

## 19 Amounts due to related companies

Amounts due to related companies, which represent balances with the Company's holding company and with the CAAC and its affiliates, are unsecured, interest free and repayable on demand.

## 20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits with Southern Airlines Group Finance Company Limited ("SA Finance"), a PRC authorised financial institution controlled by the SA Group and an associated company of the Group. In accordance with the financial agreement dated 22 May, 1997 between the Company and SA Finance, all the Group's deposits accepted by SA Finance at 31 December, 2001 were simultaneously placed with several designated major PRC banks by SA Finance. As at 31 December, 2001, the Group's and the Company's deposits with SA Finance amounted to RMB1,341,126,000 and RMB1,316,709,000 respectively (2000: RMB1,961,890,000 and RMB1,910,001,000 respectively).

## 21 Bank and other loans

|   | The Group          |                 | The Company        |                 |
|---|--------------------|-----------------|--------------------|-----------------|
|   | 2001<br>RMB'000    | 2000<br>RMB'000 | 2001<br>RMB'000    | 2000<br>RMB'000 |
| Bank loans due:                           |                    |                 |                    |                 |
| Within one year                           | <b>2,177,516</b>   | 783,115         | <b>1,379,277</b>   | 392,567         |
| In the second year                        | <b>880,836</b>     | 758,844         | <b>517,018</b>     | 405,392         |
| In the third to fifth year, inclusive     | <b>1,992,143</b>   | 1,827,429       | <b>1,299,383</b>   | 1,122,719       |
| After the fifth year                      | <b>751,615</b>     | 1,196,425       | <b>295,282</b>     | 564,885         |
|   | <b>5,802,110</b>   | 4,565,813       | <b>3,490,960</b>   | 2,485,563       |
| Other loans due in the second year        | <b>3,000</b>       | 6,000           | —                  | —               |
|   | <b>5,805,110</b>   | 4,571,813       | <b>3,490,960</b>   | 2,485,563       |
| Portion classified as current liabilities | <b>(2,177,516)</b> | (783,115)       | <b>(1,379,277)</b> | (392,567)       |
|   | <b>3,627,594</b>   | 3,788,698       | <b>2,111,683</b>   | 2,092,996       |

(Expressed in Renminbi)

**21 Bank and other loans (cont'd)**

As at 31 December, 2001, bank loans of the Group and the Company totalling RMB3,741,749,000 and RMB2,092,616,000 respectively (2000: RMB4,395,458,000 and RMB2,485,563,000 respectively) were secured by mortgages over certain of the Group's and the Company's aircraft. As at 31 December, 2001, certain bank loans were guaranteed by the following parties:

|   | The Group        |                 | The Company      |                 |
|---|------------------|-----------------|------------------|-----------------|
|   | 2001<br>RMB'000  | 2000<br>RMB'000 | 2001<br>RMB'000  | 2000<br>RMB'000 |
| Export-Import Bank of the United States | <b>2,744,093</b> | 3,154,743       | <b>1,435,313</b> | 1,691,449       |
| Bank of China                           | <b>892,390</b>   | 1,108,068       | <b>552,037</b>   | 661,467         |
| China Construction Bank                 | <b>105,266</b>   | 132,647         | <b>105,266</b>   | 132,647         |
| SA Group                                | <b>1,298,344</b> | —               | <b>1,098,344</b> | —               |
|   | <b>5,040,093</b> | 4,395,458       | <b>3,190,960</b> | 2,485,563       |

Details of bank and other loans with original maturity over one year are as follows:

|                                 | Interest rate and final maturity  | The Group       |                 | The Company     |                 |
|---------------------------------|---|-----------------|-----------------|-----------------|-----------------|
|                                 |   | 2001<br>RMB'000 | 2000<br>RMB'000 | 2001<br>RMB'000 | 2000<br>RMB'000 |
| RMB denominated loans:          |   |                 |                 |                 |                 |
| Loans for construction projects | Floating interest rates ranging from 5.10% to 5.46% per annum as at 31 December, 2001, with maturities through 2009 | <b>15,562</b>   | 19,410          | —               | —               |
|                                 | Floating interest rate at 6.21% per annum as at 31 December, 2001, with maturity through 2010                       | <b>100,000</b>  | —               | <b>100,000</b>  | —               |
|                                 | Non-interest bearing loans from a municipal government authority, repayable in 2003                                 | <b>3,000</b>    | 6,000           | —               | —               |

