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, less any impairment losses (see Note 1(H)), 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 the 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 in the balance sheets 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;

– Investments in subsidiaries; and

– Positive goodwill

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.

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

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transactions dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the Consolidated Statement of Profit and Loss.

1. Significant Accounting Policies *(Continued)*

L. TRANSLATION OF FOREIGN CURRENCIES *(CONTINUED)*

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise 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 the Consolidated Statement of Profit and Loss in equal instalments over the accounting periods covered by the lease term.

N. BORROWING COSTS

Borrowing costs are expensed in the Consolidated Statement of Profit and Loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

O. EMPLOYEE BENEFITS

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the Consolidated Statement of Profit and Loss as incurred, except to the extent that they are included in the inventories not yet recognised as an expense.

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.

(iii) The Group's net obligation in respect of the defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Consolidated Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Consolidated Statement of Profit and Loss.

1. Significant Accounting Policies *(Continued)*

O. EMPLOYEE BENEFITS *(CONTINUED)*

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the Consolidated Statement of Profit and Loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

P. RELATED PARTIES

For the purposes of these consolidated 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 AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

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 system, 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 fixed assets. 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.

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 2002	2001
The profit from operations is stated after charging the following items:		
(a) Staff costs		
Retirement costs		
– Defined contribution plans	**8,344**	7,673
– Defined benefit plan (Note 22(b) and (c))	**6,489**	4,753
	14,833	12,426
Salaries, wages and other benefits	**131,168**	126,053
	146,001	138,479
(b) Other items		
Depreciation		
– Assets held for use under operating leases	**1,211**	960
– Other assets	**79,702**	78,172
Inventory costs	**379,422**	396,242
Operating lease charges		
– Plant and machinery	**14,860**	14,861
– Land and buildings	**10,098**	13,046
Auditors' remuneration	**2,521**	1,909

4. Finance costs

in dollar thousands

	Group 2002	2001
Interest on bank loans	**(6,924)**	(23,340)
Bank charges	**(135)**	(87)
	(7,059)	(23,427)

5. Other net income

in dollar thousands

	Group 2002	2001
Interest income	**5,250**	12,807
Rental income	**5,077**	4,111
Net loss on disposal of fixed assets	**(425)**	(200)
Other income	**1,795**	456
	11,697	17,174

6. Taxation

in dollar thousands

(a) Taxation in the Consolidated Statement of Profit and Loss represents:

	Group 2002	2001
Overseas taxation	**5,064**	2,210
Deferred taxation (Note 23(a))	**(2,633)**	2,921
	2,431	5,131

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.

6. Taxation *(Continued)*

in dollar thousands

(b) Taxation in the Consolidated Balance Sheet represents:

	Group 2002	Group 2001
Balance of provision for overseas profits tax	**–**	278

7. Directors' remuneration

in dollar thousands

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

	Group 2002	Group 2001
Fees	**502**	518
Salaries and allowances	**5,397**	5,323
Discretionary bonus	**673**	606
Retirement fund contributions	**331**	324
	6,903	6,771

Included in the directors' remuneration were fees of $402,000 (2001: $418,000) paid to independent non-executive directors during the year. Directors' remuneration included a sum of $nil (2001: $3,861,000) which was borne by the Company's holding company.

The directors' remuneration is within the following bands:

		Number of directors 2002	Number of directors 2001
$Nil	to $1,000,000	**8**	8
$2,000,001	to $2,500,000	**1**	1
$3,500,001	to $4,000,000	**–**	1
$4,000,001	to $4,500,000	**1**	–

8. Individuals with highest emoluments

in dollar thousands

Of the five individuals with the highest emoluments, two are directors (2001: two) whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2001: three) individuals are as follows:

	Group 2002	Group 2001
Salaries and allowances	**3,928**	3,831
Discretionary bonus	**670**	1,096
Retirement fund contributions	**344**	333
	4,942	5,260

The above emoluments are within the following band:

		Number of individuals 2002	Number of individuals 2001
$1,500,001	to $2,000,000	**3**	3

9. Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a profit of $47,292,000 (2001: $86,262,000) which has been dealt with in the financial statements of the Company (Note 25).

