

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2002

	Notes	2002 RMB'000	2001 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		161,456	87,405
Adjustments for:			
Net finance costs	6	18,816	17,659
Increase in Airport fee payable		16,357	—
Depreciation and amortisation		30,306	28,404
Negative goodwill recognised as income	3(b)	(2,549)	—
Operating profit before working capital changes		224,386	133,468
Increase in accounts receivable		(6,088)	(7,623)
Increase in provision for doubtful debts		1,172	1,342
Increase in accounts payable		116	—
Decrease in inventories		334	103
Increase in prepayments, deposits and other receivables		(22,188)	(1,173)
Increase in amounts due from related parties		(71,814)	(35,700)
Increase in accrued liabilities and other payables		21,602	3,803
Increase in deposit from customers		1,247	876
Cashflow from operating activities		148,767	95,096
Interest paid		(18,980)	(17,778)
Dividend paid		(44,334)	—
Net cash inflows from operating activities		85,453	77,318

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Year ended 31 December 2002

	Notes	2002 RMB'000	2001 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		128	96
Acquisition of subsidiaries, net of cash acquired	14	6,534	—
Subsequent payments for the acquisition of subsidiaries	14	(7,344)	—
Purchases of property, plant, equipment and land use rights	12, 13	(152,722)	(10,397)
Net cash flows used in investing activities		(153,404)	(10,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of new shares upon placing and initial public offering	25	895,382	—
Expenses for the placing and initial public offering	25	(105,456)	—
Drawdown of short-term bank loan		50,000	20,000
Repayment of short-term bank loan		(20,000)	—
Repayment of long-term bank loan		(12,000)	(9,000)
Government grants for the construction of a customs and immigration building for international passengers		4,000	—
Contribution from minority interests		4,360	—
Decrease in amounts due to the Parent Company		(77,331)	(61,903)
Net cash flows from/(used in) financing activities		738,955	(50,903)
Net increase in cash and cash equivalents		671,004	16,114
Cash and cash equivalents at beginning of year		32,748	16,634
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	703,752	32,748

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2002

MAJOR NON-CASH TRANSACTIONS

- (i) The Company acquired a 95% equity interest in Haikou Meilan Airport Duty-Free Shop Company Limited (“DFG”), a 60% equity interest in Hainan Haikou Meilan Airport Travelling Company Limited (“Meilan Travelling”) and the businesses of carpark operations and cargo handling centre (the “Acquired Businesses”) from Haikou Meilan Airport Company Ltd. (the “Parent Company”) on 31 May 2002 for an aggregate consideration of RMB78,131,000 which was based on the valuation report prepared by Hainan Zhong Li Xin Asset Valuation Company Limited dated 18 April 2002 and was satisfied by a sale of assets owned by the Company in the amount of RMB28,399,000 and by cash consideration of RMB49,732,000. The purchases of the 95% and 60% equity interest of DFG and Meilan Travelling were settled in cash in the amount of RMB264,000 and RMB7,080,000, respectively. The remaining consideration in the amount RMB70,787,000 was applied for the purchase of the property, plant and equipment and land use rights related to the carpark operation and cargo handling centre.

