



SAN MIGUEL BREWERY HONG KONG LIMITED
香港生力啤酒廠有限公司

INTERIM REPORT
中期報告
January to June 2001
二零零一年一月至六月

CORPORATE INFORMATION

DIRECTORS

Francisco C. Eizmendi, Jr. *Chairman*
Freddy W.M. Kwan *Managing Director*
Ramon S. Ang
Faustino F. Galang
Arthur K.C. Li *alternate to David K.P. Li*
David K.P. Li, *O.B.E., J.P.**
Thomas R. Mainwaring
Estelito P. Mendoza
Wai Sun Ng*
Luis E. Poblete, Jr.*
Ian F. Wade*

** Independent Non-Executive Directors*

AUDIT COMMITTEE

David K.P. Li, *O.B.E., J.P.*
Luis E. Poblete, Jr.
Ian F. Wade

COMPANY SECRETARY

Thomas R. Mainwaring

AUDITORS

KPMG
Certified Public Accountants
8th Floor
Prince's Building
Hong Kong

SOLICITORS

Johnson Stokes & Master
18th Floor
Prince's Building
Hong Kong

REGISTERED OFFICE

9th Floor
Citimark Building
28 Yuen Shun Circuit
Siu Lek Yuen
Shatin, New Territories
Hong Kong

SHARE REGISTRARS

Central Registration Hong Kong Limited
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

ABN-AMRO Bank
Bank of America
Bank of China
Banque Nationale de Paris
Hang Seng Bank Limited
Standard Chartered Bank
The Bank of East Asia, Limited
The Hongkong and Shanghai
Banking Corporation Limited
The Dai-Ichi Kangyo Bank, Limited
UBS AG

THE CHAIRMAN'S STATEMENT

To Our Shareholders,

Change of Interim Reporting Period

San Miguel Brewery Hong Kong Limited ("the Company") has always reported interim results for the eight months to August each year, as that trading period was considered to be a good guide to the likely full year results.

However the new disclosure requirements for interim reports introduced by the Stock Exchange of Hong Kong Limited in 2000 would cause the release of August interim results to be delayed until late October and the third interim dividend payment to be deferred until November of each year.

In order to allow for a more even spread of dividend payouts throughout the year and also to accord with the practice of most listed companies, the Company has changed its interim reporting period to the six months to June each year, commencing with the year 2001.

Shareholders should note that, under normal trading circumstances, the profit results for the first six months of a year would be less than half the expected results for a full year because of the seasonal nature of the beer business.

Financial Results

We are pleased to report that the financial performance of the Company has exceeded that of the previous comparable period.

Profit attributable to shareholders for the six months ended 30th June 2001 was \$35.037 million, an increase of 30% over the \$26.950 million recorded in 2000. Earnings per share for the period also increased by 30% from 7.2 cents to 9.4 cents.

Consolidated sales turnover of \$653.476 million was 2.9% lower than the previous year (\$673.202 million). In Hong Kong, sales volume and revenue of locally brewed beers were equal to the previous year, while sales of imported beers, for which the Company is an agent distributor, were below last year, accounting for the revenue decline.

In South China sales revenue was \$18 million below 2000 as a result of reduced sales volume of Pineapple beer at Guangzhou San Miguel Brewery Company Limited and Valor at San Miguel Shunde Brewery Company Limited. However sales volumes of San Miguel brand products (our higher profit margin beers) were above those of the previous year.

Gross profit was \$10.586 million below the previous year as a result of lower sales volume in South China and the substantially increased beer tax in Hong Kong.

On 8th March 2001 the Government of the HKSAR increased the ad valorem tax on beer from 30% to 40%. The Company has not passed on the tax increase to its consumers because it considers a price increase for beer, at this time, not in the interests of the Company's trade customers and consumers in the light of the difficult prevailing economic conditions in Hong Kong.

Profit attributable to shareholders for the six months ended June 2001 would have been \$9.3 million higher than the reported result if the ad valorem tax on beer had not been increased.

Despite the lower gross profit, the Company achieved an increase of \$4.588 million in profit from operations, from \$32.576 million to \$37.164 million, due to substantial reductions in administration and sales costs (down \$6.521 million) and other operating expenses (down \$7.146 million).

