

## Consolidated cash flow statement

Year ended 31 December 2003

(Expressed in HK\$'000)

	Notes	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(52,005)	(15,217)
Adjustments for:			
Interest expense	9	171	–
Interest income	5	(13,273)	(12,409)
Exchange gains arising from bank deposits denominated in New Zealand dollars, net	5	–	(6,945)
Waiver of an amount due to a former director of the Company	5	–	(1,135)
Depreciation	6	12,971	3,575
Loss on disposal/write-off of fixed assets	6	713	6,722
Professional fees incurred in relation to aborted investment projects	6	25,662	–
Provision for impairment of fixed assets	6, 13	4,502	–
		(21,259)	(25,409)
Operating loss before working capital changes			
Decrease/(increase) in inventories		(5,833)	5,093
Decrease/(increase) in prepayments, deposits and other receivables		(3,707)	6,058
Decrease/(increase) in accounts receivable		(2,503)	1,013
Increase/(decrease) in accounts payable		2,340	(5,720)
Increase/(decrease) in accrued liabilities and other payables		6,582	(5,105)
		(24,380)	(24,070)
Cash used in operations			
Taxes paid		–	–
		(24,380)	(24,070)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		12,220	12,998
Exchange gains arising from bank deposits denominated in New Zealand dollars, net		–	6,945
Proceeds from disposal of a long term investment		2,500	3,500
Purchases of fixed assets	13	2,114	(3,931)
Proceeds from disposal of fixed assets		355	1,438
Decrease/(increase) in pledged bank deposits		(20,399)	1,000,000
Payments of legal and professional fee incurred in relation to potential investment projects		(16,318)	(12,582)
		(19,528)	1,008,368
Net cash inflow/(outflow) from investing activities			

## Consolidated cash flow statement

Year ended 31 December 2003

(Expressed in HK\$'000)

	Notes	2003	2002
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital	22, 23	–	–*
Proceeds from issue of convertible loan notes		–	1,000,000*
Shares issuance expenses	23	–	(2,759)
Repayment of current other loans		–	(1,000,000)*
New current bank loans		20,735	–
Drawdown of non-current other loans		–	53
Interest paid		(171)	–
		<u>20,564</u>	<u>(2,706)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(23,344)	981,592
Cash and cash equivalents at beginning of year		1,123,498	141,905
Effect of foreign exchange rate changes, net		(1)	1
		<u>1,100,153</u>	<u>1,123,498</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	18	1,647	709
Non-pledged time deposits with original maturity of less than three months when acquired	18	1,098,506	1,122,789
		<u>1,100,153</u>	<u>1,123,498</u>

\* On 25 January 2002, the Company issued redeemable floating rate convertible loan notes (the "Notes") of HK\$1,000 million to Keentech Group Limited ("Keentech"), an indirect wholly-owned subsidiary of CITIC Group. The proceeds from the issue of the Notes were applied to settle a loan of a principal amount of HK\$1,000 million granted by Keentech to Maxpower Resources Limited, an indirect wholly-owned subsidiary of the Company.

The Notes were fully converted into 1,176,470,588 ordinary shares of the Company in June 2002. Further details of the Notes are set out in note 22 to the financial statements.