**21 Bank and other loans (cont'd)**

Details of bank and other loans with original maturity over one year are as follows:

|   |  | Interest rate and final maturity   | The Group        |                 | The Company      |                 |
|---|--|--|------------------|-----------------|------------------|-----------------|
|   |  |  | 2001<br>RMB'000  | 2000<br>RMB'000 | 2001<br>RMB'000  | 2000<br>RMB'000 |
| Loans for the purchase of aircraft                                |  | Floating interest rates ranging from 5.35% to 5.46% per annum as at 31 December, 2001, repayable in 2003 and 2004. | 164,000          | —               | —                | —               |
|   |  | Floating interest rate of 5.43% per annum as at 31 December, 2001, repayable in 2006                               | 321,700          | —               | 321,700          | —               |
| U.S. dollar denominated loans:                                    |  |  |                  |                 |                  |                 |
| Loans for the purchase of aircraft                                |  | Fixed interest rates ranging from 5% to 8.33% per annum as at 31 December, 2001, with maturities through 2009      | 3,741,749        | 4,395,458       | 2,092,616        | 2,485,563       |
| Loan for the purchase of flight equipment                         |  | Fixed interest rate of 8.35% per annum as at 31 December, 2001, with maturity through 2004                         | 27,994           | 21,190          | —                | —               |
|   |  |  | <b>4,374,005</b> | 4,442,058       | <b>2,514,316</b> | 2,485,563       |
| Less: loans due within one year classified as current liabilities |  |  | <b>(746,411)</b> | (653,360)       | <b>(402,633)</b> | (392,567)       |
|   |  |  | <b>3,627,594</b> | 3,788,698       | <b>2,111,683</b> | 2,092,996       |

As at 31 December, 2001, bank and other loans of the Group and the Company included unsecured short term bank loans totalling RMB1,431,105,000 and RMB976,644,000 respectively (2000: RMB129,755,000 and nil respectively). On such date, the Group's and the Company's weighted average interest rate on short term borrowings were 4.28% and 4.10% respectively (2000: 5.8% for the Group).

As at 31 December, 2001, the Group had banking facilities with several PRC commercial banks for providing loan finance up to an approximate amount of RMB1,500 million (2000: RMB1,000 million). As at 31 December, 2001, an approximate amount of RMB300 million (2000: Nil) was utilised.

(Expressed in Renminbi)

**22 Obligations under finance leases**

The Group and the Company have commitments under finance lease agreements in respect of aircraft and related equipment expiring during the years 2002 to 2010. At 31 December, 2001, future payments under these finance leases, which were 79% and 21% respectively (2000: 78% and 22% respectively) denominated in United States dollars and Japanese yen, were as follows:

|   | 2001                |                     |                        | 2000                |                     |                        |
|---|---------------------|---------------------|------------------------|---------------------|---------------------|------------------------|
|   | Payments<br>RMB'000 | Interest<br>RMB'000 | Obligations<br>RMB'000 | Payments<br>RMB'000 | Interest<br>RMB'000 | Obligations<br>RMB'000 |
| <b>The Group and<br/>the Company</b>                                      |                     |                     |                        |                     |                     |                        |
| Balance due:  |                     |                     |                        |                     |                     |                        |
| Within one year   | <b>1,960,822</b>    | <b>508,893</b>      | <b>1,451,929</b>       | 2,408,764           | 632,608             | 1,776,156              |
| In the second year  | <b>1,891,234</b>    | <b>412,673</b>      | <b>1,478,561</b>       | 2,010,726           | 514,118             | 1,496,608              |
| In the third to fifth year,<br>inclusive                                  | <b>4,075,079</b>    | <b>807,570</b>      | <b>3,267,509</b>       | 4,749,361           | 1,025,997           | 3,723,364              |
| After the fifth year  | <b>3,203,544</b>    | <b>257,980</b>      | <b>2,945,564</b>       | 4,712,555           | 516,242             | 4,196,313              |
|   | <b>11,130,679</b>   | <b>1,987,116</b>    | <b>9,143,563</b>       | 13,881,406          | 2,688,965           | 11,192,441             |
| Less: Balance due within<br>one year classified<br>as current liabilities |                     |                     | <b>(1,451,929)</b>     |                     |                     | (1,776,156)            |
|   |                     |                     | <b>7,691,634</b>       |                     |                     | 9,416,285              |