Other operating expenses in South China declined by \$6.653 million mainly as a result of the termination at the end of 2000 of a management contract at Guangzhou San Miguel Brewery Company Limited and the completion of amortisation of pre-operating expenses at San Miguel Shunde Brewery Company Limited at the end of 2000.

Finance costs were reduced by \$3.448 million because of lower interest rates on loans.

Total debt at the end of the period was \$272.989 million compared with \$468.307 million on 31st December 2000, a reduction of \$195.318 million as a result of the early repayment of US\$25 million, representing 50% of the loan from Bank of America to San Miguel Shunde Brewery Company Limited.

Cash and cash equivalents were \$210.774 million at the end of June 2001 compared with \$418.836 million at the end of December 2000. Cash holdings were reduced by two substantial payouts, the US\$25 million debt repayment mentioned above and the special dividend of \$100.864 million paid to shareholders on 10th May 2001.

Change of Board Lot Size

On 3rd October 2001 the Company will change its board lot size from 400 shares to 2,000 shares in order to reduce the percentage of transaction costs for the value of shares traded.

HIGHLIGHTS

for the six months ended 30th June, in dollar thousands except per share data

	Six months ended 30th June		Change %
	2001	2000	
Gross turnover	653,476	673,202	-3%
Profit attributable to shareholders	35,037	26,950	30%
Dividends attributable to the interim period	130,750	22,414	483%
Earnings per share	\$0.09	\$0.07	30%
Dividend per share	\$0.35	\$0.06	483%

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In this report, all monetary values are expressed in Hong Kong Dollars unless stated otherwise.

The Company will publish notices in newspapers in mid September 2001 announcing details of the change. Shareholders are advised to watch for those notices.

Dividends

A special dividend of 27 cents per share was paid on 10th May 2001 from reserves.

A first interim dividend of 4 cents per share was declared by Directors on 8th June 2001 for payment on 19th July 2001.

The Directors on 24th August 2001 declared a second interim dividend of 4 cents per share for the six months ended 30th June 2001 payable on 27th September 2001 to shareholders of record on 17th September 2001.

Business Review

Hong Kong Operations

The Hong Kong economy remains sluggish and uncertainty amongst consumers is causing them to be conservative with expenditures. Accordingly, retail sales have been depressed.

The Hong Kong economy also suffers from the considerable loss of retail expenditure to mainland China from the heavy daily flow of Hong Kong residents to cities across the border.

In addition, very poor weather conditions, particularly in June, also had a negative impact on consumption of beverages, including beer.

While the Company has held its prices at retail level, competitors, including premium beers, have lowered prices in the struggle for market share resulting in economy beers gaining ground at the expense of other segments.

Under these conditions and despite the heavy increase in beer tax and reduced interest income from lower interest rates, the Company's financial performance improved significantly.

Sales volume in the local market for the first six months of 2001 was maintained at prior year levels and the Company's market share increased marginally.

In April 2001 the Company launched a new beer product, San Mig Light. With a light and refreshing taste, San Mig Light targets the young and the young at heart. The naughty and playful image of San Mig Light is represented by the animated beer bottle character 'Sammy' and has been well received by both trade customers and consumers. Post-campaign research reveals that awareness of San Mig Light is high amongst the target audience

and sales are ahead of projections set before the launch.

South China Operations

The economy in China, backed by rising domestic demand, is expected to remain on a stable and healthy expansion track for 2001. The investment inflows following China's anticipated accession to the World Trade Organisation in late 2001 are expected to boost the beer industry in future years, particularly, the premium beer segment in which San Miguel is a major player.

Competition in the market is intensive as producers and distributors of both local and foreign brands attempt to establish a base for future growth.

This has resulted in aggressive discounting by competitors in their drive to increase market share with a negative impact on Valor and Pineapple beer volumes.

Significantly however, sales of the flagship brand San Miguel were above those of the first six months of the previous year and San Miguel remains the market leader in the premium beer segment.

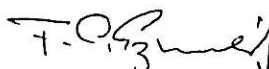
Following the successful launch of San Mig Light in Hong Kong, the new beer was launched in May in Guangzhou, Dongguan and Shenzhen in order to capture the opportunity in the growing light beer market segment.

The Company is resolute in its commitment to continue to position San Miguel Pale Pilsen as a mega-brand for both Hong Kong and South China markets, and to maintain San Miguel as the most preferred premium brand in the Pearl River Delta region.

