

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 2003 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 2003 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26th February 2004.

The same accounting policies adopted in the 2003 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 2003 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			Inter-segment elimination			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		Six months ended 30th June	Year ended 31st December	
	2004	2003	2003	2004	2003	2003	2004	2003	2003	2004	2003	2003
Revenue from external customers	279,736	262,678	618,783	299,778	218,081	539,866	-	-	-	579,514	480,759	1,158,649
Inter-segment revenue	-	-	-	11,925	-	11,532	(11,925)	-	(11,532)	-	-	-
Other revenue	2,482	2,381	4,956	-	-	-	-	-	-	2,482	2,381	4,956
Total revenue	282,218	265,059	623,739	311,703	218,081	551,398	(11,925)	-	(11,532)	581,996	483,140	1,163,605
Segment result	(6,824)	(40,515)	(37,736)	2,747	(534)	10,750				(4,077)	(41,049)	(26,986)
Unallocated operating income and expenses										2,058	2,249	4,461
Financing costs										(1,129)	(2,463)	(4,558)
Taxation										(2,217)	3,400	(9,456)
Minority interests										1,846	2,283	3,768
Loss attributable to shareholders										(3,519)	(35,580)	(32,771)

3. Loss from ordinary activities before taxation

in dollar thousands

	Group		Group
	Six months ended		Year ended
	30th June		31st December
	2004	2003	2003

Loss from ordinary activities before taxation is stated after charging/(crediting) the following items:

Depreciation of fixed assets	38,345	39,311	80,255
Amortisation of trademarks and goodwill	2,109	373	1,787
Interest expenses	1,058	2,383	4,416
Inventory costs	186,352	157,350	350,896
Interest income	(2,058)	(2,249)	(4,461)
Loss on disposal of fixed assets	656	163	369

4. Taxation

in dollar thousands

Taxation in the Consolidated Income Statement represents:

	Group		Group
	Six months ended		Year ended
	30th June		31st December
	2004	2003	2003
Overseas taxation	–	4,882	–
Deferred taxation	(2,217)	(1,482)	9,456
	(2,217)	3,400	9,456

No provision for Hong Kong profits tax has been made in the financial statements as the Company sustained losses for taxation purposes.

No provision for overseas taxation has been made in the financial statements as the overseas subsidiaries sustained losses for taxation purposes.

5. Loss attributable to shareholders

The consolidated loss attributable to shareholders includes a loss of \$6,053,000 (2003: \$40,822,000) which has been dealt with in the financial statements of the Company.

6. Dividends

in dollar thousands

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

	Group	
	Six months ended	Group
	30th June	Year ended
		31st December
	2004	2003
Final dividend in respect of the previous year, approved and paid during the interim period/year, of \$nil per share (2003: \$0.02 per share) (note 12)	–	7,471

7. Loss per share

The calculation of basic loss per share is based on loss attributable to shareholders for the period ended 30th June of \$3,519,000 (2003: \$35,580,000) and on 373,570,560 ordinary shares (2003: 373,570,560 ordinary shares), being the weighted average number of shares in issue during the period.

The amount of diluted loss 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
	2004
At 1st January 2004	2,016,646
Additions	6,764
Disposals	(937)
Exchange adjustments	3,136
Depreciation	(38,345)
At 30th June 2004	1,987,264

9. Inventories

in dollar thousands

	Group	
	As at 30th June	As at 31st December
	2004	2003
Products in hand and in process	23,349	22,707
Materials and supplies	52,504	52,796
	75,853	75,503

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
	2004	2003
Less than 30 days	41,125	34,531
31 to 60 days	25,061	20,026
61 to 90 days	6,400	7,558
over 90 days	3,201	9,123
	75,787	71,238

The ageing of trade payables is as follows:

	Group	
	As at 30th June	As at 31st December
	2004	2003
Less than 30 days	33,257	38,557
31 to 60 days	2,306	1,161
61 to 90 days	1,149	1,382
over 90 days	341	519
	37,053	41,619

11. Cash and cash equivalents

in dollar thousands

Cash and cash equivalents comprise:

	Group	
	As at 30th June 2004	As at 31st December 2003
Deposits with banks	320,344	294,801
Cash at bank and in hand	79,975	58,163
	400,319	352,964

12. Reserves

in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Balance at 1st January 2003	1,878,318	65,739	57,312	(4,935)	1,760,202
Dividends approved in respect of the previous year (<i>note 6</i>)	(7,471)	–	–	–	(7,471)
Loss for the period	(35,580)	–	–	–	(35,580)
Exchange gain arising on consolidation	(59)	–	–	(59)	–
Balance at 30th June 2003	1,835,208	65,739	57,312	(4,994)	1,717,151
Balance at 1st January 2004	1,837,274	65,739	112,970	(5,737)	1,664,302
Loss for the period	(3,519)	–	–	–	(3,519)
Exchange loss arising on consolidation	1,024	–	–	1,024	–
Balance at 30th June 2004	1,834,779	65,739	112,970	(4,713)	1,660,783

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 2004, total purchases from and sales to these related parties were \$27,532,000 (\$17,789,000 for six months ended 30th June 2003) and \$14,740,000 (\$28,939,000 for six months ended 30th June 2003) respectively. The net amount due to these related parties amounted to \$1,760,000 on 30th June 2004 (\$9,018,000 as at 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 2004	As at 31st December 2003
Contracted for	894	2,383
Authorised by the directors but not contracted for	15,175	7,684
	16,069	10,067

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 2004, 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 2004	As at 31st December 2003
Guarantees to banks	66,294	65,998