Certain lease financing arrangements comprised finance leases between the Company and certain of its subsidiaries, and corresponding borrowings between such subsidiaries and banks. The Company has guaranteed the subsidiaries' obligations under the bank borrowings and accordingly, the relevant leased assets and obligations are recorded in the balance sheet to reflect the substance of the transactions. The future payments under these leases have therefore been presented by the Company and the Group in amounts that reflect the payments under the bank borrowings between the subsidiaries and banks.

Under the terms of the leases, the Group has an option to purchase, at or near the end of the lease term, certain aircraft at fair market value and others at either fair market value or a percentage of the respective lessor's defined cost of the aircraft.

Security, including charges over the assets concerned and relevant insurance policies, is provided to the lessors.

As at 31 December, 2001, certain of the Group's and the Company's aircraft with carrying amounts of RMB9,216,138,000 (2000: RMB10,232,534,000) were pledged to secure facilities with financial institutions granted to lessors totalling RMB9,143,563,000 (2000: RMB11,192,441,000).

**23 Accounts payable**

The ageing analysis of accounts payable is as follows:

|  | The Group       |                 | The Company     |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2001<br>RMB'000 | 2000<br>RMB'000 | 2001<br>RMB'000 | 2000<br>RMB'000 |
| Due within 1 month or on demand        | <b>140,172</b>  | 180,227         | <b>101,977</b>  | 147,920         |
| Due after 1 month but within 3 months  | <b>194,665</b>  | 248,691         | <b>128,177</b>  | 189,129         |
| Due after 3 months but within 6 months | <b>255,863</b>  | 329,381         | <b>189,716</b>  | 283,693         |
|  | <b>590,700</b>  | 758,299         | <b>419,870</b>  | 620,742         |

As at 31 December, 2001, the Group and the Company had an amount due to fellow subsidiary of RMB433,278,000 (2000: RMB600,717,000) which was included in accounts payable.

All of the accounts payable are expected to be settled within one year.

**24 Provision for major overhauls**

Details of provision for major overhauls in respect of aircraft held under operating leases are as follows:

|  | The Group       |                 | The Company     |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2001<br>RMB'000 | 2000<br>RMB'000 | 2001<br>RMB'000 | 2000<br>RMB'000 |
| Balance at 1 January,  | <b>241,895</b>  | 289,228         | <b>79,917</b>   | 108,845         |
| Additional amount provided   | <b>12,889</b>   | 15,267          | <b>17,444</b>   | 5,504           |
| Amount utilised  | <b>(67,659)</b> | (62,600)        | <b>(49,207)</b> | (34,432)        |
| Balance at 31 December,  | <b>187,125</b>  | 241,895         | <b>48,154</b>   | 79,917          |
| The balance of provision for major overhauls at 31 December, 2001 comprised: |                 |                 |                 |                 |
| Current portion<br>(included in accrued expenses)                            | <b>61,464</b>   | 75,812          | <b>—</b>        | 52,000          |
| Non-current portion  | <b>125,661</b>  | 166,083         | <b>48,154</b>   | 27,917          |
|  | <b>187,125</b>  | 241,895         | <b>48,154</b>   | 79,917          |

*(Expressed in Renminbi)***25 Share capital**

|  | <b>2001</b>      | 2000      |
|--|------------------|-----------|
|  | <b>RMB'000</b>   | RMB'000   |
| Registered capital:                            |                  |           |
| 2,200,000,000 domestic shares of RMB 1.00 each | <b>2,200,000</b> | 2,200,000 |
| 1,174,178,000 H shares of RMB 1.00 each        | <b>1,174,178</b> | 1,174,178 |
|  | <b>3,374,178</b> | 3,374,178 |
| Issued and paid up capital:                    |                  |           |
| 2,200,000,000 domestic shares of RMB 1.00 each | <b>2,200,000</b> | 2,200,000 |
| 1,174,178,000 H shares of RMB 1.00 each        | <b>1,174,178</b> | 1,174,178 |
|  | <b>3,374,178</b> | 3,374,178 |

All the domestic and H shares rank pari passu in all material respects.