10. Dividends

in dollar thousands

(a) Dividends attributable to the year

	Group	
	2002	2001
Special dividend declared and paid of $nil per share (2001: $0.27 per share)	–	100,864
First interim dividend declared and paid of $0.03 per share (2001: $0.04 per share)	**11,207**	14,943
Second interim dividend declared and paid of $0.03 per share (2001: $0.04 per share)	**11,207**	14,943
Third interim dividend declared and paid of $0.02 per share (2001: $0.04 per share)	**7,471**	14,943
Total dividends declared and paid during the year (Note 25)	**29,885**	145,693
Final dividend proposed after the balance sheet date of $0.02 per share (2001: $0.04 per share)	**7,471**	14,943
	37,356	160,636

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	
	2002	2001
Final dividend in respect of the previous year, approved and paid during the year, of $0.04 per share (2001: $0.04 per share) (Note 25)	**14,943**	14,943

11. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $39,726,000 (2001: $88,734,000) and on 373,570,560 ordinary shares (2001: 373,570,560 ordinary shares), being the number of ordinary 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. Changes in accounting policies

(a) Employee benefits

In prior years, the regular cost of providing retirement benefits under the Group's defined benefit retirement plan was charged to the Consolidated Statement of Profit and Loss over the expected service lives of the members of the plan on the basis of level percentages of pensionable pay as recommended by the actuary. With effect from 1st January 2002, in order to comply with Statement of Standard Accounting Practice ("SSAP") 34 issued by the HKSA, the Group adopted a new policy for defined benefit retirement plan as set out in Note 1 (O).

As a result of the adoption of the new accounting policy, the Group's profit for the year has been decreased by $542,000 and the net assets as at the year end have been decreased by $12,157,000. The effect of adopting the new accounting policy has been adjusted to the opening balance of retained profits for the year by $11,615,000 (Note 22(b) and 25). No restatement of other comparative information has been made.

(b) Translation of financial statements of foreign enterprises

In prior years, the results of foreign enterprises were translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. With effect from 1st January 2002, in order to comply with SSAP 11 (revised) issued by the HKSA, the Group translates the results of foreign enterprises at the average exchange rate for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

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	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
Revenue from external customers	**787,002**	777,266	**539,640**	599,157	**–**	–	**1,326,642**	1,376,423
Other revenue	**4,956**	4,111	**121**	–	**–**	–	**5,077**	4,111
Total revenue	**791,958**	781,377	**539,761**	599,157	**–**	–	**1,331,719**	1,380,534
Segment result	**53,668**	70,362	**(8,279)**	35,792			**45,389**	106,154
Unallocated operating income and expenses							**5,250**	12,807
Finance costs							**(7,059)**	(23,427)
Taxation							**(2,431)**	(5,131)
Minority interests							**(1,423)**	(1,669)
Profit attributable to shareholders							**39,726**	88,734
Depreciation for the year	**49,016**	48,861	**31,897**	30,271			**80,913**	79,132

	Hong Kong		PRC		Inter-segment elimination		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
Segment assets	**1,759,124**	1,763,459	**902,303**	926,459	**(3,080)**	(1,968)	**2,658,347**	2,687,950
Unallocated assets							**51,233**	49,807
Total assets							**2,709,580**	2,737,757
Segment liabilities	**71,042**	71,487	**111,972**	119,400	**(3,080)**	(1,968)	**179,934**	188,919
Unallocated liabilities							**276,779**	280,648
Total liabilities							**456,713**	469,567
Capital expenditure incurred during the year	**4,684**	11,780	**4,845**	13,381			**9,529**	25,161

14. Fixed assets

in dollar thousands

	Total	Land	Buildings	Machinery, equipment, furniture & fixtures	Motor vehicles	Construction in progress
(a) Group						
Cost						
At 1st January 2002	2,662,804	246,308	864,390	1,510,143	38,180	3,783
Exchange adjustments	(89)	(4)	(30)	(53)	(2)	–
Additions	9,529	–	538	2,661	1,209	5,121
Disposals	(10,510)	–	–	(3,858)	(6,652)	–
Transfer from construction in progress	–	–	479	6,239	195	(6,913)
At 31st December 2002	2,661,734	246,304	865,377	1,515,132	32,930	1,991
Accumulated depreciation						
At 1st January 2002	506,614	4,475	102,709	370,421	29,009	–
Exchange adjustments	(20)	–	(4)	(14)	(2)	–
Charge for the year	80,913	745	18,385	59,020	2,763	–
Written back on disposals	(9,636)	–	–	(3,466)	(6,170)	–
At 31st December 2002	577,871	5,220	121,090	425,961	25,600	–
Net book value at 31st December 2002	**2,083,863**	**241,084**	**744,287**	**1,089,171**	**7,330**	**1,991**
Net book value at 31st December 2001	2,156,190	241,833	761,681	1,139,722	9,171	3,783
(b) Company						
Cost						
At 1st January 2002	1,536,631	107,292	458,772	958,874	11,267	426
Additions	4,413	–	78	1,352	1,210	1,773
Disposals	(5,161)	–	–	(2,329)	(2,832)	–
Transfer from construction in progress	–	–	78	933	–	(1,011)
At 31st December 2002	1,535,883	107,292	458,928	958,830	9,645	1,188
Accumulated depreciation						
At 1st January 2002	279,317	–	48,363	223,897	7,057	–
Charge for the year	46,749	–	9,184	36,264	1,301	–
Written back on disposals	(5,144)	–	–	(2,317)	(2,827)	–
At 31st December 2002	320,922	–	57,547	257,844	5,531	–
Net book value at 31st December 2002	**1,214,961**	**107,292**	**401,381**	**700,986**	**4,114**	**1,188**
Net book value at 31st December 2001	1,257,314	107,292	410,409	734,977	4,210	426

