

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

This interim financial report is unaudited and has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The financial information relating to the financial year ended 31st December 2002 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st December 2002 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27th February 2003.

The same accounting policies adopted in the 2002 financial statements have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2002 financial statements.

2. 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			Consolidated		
	Six months ended 30th June	Year ended 31st December		Six months ended 30th June	Year ended 31st December		Six months ended 30th June	Year ended 31st December	
	2003	2002	2002	2003	2002	2002	2003	2002	2002
Revenue from external customers	262,678	381,601	787,002	218,081	259,148	539,640	480,759	640,749	1,326,642
Other revenue	2,381	2,482	4,956	-	-	121	2,381	2,482	5,077
Total revenue	265,059	384,083	791,958	218,081	259,148	539,761	483,140	643,231	1,331,719
Segment result	(40,515)	16,762	53,668	(534)	(7,049)	(8,279)	(41,049)	9,713	45,389
Unallocated operating income and expenses							2,249	2,552	5,250
							(38,800)	12,265	50,639
Financing costs							(2,463)	(3,953)	(7,059)
Taxation							3,400	1,443	(2,431)
Minority interests							2,283	3,379	(1,423)
(Loss)/profit attributable to shareholders							(35,580)	13,134	39,726

3. (Loss)/profit from ordinary activities before taxation

in dollar thousands

	Group		Group
	Six months ended		Year ended
	30th June		31st December
	2003	2002	2002
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(Loss)/profit from ordinary activities before taxation			
is stated after charging/(crediting) the following items:			
Depreciation of fixed assets	39,311	40,389	80,913
Amortisation of goodwill	373	–	–
Interest expenses	2,383	3,890	6,924
Inventory costs	157,350	190,058	379,422
Interest income	(2,249)	(2,552)	(5,250)
Loss/(profit) on disposal of fixed assets	163	286	(425)
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4. Taxation

in dollar thousands

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

	Group		Group
	Six months ended		Year ended
	30th June		31st December
	2003	2002	2002
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Overseas taxation	4,882	(1,443)	5,064
Deferred taxation	(1,482)	–	(2,633)
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	3,400	(1,443)	2,431
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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 period.

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

5. (Loss)/profit attributable to shareholders

The consolidated (loss)/profit attributable to shareholders includes a loss of \$40,822,000 (2002 profit of: \$17,388,000) which has been dealt with in the financial statements of the Company.

6. Dividends

in dollar thousands

(a) Dividends attributable to the interim period/year

	Group		Group
	Six months ended		Year ended
	30th June		31st December
	2003	2002	2002
First interim dividend declared and paid of \$nil per share (2002: \$0.03 per share) (<i>note 12</i>)	–	11,207	11,207
Second interim dividend declared after the interim period end of \$nil per share (2002: \$0.03 per share)	–	11,207	11,207
Third interim dividend to be declared (2002: \$0.02 per share)	–	–	7,471
Final dividend to be proposed after balance sheet date (2002: \$0.02 per share)	–	–	7,471
	<u>–</u>	<u>22,414</u>	<u>37,356</u>

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

The final dividend proposed and approved after the year end has not been recognised as a liability at the year end date.

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

	Group		Group
	Six months ended		Year ended
	30th June		31st December
	2003	2002	2002
Final dividend in respect of the previous year, approved and paid during the interim period/year, of \$0.02 per share (2002: \$0.04 per share) (<i>note 12</i>)	<u>7,471</u>	<u>14,943</u>	<u>14,943</u>

7. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on (loss)/profit attributable to shareholders for the period ended 30th June of a loss of \$35,580,000 (2002 profit of: \$13,134,000) and on 373,570,560 ordinary shares (2002: 373,570,560 ordinary shares), being the weighted average number of shares in issue during the period.

The amount of diluted (loss)/earnings per share is not presented as there were no dilutive potential ordinary shares in existence for both periods.

8. Fixed assets
in dollar thousands

	Group Plant, property and equipment
	Six months ended 30th June
	2003
At 1st January 2003	2,083,863
Additions	3,923
Disposals	(202)
Exchange adjustments	(185)
Depreciation	(39,311)
At 30th June 2003	2,048,088

9. Inventories
in dollar thousands

	Group	
	As at 30th June	As at 31st December
	2003	2002
Products in hand and in process	24,249	23,128
Materials and supplies	61,806	64,135
	86,055	87,263

10. 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 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 (net of provision for bad and doubtful debts) is as follows:

	Group	
	As at 30th June	As at 31st December
	2003	2002
Less than 30 days	35,638	66,988
31 to 60 days	20,474	39,709
61 to 90 days	4,721	15,206
over 90 days	17,569	34,355
	78,402	156,258

The ageing of trade payables is as follows:

	Group	
	As at 30th June	As at 31st December
	2003	2002
Less than 30 days	30,748	18,985
31 to 60 days	1,658	4,291
61 to 90 days	410	1,528
over 90 days	619	453
	33,435	25,257

11. Cash and cash equivalents

in dollar thousands

Cash and cash equivalents comprise:

	Group	
	As at 30th June 2003	As at 31st December 2002
Deposits with banks	216,398	220,622
Cash at bank and in hand	63,189	44,227
	279,587	264,849

12. Reserves

in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Balance at 1st January 2002	1,963,439	65,739	57,312	(4,920)	1,845,308
Dividends approved in respect of the previous year (<i>note 6(b)</i>)	(14,943)	—	—	—	(14,943)
Profit for the period	13,134	—	—	—	13,134
Dividends declared in respect of the current period (<i>note 6(a)</i>)	(11,207)	—	—	—	(11,207)
Exchange gain arising on consolidation	94	—	—	94	—
Balance at 30th June 2002	1,950,517	65,739	57,312	(4,826)	1,832,292
Balance at 1st January 2003	1,958,318	65,739	57,312	(4,939)	1,840,206
Dividends approved in respect of the previous year (<i>note 6(b)</i>)	(7,471)	—	—	—	(7,471)
Loss for the period	(35,580)	—	—	—	(35,580)
Dividends declared in respect of the current period (<i>note 6(a)</i>)	—	—	—	—	—
Exchange loss arising on consolidation	(59)	—	—	(59)	—
Balance at 30th June 2003	1,915,208	65,739	57,312	(4,998)	1,797,155

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.

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

13. 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. For six months ended 30th June 2003, total purchases from and sales to these related parties were \$17,789,000 (\$34,530,000 for six months ended 30th June 2002) and \$28,939,000 (\$21,206,000 for six months ended 30th June 2002) respectively. The net amount due to these related parties amounted to \$9,018,000 (\$7,286,000 as at 30th June 2002) on 30th June 2003.

14. Commitments

in dollar thousands

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

	Group	
	As at 30th June 2003	As at 31st December 2002
Contracted for	649	826
Authorised by the directors but not contracted for	28,126	5,373
	28,775	6,199

15. 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 30th June 2003, there were contingent liabilities in respect of guarantees given to banks by the Company to secure banking facilities made available to subsidiary companies.

	Company	
	As at 30th June 2003	As at 31st December 2002
Guarantees to banks	77,980	77,998