In conclusion, we are happy to report that the Company continues to achieve the primary objectives set out in previous Annual Reports, in particular, the delivery of profitable volume and increased cash flow to create long term value for our shareholders. The year 2001, so far, builds upon the successes of 1999 and 2000.

We are confident that for the remainder of 2001, the Company will achieve its financial and operating targets.

Finally, I would like to thank all employees and my fellow directors for their valuable contributions and hard work and our shareholders for their continuing trust and support.



Mr. Francisco C. Eizmendi, Jr., Chairman
24th August 2001

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

SPECIAL DIVIDEND

A special dividend of twenty seven cents per share was declared at the 38th Annual General Meeting held on 30th March 2001 and was paid on 10th May 2001.

INTERIM DIVIDENDS

A dividend of four cents per share was declared for the first interim of the year 2001. The directors have declared a dividend of \$0.04 per share for the six months ended 30th June 2001 payable on Thursday, 27th September 2001 to shareholders of record on Monday, 17th September 2001.

CLOSURE OF TRANSFER BOOKS AND REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Monday, 17th September 2001 to Tuesday, 18th September 2001, both days inclusive. To qualify for the dividend, shareholders should ensure that transfers are lodged at the Company's share registrars, Central Registration Hong Kong Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 14th September 2001.

INTERIM RESULTS

The interim results for the six months ended 30th June 2001 have not been audited by the Company's Auditors, but were reviewed by the Audit Committee on 13th August 2001.

DIRECTORS' INTERESTS

As at 30th June 2001, the directors and their associates had the following beneficial interests in the issued share capital of the Company and its associated corporations as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

Name	Number of ordinary shares of \$0.50 each in the Company		
	Personal Interests	Corporate Interests	Total
Francisco C. Eizmendi, Jr.	2,816	—	2,816
David K.P. Li	300,000	—	300,000

Name	Number of shares in San Miguel Corporation		Total
	Personal Interests	Other Interests	
<i>Class A (par value of 5 pesos each):</i>			
Francisco C. Eizmendi, Jr.	278,257	—	278,257
Ramon S. Ang	6,050	—	6,050
Faustino F. Galang	161,242	—	161,242
Estelito P. Mendoza	19,038	3,998	23,036

<i>Class B (par value of 5 pesos each):</i>			
Faustino F. Galang	5,270	—	5,270

As at 30th June 2001, the directors and their associates had the following beneficial interests in share options of the Company and its associated corporations as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

Name	Share Options in San Miguel Corporation			
	Number of Options	Date Granted	Exercisable Period Up To	Exercise Price (pesos)
<i>Class A (par value of 5 pesos each):</i>				
Francisco C. Eizmendi, Jr.	266,736	24/02/94	24/02/02	37.04
	258,573	27/03/95	27/03/03	44.13
	29,823	10/04/96	10/04/04	35.18
	194,368	01/04/97	01/04/05	40.57
Freddy W.M. Kwan	267,756	26/03/98	26/03/06	34.71
	19,028	01/04/97	01/04/05	44.63
Faustino F. Galang	53,722	26/03/98	26/03/06	38.18
	61,832	27/03/95	27/03/03	44.13
	47,145	01/04/97	01/04/05	40.57
	45,184	26/03/98	26/03/06	34.71
Thomas R. Mainwaring	4,277	26/03/99	26/03/06	42.00
	4,277	26/03/00	26/03/06	42.00
	4,277	26/03/01	26/03/06	42.00
<i>Class B (par value of 5 pesos each):</i>				
Francisco C. Eizmendi, Jr.	83,301	01/04/97	01/04/05	70.25
	114,752	26/03/98	26/03/06	49.84
Freddy W.M. Kwan	8,155	01/04/97	01/04/05	77.27
	23,024	26/03/98	26/03/06	54.82
Faustino F. Galang	20,206	01/04/97	01/04/05	70.25
	19,365	26/03/98	26/03/06	49.84
Thomas R. Mainwaring	1,833	26/03/99	26/03/06	60.30
	1,833	26/03/00	26/03/06	60.30
	1,833	26/03/01	26/03/06	60.30

Save as disclosed herein, none of the directors or their associates had any interests in the issued share capital or in share options of the Company or any of its associated corporations. No share options had been exercised by the directors during the period.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June 2001 according to the register required under Section 16(1) of the SDI Ordinance, the Company was notified that the following shareholders had an interest of 10% or more of its issued share capital:—

