

5 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of RMB201,491,000 (2000: RMB347,971,000) and the weighted average number of shares in issue during the period of 3,374,178,000 (2000: 3,374,178,000).

There were no dilutive potential shares in existence during the six months ended 30 June, 2000 and 2001.

6 Dividends

The Board of Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June, 2001 (2000: Nil).

7 Profit appropriations

No transfer to statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve has been made during the period and the corresponding period. According to the Articles of Association of the Company and certain of its subsidiaries and the PRC Company Law, any such transfer shall be proposed by the respective board of directors and approved by shareholders in the annual general meeting.

8 Trade receivables

Credit terms granted by the Group to sales agents and other customers generally range from one to three months. An aging analysis of trade receivables, net of provisions for bad and doubtful accounts, is as follows:

	As at 30 June, 2001 RMB'000	As at 31 December, 2000 RMB'000
Within 1 month	735,387	748,893
More than 1 month but less than 3 months	28,876	27,659
More than 3 months but less than 12 months	16,362	12,218
	780,625	788,770

9 Accounts payable

An aging analysis of accounts payable is as follows:

	As at 30 June, 2001 RMB'000	As at 31 December, 2000 RMB'000
Due within 1 month or on demand	214,060	180,227
Due after 1 month but within 3 months	270,675	248,691
Due after 3 months but within 6 months	322,583	329,381
	807,318	758,299



10 Commitments

(a) Capital commitments

As at 30 June, 2001, the Group had capital commitments as follows:

	As at 30 June, 2001 RMB'000	As at 31 December, 2000 RMB'000
Commitments in respect of aircraft and related equipment — authorised and contracted for	3,201,920	3,161,539
Commitments in respect of investments at Guangzhou new airport — authorised and contracted for	43,313	38,937
— authorised but not contracted for	3,484,949	3,501,513
	3,528,262	3,540,450
Other commitments — authorised and contracted for	115,281	131,255
— authorised but not contracted for	418,206	487,688
	533,487	618,943
	7,263,669	7,320,932

(b) Investing commitments

As at 30 June, 2001, the Company was committed to make additional capital contributions of RMB288,407,000 (as at 31 December, 2000: RMB363,760,000) to certain associated companies.

11 Related party transactions

Substantially all transactions undertaken by the Group during the period were effected with such counter parties and on such terms as have been determined by the Civil Aviation Administration of China (the "CAAC") and other relevant PRC authorities.

Furthermore, the Group employed various supplementary administrative and financial services provided by Southern Airlines (Group) (the "SA Group"), the ultimate holding company, and its affiliates during the ordinary course of its business.

The following is a summary of significant recurring transactions carried out in the ordinary course of business between the Group and its fellow subsidiaries, the SA Group, the CAAC and its affiliates during the period:

	For the six months ended 30 June,	
	2001	2000
	RMB'000	RMB'000
<i>Expenses</i>		
Handling charges	7,293	5,669
Jet fuel supplies	1,292,388	975,238
Aircraft insurance	36,109	41,953
Aircraft wet lease rentals	150,128	—
Guarantee fees	11,433	12,145
Ticket reservation service charges	46,762	41,565
Passenger departure and cargo handling charges	26,245	19,960
Aircraft and traffic servicing charges	759,213	653,815
Advertising expenses	5,062	4,508
Sundry aviation supplies	42,700	31,481
Commission expense	303,699	254,472
Air catering expense	10,783	8,788
Repairing charges	237,769	224,423
Contributions to retirement schemes	37,738	33,336
Post retirement medical and other welfare benefits	8,450	8,450
Housing benefits	42,500	42,500
Lease charges for land and buildings	7,612	7,612
<i>Incomes</i>		
Ground services income	11,347	11,774
Interest income	10,219	13,667
Commission income	45,019	49,532

The Directors of the Company are of the opinion that the above transactions were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

12 Contingent liabilities

There have been no material adverse changes in the contingent liabilities of the Group since 31 December, 2000.

13 Convenience translation

The unaudited consolidated profit and loss account has been prepared in Renminbi ("RMB"), the national currency of the PRC. Translations of amounts from RMB into Hong Kong dollars ("HK\$") and United States dollars ("US\$") solely for the convenience of readers have been made at the rates of HK\$1.00 to RMB1.0612 and US\$1.00 to RMB8.2770, being the average of the buying and selling rates as quoted by the People's Bank of China at the close of business on 30 June, 2001. No representation is made that the RMB amounts could have been or could be converted into HK\$ or US\$ at these rates or at any other certain rates on 30 June, 2001 or on any other date.

14 Supplementary Information for North American shareholders (unaudited)

Effects on consolidated profit attributable to shareholders and shareholders' equity of significant differences between IAS and U.S. GAAP are summarised below.

	For the six months ended 30 June,		
	2001 RMB'000	2000 RMB'000	2001 US\$'000
Consolidated profit attributable to shareholders under IAS	201,491	347,971	24,343
Approximate U.S. GAAP adjustments:			
Sale and leaseback accounting	42,458	(146,413)	5,130
Capitalised interest	16,450	9,400	1,987
Reversal of additional depreciation charges arising from the revaluation of fixed assets	34,000	35,000	4,108
Deferred tax effects	(34,466)	29,859	(4,164)
Approximate consolidated profit attributable to shareholders under U.S. GAAP	259,933	275,817	31,404
Approximate basic earnings per share under U.S. GAAP	RMB0.077	RMB0.082	US\$0.009
Approximate basic earnings per ADS under U.S. GAAP (<i>Note</i>)	RMB3.852	RMB4.087	US\$0.465

Note: Approximate basic earnings per American Depositary Share ("ADS") is calculated on the basis that one ADS is equivalent to 50 H shares.

	As at	As at	As at
	30 June, 2001 RMB'000	31 December, 2000 RMB'000	30 June, 2001 US\$'000
Shareholders' equity under IAS	9,082,929	8,881,438	1,097,370
Approximate U.S. GAAP adjustments:			
Sale and leaseback accounting	(498,121)	(540,579)	(60,181)
Capitalised interest	410,944	394,494	49,649
Revaluation of fixed assets upon the 1996 reorganisation, net of depreciation	(284,348)	(318,348)	(34,354)
Deferred tax asset adjustment on revaluation of fixed assets upon the 1996 reorganisation	95,272	115,993	11,510
Deferred tax effects	24,452	38,197	2,954
Approximate shareholders' equity under U.S. GAAP	8,831,128	8,571,195	1,066,948