**26 Reserves**

Movements on reserves during the year comprise:

|  | The Group        |                 | The Company      |                 |
|--|------------------|-----------------|------------------|-----------------|
|  | 2001<br>RMB'000  | 2000<br>RMB'000 | 2001<br>RMB'000  | 2000<br>RMB'000 |
| Share premium                            | <b>3,813,659</b> | 3,813,659       | <b>3,813,659</b> | 3,813,659       |
| Statutory surplus reserve (Note (a))     |                  |                 |                  |                 |
| Balance at 1 January,                    | <b>381,216</b>   | 367,767         | <b>121,943</b>   | 121,943         |
| Transfer from profit and loss account    | <b>10,651</b>    | 13,449          | —                | —               |
| Balance at 31 December,                  | <b>391,867</b>   | 381,216         | <b>121,943</b>   | 121,943         |
| Statutory public welfare fund (Note (b)) |                  |                 |                  |                 |
| Balance at 1 January,                    | <b>219,877</b>   | 213,960         | <b>114,558</b>   | 114,558         |
| Transfer from profit and loss account    | <b>5,563</b>     | 5,917           | —                | —               |
| Balance at 31 December,                  | <b>225,440</b>   | 219,877         | <b>114,558</b>   | 114,558         |
| Discretionary surplus reserve (Note (c)) |                  |                 |                  |                 |
| Balance at 1 January,                    | <b>63,852</b>    | 58,157          | —                | —               |
| Transfer from profit and loss account    | <b>6,015</b>     | 5,695           | —                | —               |
| Balance at 31 December,                  | <b>69,867</b>    | 63,852          | —                | —               |
| Retained profits/(accumulated losses)    |                  |                 |                  |                 |
| Balance at 1 January,                    | <b>1,028,656</b> | 551,946         | <b>355,582</b>   | (24,852)        |
| Profit for the year                      | <b>340,225</b>   | 501,771         | <b>112,134</b>   | 380,434         |
| Appropriations to reserves               | <b>(22,229)</b>  | (25,061)        | —                | —               |
| Balance at 31 December,                  | <b>1,346,652</b> | 1,028,656       | <b>467,716</b>   | 355,582         |
| Total                                    | <b>5,847,485</b> | 5,507,260       | <b>4,517,876</b> | 4,405,742       |

**26 Reserves (cont'd)**

Notes:

- (a) According to the PRC Company Law and the Articles of Association of the Company and certain of its subsidiaries, the Company and the relevant subsidiaries are required to transfer 10% of their annual net profits after taxation, as determined under relevant PRC accounting regulations, to a statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

- (b) According to the PRC Company Law and the Articles of Association of the Company and certain of its subsidiaries, the Company and the relevant subsidiaries are required to transfer between 5% to 10% of their annual net profits after taxation, as determined under relevant PRC accounting regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the Company's and the relevant subsidiaries' employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than in liquidation. The transfers to this reserve must be made before distribution of a dividend to shareholders.
- (c) The transfer to this reserve from the profit and loss account is subject to the approval of shareholders at general meetings. Its usage is similar to that of statutory surplus reserve.
- (d) Under PRC Company Law and the Company's Articles of Association, the net profit after taxation as reported in the PRC statutory financial statements of the Company can only be distributed as dividends after allowances have been made for:
- (i) making up cumulative prior years' losses, if any;
  - (ii) allocations to the statutory surplus reserve of at least 10% of after-tax profit, until the fund aggregates to 50% of the Company's registered capital;
  - (iii) allocations of 5% to 10% of after-tax profit, as determined under PRC accounting rules and regulations, to the Company's statutory public welfare fund; and
  - (iv) allocations to the discretionary surplus reserve, if approved by the shareholders.

Pursuant to the Articles of Association of the Company, the net profit of the Company for the purpose of profit distribution is deemed to be the lesser of (i) the net profit determined in accordance with the PRC accounting principles and financial regulations and (ii) the net profit determined in accordance with IAS; or if the financial statements of the Company are not prepared in accordance with IAS, the accounting standards of one of the countries in which its shares are listed.

As at 31 December 2001, the Company had distributable reserves totalling approximately RMB468 million (2000: Nil).