<i>Name</i>	<i>Number of shares of \$0.50 each</i>	
	<i>Ordinary Shares held</i>	<i>Percentage of total issued shares</i>
Neptunia Corporation Limited	245,720,800	65.78%
HKSCC Nominees Limited	73,024,424	19.55%

Note:

San Miguel Corporation ("SMC"), San Miguel International Limited ("SMIL"), San Miguel Holdings Limited ("SMHL") and San Miguel Brewing International Limited ("SMBIL") are all deemed to hold the above disclosed interest of Neptunia Corporation Limited in the Company because SMC has a controlling interest in SMIL, SMIL has a controlling interest in SMHL, SMHL has a controlling interest in SMBIL and SMBIL has a controlling interest in Neptunia Corporation Limited.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SHARES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed shares.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors are aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

In accordance with the Code of best Practice, the Board of Directors established an audit committee on 1st January 1999 to review and supervise the Company's financial reporting and internal control systems. The Audit Committee now consists of three of the Company's independent non-executive directors.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS — UNAUDITED

for the six months ended 30th June, in dollar thousands except per share data

	Note	Six months ended 30th June		Year ended 31st December
		2001	2000	2000
Gross turnover	3	653,476	673,202	1,433,150
Discounts		(128,863)	(126,285)	(283,175)
Cost of sales		(194,139)	(210,822)	(429,669)
Beer duty and taxes		(88,012)	(83,047)	(171,716)
Gross profit		242,462	253,048	548,590
Distribution costs		(21,910)	(23,417)	(54,858)
Administrative and selling expenses		(177,208)	(183,729)	(369,308)
Other operating expenses		(6,180)	(13,326)	(20,175)
Profit from operations	4	37,164	32,576	104,249
Finance cost		(15,052)	(18,500)	(40,322)
Other net income		14,233	14,064	29,681
Profit before taxation	3	36,345	28,140	93,608
Taxation	5a	(2,196)	(2,688)	(6,631)
Profit after taxation		34,149	25,452	86,977
Minority interests		888	1,498	680
Profit attributable to shareholders	6,13	35,037	26,950	87,657
Dividends attributable to the interim period/year	7			
Special dividend declared during the interim period		(100,864)	—	—
First interim dividend declared during the interim period		(14,943)	(11,207)	(11,207)
Second interim dividend declared after the interim period end		(14,943)	(11,207)	(11,207)
Third interim dividend declared after the interim period end		—	—	(14,943)
Final dividend proposed after the year end		—	—	(14,943)
		(130,750)	(22,414)	(52,300)
Earnings per share	8	\$0.09	\$0.07	\$0.23

The Notes on pages 11 to 17 form part of this interim financial report.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES — UNAUDITED

for six months ended 30th June, in dollar thousands

		Six months ended 30th June		Year ended 31st December
	<i>Note</i>	2001	2000	2000
Exchange difference arising on translation of accounts of foreign entities	<i>13</i>	(116)	529	897
(Losses)/gains not recognised in the Consolidated Statement of Profit and Loss		(116)	529	897
Net profit for the period/year	<i>13</i>	35,037	26,950	87,657
Total recognised gains and losses		34,921	27,479	88,554

The Notes on pages 11 to 17 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET — UNAUDITED

as at 30th June, in dollar thousands

	<i>Note</i>	As at 30th June 2001	Restated As at 31st December 2000
Non-current assets			
Fixed assets	9	2,182,366	2,214,254
Held to maturity securities — unlisted		37,836	19,001
Other assets		7,539	7,543
		2,227,741	2,240,798
Current assets			
Inventories	10	98,816	93,244
Trade and other receivables	11	192,060	175,647
Amounts due from holding company and fellow subsidiaries		18,587	72,616
Cash and cash equivalents	12	210,774	418,836
		520,237	760,343
Current liabilities			
Banks loans and advances		(77,997)	(78,051)
Creditors and other payables	11	(160,480)	(136,447)
Taxation	5b	(4,469)	(2,186)
Amounts due to holding company and fellow subsidiaries		(19,359)	(23,050)
Dividend payable		(14,943)	—
		(277,248)	(239,734)
Net current assets		242,989	520,609
Total assets less current liabilities		2,470,730	2,761,407
Non-current liabilities			
Interest-bearing liabilities		(194,992)	(390,256)
Leased factory maintenance provision		(33,831)	(31,810)
		(228,823)	(422,066)
Minority interests		(103,899)	(105,504)
NET ASSETS		2,138,008	2,233,837
CAPITAL AND RESERVES			
Share capital		186,785	186,785
Reserves	13	1,951,223	2,047,052
		2,138,008	2,233,837