14. Fixed assets *(Continued)*

in dollar thousands

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

	Group		Company	
	2002	2001	**2002**	2001
Medium term leasehold land				
– in Hong Kong	**209,014**	209,014	**107,292**	107,292
– outside Hong Kong	**32,070**	32,819	**–**	–
	241,084	241,833	**107,292**	107,292

(d) The Group leases as lessor certain fixed assets to third parties. The gross amounts of fixed assets of the Group held for use under these short term operating leases were $117,534,000 (2001: $95,989,000) and the related accumulated depreciation charges were $9,418,000 (2001: $6,712,000).

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	
	2002	2001
Within 1 year	**3,944**	3,207
After 1 year but within 5 years	**2,111**	2,819
	6,055	6,026

15. Interests in subsidiaries

in dollar thousands except share capital of subsidiaries

	Company	
	2002	2001
Unlisted shares, at cost	**603,249**	603,249
Amounts due from subsidiaries	**408,323**	326,790
Amounts due to subsidiaries	**(37)**	(122,151)
	1,011,535	807,888
Less: provision	**(166,978)**	(166,978)
	844,557	640,910

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 shares except otherwise stated)	Proportion of ownership interest held by Company	Proportion of ownership interest held by Subsidiaries	Principal activities
Best Investments International Inc.	British Virgin Islands	US$50,000	100%	–	Investment
		Preference: US$60,000,000	100%	–	
Guangzhou San Miguel Brewery Company Limited	The People's Republic of China ("PRC")	Registered capital: 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	Registered capital: 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 ("SMSB") is an equity joint venture formed between the Company's subsidiary, San Miguel Shunde Holdings Limited ("SMSHL"), and Guangdong Province Shunde County Brewery ("Shunde Brewery"). According to the shareholders' agreement, the company has an operating period of 50 years expiring on 4th August 2042. In January 2003, SMSHL acquired the remaining 15% equity interest of SMSB from Shunde Brewery (Note 29(a)).

16. Other assets

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

17. Inventories

in dollar thousands

	Group 2002	Group 2001	Company 2002	Company 2001
Products in hand and in process	**23,128**	22,517	**11,219**	13,913
Materials and supplies	**64,135**	72,986	**21,984**	25,380
	87,263	95,503	**33,203**	39,293

The amount of inventories held by the Group carried at net realisable value is $18,196,000 (2001: $19,578,000).

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.

The ageing of trade receivables (net of provision for bad and doubtful debts) is as follows:

	Group		Company	
	2002	2001	**2002**	2001
Less than 30 days	**66,988**	73,615	**39,990**	32,932
31 to 60 days	**39,709**	34,332	**31,142**	30,160
61 to 90 days	**15,206**	14,607	**14,998**	14,403
over 90 days	**34,355**	22,216	**27,652**	7,030
	156,258	144,770	**113,782**	84,525

The ageing of trade payables is as follows:

	Group		Company	
	2002	2001	**2002**	2001
Less than 30 days	**18,985**	44,875	**11,871**	33,879
31 to 60 days	**4,291**	9,881	**2,715**	4,957
61 to 90 days	**1,528**	3,455	**703**	575
over 90 days	**453**	1,778	**55**	97
	25,257	59,989	**15,344**	39,508

19. Cash and cash equivalents

in dollar thousands

Cash and cash equivalents comprise:

	Group		Company	
	2002	2001	**2002**	2001
Deposits with banks	**220,622**	186,354	**–**	–
Cash at bank and in hand	**44,227**	55,090	**19,314**	22,265
	264,849	241,444	**19,314**	22,265

20. Bank loans (unsecured)

in dollar thousands

Bank loans are repayable as follows:

	Group		Company	
	2002	2001	**2002**	2001
Within 1 year or on demand	**77,998**	78,002	**–**	–
More than 1 year but less than 2 years	**–**	–	**–**	–
More than 2 years but less than 5 years	**195,000**	195,005	**195,000**	–
	195,000	195,005	**195,000**	–
	272,998	273,007	**195,000**	–

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	
	2002	2001
Balance at 1st January	**35,874**	31,810
Provision made during the year	**4,078**	4,078
Exchange difference	**(4)**	(14)
Balance at 31st December	**39,948**	35,874

22. Retirement benefit liability

in dollar thousands

The Group operates a defined benefit retirement plan which covers 27% of the Group's employees. The plan is administered by an independent trustee, with the assets held separately from those of the Group. The members' benefits are determined based on the employees' final remuneration and length of service. Contributions to the plan are made in accordance with the recommendations of an independent actuary who values the retirement plan at regular intervals, usually triennially. The latest actuarial valuation in this respect was carried out for 31st December 1999.

For the purposes of adopting SSAP 34, an independent actuarial valuation was carried out for both 1st January and 31st December 2002, following the methodology set out in SSAP 34.

(a) The amounts recognised in the balance sheets are as follows:

	Group and Company
	2002
Present value of funded obligations	**107,183**
Fair value of plan assets	**(71,798)**
Net unrecognised actuarial losses	**(23,228)**
	12,157

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

(b) Movements in the net liability recognised in the balance sheets are as follows:

	Group and Company
	2002
At 1st January (Note 12(a))	**11,615**
Contributions paid to the plan	**(5,947)**
Expense recognised in the profit and loss account (Note 3(a))	**6,489**
At 31st December	**12,157**

22. Retirement benefit liability *(Continued)*

in dollar thousands

(c) Expense recognised in the Consolidated Statement of Profit and Loss is as follows:

	2002
Current service cost	**6,614**
Interest cost	**5,820**
Expected return on plan assets	**(5,945)**
	6,489
The expense is recognised in the following line items in the Consolidated Statement of Profit and Loss:	
Cost of sales	**2,208**
Distribution costs	**2,252**
Administrative and selling expenses	**2,029**
	6,489
Actual return on plan assets	**(4,611)**

(d) The principal actuarial assumptions used as at 31st December 2002 are as follows:

	Group and Company 2002
Discount rate	**5.5%**
Expected rate of return on plan assets	**8.0%**
Long-term salary increases	**5.0%**

23. Deferred tax

in dollar thousands

(a) Movements in deferred taxation comprise:

	Group	
	2002	2001
Balance at 1st January	**6,026**	3,105
Transfer (to)/from Consolidated Statement of Profit and Loss (Note 6(a))	**(2,633)**	2,921
Balance at 31st December	**3,393**	6,026

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

	2002 Potential liabilities		2001 Potential liabilities	
	Provided	**Unprovided**	Provided	Unprovided
Depreciation allowances in excess of related depreciation	**8,514**	**187,771**	6,026	185,036
Future benefit of tax losses	**–**	**(138,425)**	–	(174,426)
Others	**(5,121)**	**(3,893)**	–	(1,060)
	3,393	**45,453**	6,026	9,550

23. Deferred tax *(Continued)*

in dollar thousands

(c) Major components of deferred tax of the Company are set out below:

	2002 Potential liabilities		2001 Potential liabilities	
	Provided	**Unprovided**	Provided	Unprovided
Depreciation allowances in excess of related depreciation	**–**	**133,390**	–	137,000
Future benefit of tax losses	**–**	**(81,493)**	–	(92,719)
Others	**–**	**(969)**	–	(1,060)
	–	**50,928**	–	43,221

24. Share capital

in dollar thousands

	Company 2002	2001
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

25. Reserves

in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Group					
Balance at 1st January 2001	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
Dividends declared in respect of the current year (Note 10(a))	(145,693)	–	–	–	(145,693)
Exchange differences on translation of financial statements of overseas subsidiaries	(96)	–	–	(96)	–
Balance at 31st December 2001	**1,975,054**	**65,739**	**57,312**	**(4,920)**	**1,856,923**
Balance at 1st January 2002					
– as previously reported	1,975,054	65,739	57,312	(4,920)	1,856,923
– prior period adjustment in respect of employee benefits (Note 12(a))	(11,615)	–	–	–	(11,615)
– as restated	1,963,439	65,739	57,312	(4,920)	1,845,308
Dividends approved in respect of the previous year (Note 10(b))	(14,943)	–	–	–	(14,943)
Profit for the year	39,726	–	–	–	39,726
Dividend declared in respect of the current year (Note 10(a))	(29,885)	–	–	–	(29,885)
Exchange differences on translation of financial statements of overseas subsidiaries	(19)	–	–	(19)	–
Balance at 31st December 2002	**1,958,318**	**65,739**	**57,312**	**(4,939)**	**1,840,206**

25. Reserves *(Continued)*

in dollar thousands

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.