## 27 Related party transactions

Substantially all transactions undertaken by the Group during the year were effected on such terms as have been determined by the CAAC and other relevant PRC authorities. In addition, many of the involved counter parties were either regulated by or connected with such authorities.

Both domestic and international routes on which the Group and other PRC airlines offer scheduled services are allocated by the CAAC. International airfares are subject to bilateral agreements between the CAAC, acting on behalf of the PRC government, and other governments. Domestic airfares are regulated jointly by the CAAC and the PRC Price Administrative Bureau.

Furthermore, the Group obtained various supplementary administrative and financial services provided by the SA Group and its affiliates during the normal course of its business.

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

|  | Note | 2001<br>RMB'000 | 2000<br>RMB'000 |
|--|------|-----------------|-----------------|
| <b>Expenses</b>                                    |      |                 |                 |
| Handling charges                                   | (a)  | 16,161          | 13,783          |
| Jet fuel supplies                                  | (b)  | 2,586,688       | 2,387,646       |
| Aircraft insurance                                 | (c)  | 123,439         | 85,431          |
| Wet lease rentals                                  | (d)  | 300,000         | 108,699         |
| Guarantee fees                                     | (e)  | 1,490           | 1,985           |
| Ticket reservation service charges                 | (f)  | 110,134         | 82,725          |
| Passenger departure and cargo handling charges     | (g)  | 57,424          | 40,584          |
| Aircraft and traffic servicing charges             | (h)  | 1,527,600       | 1,327,413       |
| Advertising expenses                               | (i)  | 9,940           | 10,712          |
| Sundry aviation supplies                           | (j)  | 86,386          | 72,054          |
| Commission expense                                 | (k)  | 547,186         | 554,102         |
| Air catering expense                               | (l)  | 22,707          | 17,941          |
| Repairing charges                                  | (m)  | 534,828         | 471,044         |
| Contributions to retirement schemes                | (n)  | 77,833          | 68,829          |
| Post retirement medical and other welfare benefits | (o)  | 16,900          | 16,900          |
| Housing benefits                                   | (p)  | 85,000          | 85,000          |
| Lease charges for land and buildings               | (q)  | 15,224          | 15,224          |
| <b>Income</b>                                      |      |                 |                 |
| Ground services income                             | (r)  | 23,513          | 20,933          |
| Interest income                                    | (s)  | 13,771          | 35,728          |
| Commission income                                  | (t)  | 89,842          | 100,994         |

**27 Related party transactions (cont'd)**

Notes:

- (a) Handling charges represent fees payable to China Aviation Supplies Import and Export Corporation, a corporation controlled by the CAAC, and Southern Airlines (Group) Import and Export Trading Company, a wholly owned subsidiary of the SA Group, in connection with the procurement of aircraft and flight equipment on the Group's behalf. Handling charges are calculated based on a fixed percentage of the purchase value and other charges.
- (b) Jet fuel supplies represent purchases of jet fuel at the then prevailing state controlled prices from China Aviation Oil Supply Company, Lan Tian Oil Supply Company and certain other suppliers which are controlled by the CAAC.
- (c) Aircraft insurance represents insurance premiums payable to the CAAC which arranges aviation insurance covering hull, war and passenger liability risk on behalf of the PRC airlines with the People's Insurance (Property) Company of China. Insurance premiums are allocated to individual PRC airlines by the CAAC based on the value of the airlines' aircraft and after taking into account the claims history of the airlines.
- (d) Wet lease rentals represent rentals payable to Zhongyuan Airlines, a subsidiary of the SA Group, by the Group for wet leases of five Boeing 737-300/37K aircraft from such party. In addition, as at 31 December, 2001, the Group had a refundable deposit of RMB130,000,000 placed with the SA Group for the acquisition of the above five aircraft and assumption of related bank debts from Zhongyuan Airlines (see note 35).
- (e) Guarantee fees represent charges collected by the CAAC and paid to PRC banks in respect of guarantees provided by these banks in connection with aircraft acquisitions of the Group. At 31 December, 2001, back-to-back guarantees provided by the CAAC in favour of the Group to these banks amounted to approximately RMB997,656,000 (2000: RMB1,240,715,000). Guarantee fees are charged at rates ranging from 0.085% to 0.3% of the guaranteed amount.
- (f) Ticket reservation service charges represent fees payable to the CAAC in respect of computer reservation services rendered by the CAAC at charges determined based on the utilisation of the computer reservation system.
- (g) Passenger departure and cargo handling charges are payable to the CAAC for use of the computerised passenger departure and cargo handling systems installed at certain PRC airports. The charges are levied based on the utilisation of these systems.
- (h) Aircraft and traffic servicing charges represent take-off and landing fees payable to various PRC airports in respect of take-off and landing slots allocated to the Group and other ancillary services provided. Fees are payable by the Group based on the scale rates published by the CAAC.
- (i) Advertising expenses represent expense reimbursements to Southern Airlines Advertising Company, a subsidiary of the SA Group, for promotional services rendered to the Group.
- (j) Sundry aviation supplies represent purchases of other supplies from Southern Airlines (Group) Economic Development Company, a subsidiary of the SA Group. Prices charged by this supplier to the Group are similar to those charged to other PRC airlines.
- (k) Commission expense represents commissions payable to the CAAC's sales offices, other PRC airlines and certain subsidiaries of the SA Group in connection with services provided in exchange for air tickets sold by them. These commissions are calculated based on a fixed rate ranging from 1.5% to 12% on the ticket value.
- (l) Air catering expense represents purchases of inflight meals and related services from Shenzhen Air Catering Company Limited, a cooperative joint venture established in the PRC, in respect of which the SA Group is entitled to 20% of its profit after tax.