The Notes on pages 11 to 17 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED

for six months ended 30th June, in dollar thousands

	<i>Note</i>	Six months ended 30th June		Year ended 31st December
		2001	2000	2000
Net cash inflow from operating activities	<i>(a)</i>	<u>134,665</u>	<u>79,867</u>	<u>204,753</u>
Returns on investments and servicing of finance				
Interest received		9,744	11,740	29,433
Interest paid		(14,722)	(17,523)	(42,606)
Dividends paid		(115,807)	(11,207)	(48,564)
Dividends paid to minority shareholders		(565)	—	—
Net cash outflow from returns on investments and servicing of finance		<u>(121,350)</u>	<u>(16,990)</u>	<u>(61,737)</u>
Taxation				
Hong Kong profits tax refunded/(paid)		972	(3,874)	(3,882)
Overseas tax paid		(883)	(2,447)	(5,186)
Tax refunded/(paid)		<u>89</u>	<u>(6,321)</u>	<u>(9,068)</u>
Investing activities				
Purchase of fixed assets		(11,839)	(11,424)	(14,643)
Proceeds on disposal of fixed assets		4,253	301	341
Purchase of held to maturity securities		(18,846)	—	(18,857)
Proceeds on disposal of held to maturity securities/ other unlisted investments		—	—	10,373
Net cash outflow from investing activities		<u>(26,432)</u>	<u>(11,123)</u>	<u>(22,786)</u>
Net cash (outflow)/inflow before financing		<u>(13,028)</u>	<u>45,433</u>	<u>111,162</u>
Financing				
Proceeds from new bank loan		—	8,471	8,486
Repayment of bank loans		(194,992)	(19,766)	(19,800)
Net cash outflow from financing		<u>(194,992)</u>	<u>(11,295)</u>	<u>(11,314)</u>
(Decrease)/increase in cash and cash equivalents		<u>(208,020)</u>	<u>34,138</u>	<u>99,848</u>
Cash and cash equivalents at beginning of period/year		<u>418,836</u>	<u>318,866</u>	<u>318,866</u>
Effect of foreign exchange rate changes		<u>(42)</u>	<u>90</u>	<u>122</u>
Cash and cash equivalents at end of period/year		<u>210,774</u>	<u>353,094</u>	<u>418,836</u>

CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED (CONTINUED)

for six months ended 30th June, in dollar thousands

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	Six months ended 30th June		Year ended 31st December
	2001	2000	2000
Profit before taxation	36,345	28,140	93,608
Interest income	(9,691)	(11,610)	(25,633)
Interest expenses	14,864	18,848	40,176
Depreciation and amortisation of fixed assets	39,500	40,895	78,374
Amortisation of pre-operating expenses	—	3,125	6,212
(Profit)/loss on disposal of fixed assets	(453)	19	1,030
(Increase)/decrease in products in hand and in process	(11,201)	4,271	11,503
Decrease in materials and supplies	5,629	13,753	7,087
(Increase)/decrease in trade and other receivables	(16,467)	(22,710)	13,039
Decrease/(increase) in amounts due from holding company and fellow subsidiaries	50,338	(2,885)	2,515
Increase/(decrease) in creditors and other payables	23,800	6,052	(24,486)
Increase in leased factory maintenance provision	2,021	2,111	1,488
Exchange difference	(20)	(142)	(160)
Net cash inflow from operating activities	134,665	79,867	204,753

NOTES TO THE ACCOUNTS

1. Basis of preparation

The interim report date of the Group has been changed from 31st August to 30th June each year starting 2001. The directors consider that the change of interim report will result in consistency with the interim report period of most listed companies in Hong Kong.

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 2000 included in the interim financial report does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31st December 2000 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 9th February 2001.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report except the change in accounting policies with respect to dividend recognition and goodwill. Please refer to note 2 for further details.

