

## CONSOLIDATED CASH FLOW STATEMENT

CHINA WATER AFFAIRS GROUP LIMITED

For the year ended 31 March 2005

	2005 HK\$'000	2004 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from operations before taxation	<b>(29,802)</b>	(99,338)
Adjustments for:		
Finance costs	<b>2,998</b>	2,424
Share of losses of associates	<b>3,292</b>	9,654
Loss on deconsolidation of subsidiaries	–	14,020
Impairment losses on investments	<b>3,517</b>	22,631
Interest income	<b>(8)</b>	(2)
Depreciation	<b>8,897</b>	3,350
Amortisation of goodwill	–	(103)
Gain on disposal of fixed assets	<b>(1,701)</b>	–
Loss on disposal of fixed assets	<b>1,078</b>	–
Write-off of fixed assets	–	711
Impairment losses on interests in associates	<b>5,650</b>	–
Impairment of goodwill	–	16,081
Provision for non-recoverability of prepayments	<b>1,002</b>	–
Impairment loss on fixed assets	<b>2,740</b>	–
Loss on deemed partial disposal of interests in associates	<b>2,693</b>	–
Operating profit/(loss) before working capital changes	<b>356</b>	(30,572)
(Increase)/decrease in inventories	<b>(1,290)</b>	25,395
(Increase)/decrease in trade and bills receivables	<b>(5,179)</b>	1,739
Decrease in prepayments, deposits and other receivables	<b>6,555</b>	1,096
Increase/(decrease) in trade payables	<b>1</b>	(12,018)
Decrease in accrued liabilities and other payables	<b>(3,453)</b>	(4,733)
<b>Cash used in operations</b>	<b>(3,010)</b>	(19,093)
Interest paid on bank and other borrowings	<b>(1,641)</b>	(1,039)
Interest element on finance lease rental payments	–	(112)
Interest on promissory notes and convertible note	<b>(1,357)</b>	(740)
Other interest paid to trade creditors	–	(533)
Hong Kong profits tax paid	–	(60)
<b>Net cash outflow from operating activities</b>	<b>(6,008)</b>	(21,577)

	Note	2005 HK\$'000	2004 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		8	2
Purchase of fixed assets		(9,243)	(5,940)
Proceeds from disposal of fixed assets		666	–
Acquisition of a subsidiary in the People's Republic of China ("PRC")	30(b)	13	508
Deposits paid for acquisition of subsidiaries		–	(1,768)
<b>Net cash outflow from investing activities</b>		<b>(8,556)</b>	<b>(7,198)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of promissory notes		(2,925)	–
Proceeds from issue of convertible bonds		–	13,500
Proceeds from issue of shares		44,203	25,123
Share issue expenses		(1,681)	(649)
Repayment to a shareholder		(3,130)	(1,500)
Advance from a director		2,940	1,811
Other loans raised		–	3,003
(Repayment to)/advance from a related company		(472)	472
Advance from minority shareholders of subsidiaries		–	372
Repayment of other loans		(3,286)	(2,038)
Repayment to minority shareholders		(3,571)	–
Repayment of bank loans and mortgage loans		(472)	(4,836)
Capital element of finance lease rental payments		–	(3,409)
<b>Net cash inflow from financing activities</b>		<b>31,606</b>	<b>31,849</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>17,042</b>	<b>3,074</b>
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>		<b>3,197</b>	<b>123</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>		<b>20,239</b>	<b>3,197</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		20,239	3,197

The notes on pages 27 to 62 form an integral part of these financial statements.