**2,047,052**	**65,739**	**57,312**	**(4,824)**	**1,928,825**
Balance at 1st January 2001					
– as previously reported	2,032,109	65,739	57,312	(4,824)	1,913,882
– prior year adjustment in respect of:					
– dividend proposed (Note 12)	14,943	–	–	–	14,943
– as restated	2,047,052	65,739	57,312	(4,824)	1,928,825
Dividends approved in respect of the previous year (Note 10(b))	(14,943)	–	–	–	(14,943)
Profit for the year	88,734	–	–	–	88,734
Dividend declared in respect of the current year (Note 10(a))	(145,693)	–	–	–	(145,693)
Exchange loss arising on consolidation	(96)	–	–	(96)	–
Balance at 31st December 2001	**1,975,054**	**65,739**	**57,312**	**(4,920)**	**1,856,923**

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

The exchange fluctuation reserve has been set up and will be dealt with in accordance with the accounting policy adopted for translation of foreign currencies (Note 1(L)).

The capital reserve of the Group represents the reserve arising from the capitalisation of retained profits of a PRC subsidiary.

24 Reserves *(Continued)*

in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Company					
Balance at 1st January 2000					
– as previously reported	2,004,641	65,739	–	–	1,938,902
– prior year adjustment in respect of:					
– dividend proposed (Note 12)	11,207	–	–	–	11,207
– dividend income (Note 12)	(23,190)	–	–	–	(23,190)
– as restated	1,992,658	65,739	–	–	1,926,919
Dividends approved in respect of the previous year (Note 10(b))	(11,207)	–	–	–	(11,207)
Loss for the year (Note 9)	(55,205)	–	–	–	(55,205)
Dividends declared in respect of the current year (Note 10(a))	(37,357)	–	–	–	(37,357)
Balance at 31st December 2000	**1,888,889**	**65,739**	**–**	**–**	**1,823,150**
Balance at 1st January 2001					
– as previously reported	1,897,136	65,739	–	–	1,831,397
– prior year adjustment in respect of:					
– dividend proposed (Note 12)	14,943	–	–	–	14,943
– dividend income (Note 12)	(23,190)	–	–	–	(23,190)
– as restated	1,888,889	65,739	–	–	1,823,150
Dividends approved in respect of the previous year (Note 10(b))	(14,943)	–	–	–	(14,943)
Profit for the year (Note 9)	86,262	–	–	–	86,262
Dividend declared in respect of the current year (Note 10(a))	(145,693)	–	–	–	(145,693)
Balance at 31st December 2001	**1,814,515**	**65,739**	**–**	**–**	**1,748,776**

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 2001 were $1,748,776,000 (2000: $1,823,150,000).

25 Commitments

in dollar thousands

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

	Group		Company	
	2001	2000	**2001**	2000
Contracted for	**2,482**	808	**1,340**	808
Authorised by the directors but not contracted for	**4,529**	6,621	**1,288**	2,369
	7,011	7,429	**2,628**	3,177

25 Commitments *(Continued)*

in dollar thousands

(b) At 31st December 2001, the total future lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2001	2000	**2001**	2000
Land and buildings				
Within 1 year	**10,274**	13,764	**1,645**	2,220
After 1 year but within 5 years	**23,195**	22,951	**–**	1,810
After 5 years	**72,648**	77,874	**–**	–
	106,117	114,589	**1,645**	4,030
Plant and machinery				
Within 1 year	**14,830**	14,833	**512**	508
After 1 year but within 5 years	**57,403**	57,918	**128**	635
After 5 years	**200,464**	214,885	**–**	–
	272,697	287,636	**640**	1,143
	378,814	402,225	**2,285**	5,173

The Group leases a number of properties and items of plant and machinery under operating leases. The leases typically run for an initial period of one to two years with an option to renew the lease when all terms are renegotiated, with the exception of assets leased in one of the Group's PRC factories which run for thirty years. None of the leases includes contingent rentals.

26 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 2001, total purchases from and sales to these related parties totalled $80,888,000 (2000: $90,860,000) and $46,802,000 (2000: $18,222,000) respectively. The net amount due from these related parties amounted to $1,404,000 (2000: due to amount of $15,664,000) on 31st December 2001.

27 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 2001, there were contingent liabilities in respect of guarantees given to banks by the Company to secure banking facilities made available to subsidiary companies.

	Company	
	2001	2000
Guarantees to banks	**273,007**	468,306

28 Comparative figures

Certain comparative figures have been adjusted as a result of a change in accounting policy in respect of dividend recognition, details of which are set out in Note 12.

A number of revenue and cost items for 2000 have been restated in order to align accounting definitions for South China operations with those of the Company as follows:

– The value of returnable bottles is now included in both "Gross turnover" and "Cost of sales" whereas previously the net profit or cost of returnable bottles (revenue less cost) was reported under "Other net income".

– Free of charge beer (a form of discount) is now included in both "Gross turnover" and "Discounts" whereas previously only the actual cost of the beer was reported under "Cost of sales".

– Promotional discounts to customers are now included in "Discounts" whereas previously they were reported within "Administrative and selling expenses".

29 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 2001.