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 2000 annual accounts.

2. 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, the Group recognises dividends proposed or declared 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), in order to comply with Statement of Standard Accounting Practice 9 (revised) "Events after the balance sheet date" issued by the HKSA.

As a result of this new accounting policy, the Group's net assets at 30th June 2001 have been increased by \$14,943,000 (at 31st December 2000: \$14,943,000). There is no impact on the Group's profit attributable to shareholders for the periods/year presented. The new accounting policy has been adopted retrospectively, with the comparative information adjusted for the amounts relating to prior period/year.

Goodwill

In prior years, goodwill arising on consolidation was eliminated directly against reserves. With effect from 1st January 2001, the Group adopted an accounting policy of recognising goodwill on the Consolidated Balance Sheet and amortised on a straight-line basis to the Consolidated Statement of Profit and Loss over its estimated useful economic life in order to comply with Statement of Standard Accounting Practice ("SSAP") 30 "Business combinations" issued by the HKSA. 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.

3. Segmental information

in dollar thousands

The principal activities of the Group continue to be the manufacture and distribution of bottled, canned and draught beers.

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

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

	Group Gross turnover			Group Profit/(loss) before taxation		
	Six months ended		Year ended	Six months ended		Year ended
	30th June		31st December	30th June		31st December
	2001	2000	2000	2001	2000	2000
Hong Kong	372,970	374,466	778,647	35,640	32,858	86,588
The People's Republic of China	280,506	298,736	654,503	705	(4,718)	7,020
	<u>653,476</u>	<u>673,202</u>	<u>1,433,150</u>	<u>36,345</u>	<u>28,140</u>	<u>93,608</u>

4. Profit from operations

in dollar thousands

	Group		Group
	Six months ended		Year ended
	30th June		31st December
	2001	2000	2000

The profit from operations is stated after charging/(crediting) the following items:

Depreciation and amortisation of fixed assets	39,500	40,895	78,374
Amortisation of pre-operating expenses	—	3,125	6,212
Interest expenses	14,864	18,848	40,176
Inventory costs	159,537	175,123	337,254
Interest income	(9,691)	(11,610)	(25,633)
(Profit)/loss on disposal of fixed assets	(453)	19	1,030

5. Taxation
in dollar thousands

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

	Group		
	Six months ended		Year ended
	30th June		31st December
	2001	2000	2000
Hong Kong taxation			
— under provision in respect of prior period/year	—	—	8
Overseas taxation	<u>2,196</u>	<u>2,688</u>	<u>6,623</u>
	<u>2,196</u>	<u>2,688</u>	<u>6,631</u>

No provision has been made for Hong Kong taxation for the first six months of 2001.

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

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

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

	Group	
	As at	As at
	30th June	31st December
	2001	2000
Provision for overseas profits tax for the period/year	<u>4,469</u>	3,158
Recoverable Hong Kong tax relating to prior period/year	—	<u>(972)</u>
	<u>4,469</u>	<u>2,186</u>

6. Profit attributable to shareholders

The profit attributable to shareholders includes a profit of \$35,263,000 (2000: \$39,901,000) which has been dealt with in the accounts of the Company.

7. Dividends

in dollar thousands

- (a) Dividends attributable to the interim period/year

	Group		
	Six months ended		Year ended
	30th June		31st December
	2001	2000	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	11,207
Total dividends declared during the interim period (<i>note 13</i>)	115,807	11,207	11,207
Second interim dividend declared after the interim period end of \$0.04 per share (2000: \$0.03 per share)	14,943	11,207	11,207
Third interim dividend to be declared (2000: \$0.04 per share)	—	—	14,943
Final dividend to be proposed (2000: \$0.04 per share)	—	—	14,943
	<u>130,750</u>	<u>22,414</u>	<u>52,300</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		
	Six months ended		Year ended
	30th June		31st December
	2001	2000	2000
Final dividend in respect of the previous year, approved and paid during the interim period/year, of \$0.04 per share (2000: \$0.03 per share) (<i>note 13</i>)	14,943	11,207	11,207

8. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders for the period ended 30th June of \$35,037,000 (2000:\$26,950,000) and on 373,570,560 ordinary shares (2000:373,570,560 ordinary shares), being the weighted average number of shares in issue during the period.