There is positive goodwill of $31,879,000 (2001: $31,879,000) directly eliminated against revenue reserve in a prior year.

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Company					
Balance at 1st January 2001	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
Dividends 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**
Balance at 1st January 2002					
– as previously reported	1,814,515	65,739	–	–	1,748,776
– prior period adjustment in respect of employee benefits (Note 12(a))	(11,615)	–	–	–	(11,615)
– as restated	1,802,900	65,739	–	–	1,737,161
Dividends approved in respect of the previous year (Note 10(b))	(14,943)	–	–	–	(14,943)
Profit for the year (Note 9)	47,292	–	–	–	47,292
Dividend declared in respect of the current year (Note 10(a))	(29,885)	–	–	–	(29,885)
Balance at 31st December 2002	**1,805,364**	**65,739**	**–**	**–**	**1,739,625**

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 2002 were $1,739,625,000 (2001: $1,748,776,000).

26. Commitments

in dollar thousands

(a) Capital commitments outstanding at 31st December 2002 not provided for in the financial statements were as follows:

	Group		Company	
	2002	2001	**2002**	2001
Contracted for	**826**	2,482	**593**	1,340
Authorised by the directors but not contracted for	**5,373**	4,529	**1,621**	1,288
	6,199	7,011	**2,214**	2,628

26. Commitments *(Continued)*

in dollar thousands

(b) At 31st December 2002, the total future lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2002	2001	**2002**	2001
Land and buildings				
Within 1 year	**9,355**	10,274	**480**	1,645
After 1 year but within 5 years	**22,208**	23,195	**360**	–
After 5 years	**67,452**	72,648	**–**	–
	99,015	106,117	**840**	1,645
Plant and machinery				
Within 1 year	**14,445**	14,830	**128**	512
After 1 year but within 5 years	**57,270**	57,403	**–**	128
After 5 years	**299,480**	313,816	**–**	–
	371,195	386,049	**128**	640
	470,210	492,166	**968**	2,285

The Group, as lessee, 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.

Included in the amounts of future lease payments in respect of plant and machinery presented above is an amount of $39,948,000 (2001: $35,874,000) which has been accrued and disclosed as "leased factory maintenance provision" in the Consolidated Balance Sheet and Note 21.

27. Material related party transactions

The Group purchased and sold materials and products 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 2002, purchases from and sales to these related parties totalled $64,268,000 (2001: $80,888,000) and $35,547,000 (2001: $46,802,000) respectively. The net amount due from these related parties amounted to $8,089,000 on 31st December 2002 (2001: due to $1,137,000).

28. 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 2002, there were contingent liabilities in respect of guarantees given to banks by the Company to secure banking facilities made available to a subsidiary.

	Company	
	2002	2001
Guarantees to banks	**77,998**	273,007

29. Post balance sheet event

(a) San Miguel Shunde Holdings Limited ("SMSHL"), a non wholly owned subsidiary of the Company, entered into an equity transfer agreement on 27th January 2003 for the acquisition of 15% equity interest of San Miguel Shunde Brewery Company Limited ("SMSB") from Guangdong Province Shunde County Brewery ("Shunde Brewery") for consideration of US$700,000 (approximately $5,460,000). Upon completion of the acquisition, SMSB will become a wholly owned subsidiary of SMSHL. The acquisition will be funded entirely by the Company.

In addition, the Company entered into six trademark assignment agreements on 27th January 2003 to acquire trademarks for an aggregate consideration of US$5,000,000 (approximately $39,000,000) from Shunde Brewery and companies associated with Shunde Brewery. The trademark assignments are, effectively, acquisition of the Dragon beer brand by the Company and will give the Company absolute ownership and control of the Dragon beer brand. The trademark assignments are conditional upon the acquisition of Shunde Brewery's 15% equity in SMSB by SMSHL.

The above acquisition of equity and assignment of trademarks are conditional upon the approval of regulatory authorities in the PRC.

(b) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in Note 10.

30. Comparative figures

The presentation and classification of items in the Consolidated Cash Flow Statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the Consolidated Cash Flow Statement. Comparative figures have been reclassified to conform with the current year's presentation.

31. 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 2002.