The amount of diluted earnings per share is not presented as the amount is the same as the basic earnings per share as presented in the Consolidated Statement of Profit and Loss.

9. Fixed assets
in dollar thousands

	Group Plant, property and equipment
	Six months ended 30th June
	2001
At 1st January 2001	2,214,254
Additions	11,839
Disposals	(3,800)
Exchange adjustments	(427)
Depreciation	(39,500)
At 30th June 2001	<u>2,182,366</u>

10. Inventories
in dollar thousands

	Group	
	As at 30th June	As at 31st December
	2001	2000
Products in hand and in process	26,221	15,020
Materials and supplies	<u>72,595</u>	<u>78,224</u>
	<u>98,816</u>	<u>93,244</u>

11. Trade receivables and creditors — ageing analysis
in dollar thousands

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

The ageing of trade receivables is as follows:

	Group	
	As at 30th June	As at 31st December
	2001	2000
Less than 30 days	78,571	63,916
31 to 60 days	45,520	46,647
61 to 90 days	23,606	19,806
over 90 days	<u>25,102</u>	<u>18,847</u>
	<u>172,799</u>	<u>149,216</u>

11. Trade receivables and creditors — ageing analysis (Continued)
in dollar thousands

The ageing of creditors is as follows:

	Group	
	As at 30th June 2001	As at 31st December 2000
Less than 30 days	26,581	23,094
31 to 60 days	12,254	9,556
61 to 90 days	6,271	1,564
over 90 days	9,903	2,037
	<u>55,009</u>	<u>36,251</u>

12. Cash and cash equivalents
in dollar thousands

	Group	
	As at 30th June 2001	As at 31st December 2000
Deposits with banks	156,794	373,963
Cash at bank and in hand	53,980	44,873
	<u>210,774</u>	<u>418,836</u>

13. Reserves
in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
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 recognition (note 2)	11,207	—	—	—	11,207
— as restated	<u>2,007,062</u>	<u>65,739</u>	<u>57,312</u>	<u>(5,721)</u>	<u>1,889,732</u>
Dividends approved in respect of the previous year (note 7(b))	(11,207)	—	—	—	(11,207)
Profit for the year	87,657	—	—	—	87,657
Dividends					
— as previously reported	(52,300)	—	—	—	(52,300)
— prior year adjustment in respect of dividend recognition (note 2)	14,943	—	—	—	14,943
— as restated	<u>(37,357)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(37,357)</u>
Exchange gain arising on consolidation	897	—	—	897	—
Balance at 31st December 2000	<u>2,047,052</u>	<u>65,739</u>	<u>57,312</u>	<u>(4,824)</u>	<u>1,928,825</u>
Balance at 1st January 2001	<u>2,047,052</u>	<u>65,739</u>	<u>57,312</u>	<u>(4,824)</u>	<u>1,928,825</u>
Dividends approved in respect of the previous year (note 7(b))	(14,943)	—	—	—	(14,943)
Profit for the period	35,037	—	—	—	35,037
Dividends (note 7(a))	(115,807)	—	—	—	(115,807)
Exchange loss arising on consolidation	(116)	—	—	(116)	—
At 30th June 2001	<u>1,951,223</u>	<u>65,739</u>	<u>57,312</u>	<u>(4,940)</u>	<u>1,833,112</u>

13. Reserves (Continued)

in dollar thousands

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

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

14. 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 2001, total purchases from and sales to these related parties were \$16,765,000 (\$11,768,000 for six months ended 30th June 2000) and \$43,265,000 (\$39,750,000 for six months ended 30th June 2000) respectively. The net amount due to these related parties amounted to \$772,000 (\$10,261,000 as at 30th June 2000) on 30th June 2001.

15. Commitments

in dollar thousands

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

	Group	
	As at 30th June 2001	As at 31st December 2000
Contracted for	989	808
Authorised by the directors but not contracted for	18,486	6,621
	<u>19,475</u>	<u>7,429</u>

16. 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 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	
	As at 30th June 2001	As at 31st December 2000
Guarantees to banks	<u>272,990</u>	<u>468,306</u>

17. Comparative figures

Certain comparative figures have been adjusted as a result of a change in accounting policy in respect of dividend recognition.

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

For South China operations:

- The value of returnable bottles is now included in both "Gross revenue" 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 revenue" 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".



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