**27 Related party transactions (cont'd)**

Notes:

- (m) Repairing charges represent fees incurred by the Group in connection with comprehensive maintenance services rendered by Guangzhou Aircraft Maintenance Engineering Company Limited, an associated company of the Company.
- (n) The Group paid contributions through the SA Group towards certain defined contribution retirement schemes organised by PRC government for the benefit of employees. In addition, the Group paid contributions towards a supplementary defined contribution retirement scheme organised by the SA Group for the benefit of employees (see Note 28).
- (o) Post retirement medical and other welfare benefits represent a fixed annual fee payable to the SA Group in return for the SA Group providing medical and other welfare services to the retired employees of the Group (see Note 28).
- (p) Housing benefits represent a fixed annual fee payable to the SA Group in respect of the provision of quarters to the eligible employees of the Group (see Note 28).
- (q) Charges were paid to the SA Group under certain lease agreements in respect of certain land and buildings in the PRC (see Note 10).
- (r) Ground services income represents the attributable share of fees received from other airlines in respect of ground services at Guangzhou Baiyun International Airport provided by the Company together with Baiyun International Airport Group. The Company was entitled to 50% of the service fees for the year ended 31 December, 2001 (2000: 50%).
- (s) Interest income represents interest received from deposits placed with SA Finance. The applicable interest rate is determined in accordance with the relevant deposit rates published by the People's Bank of China (see Note 20).
- (t) Commission income represents commissions receivable from other PRC airlines in connection with air tickets sold by the Group for which the carriage was provided by such airlines. Commission is calculated based on a fixed rate ranging from 3% to 9% on the ticket value.

In addition to the above, certain business undertakings of the SA Group provided transportation, hotel and other services to the Group during the year. The total amount involved is not material to the results of the Group for the year.

The directors of the Company are of the opinion that the above transactions with related parties were entered into in the normal course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

**28 Retirement and housing benefits**

Employees of the Group participate in several defined contribution retirement schemes organised separately by PRC municipal governments in regions where the major operations of the Group are located. The Group is required to contribute to these schemes at the rates ranging from 14% to 17% (2000: 13% to 17%) of salary costs including certain allowances. A member of the retirement schemes is entitled to pension benefits equal to a fixed proportion of the salary at the retirement date. The retirement benefit obligations of all existing and future retired staff of the Group are assumed by these schemes. In accordance with the comprehensive services agreement (the "Services Agreement") dated 22 May, 1997 between the Company and the SA Group, the Group makes payments of the retirement scheme contributions to the SA Group which undertakes to submit the contributions on behalf of the Group to the scheme administrators in a timely manner.

In addition, the Group was selected as one of the pilot enterprises to establish a supplementary defined contribution retirement scheme for the benefit of employees. In this connection, employees of the Group participate in a supplementary defined contribution retirement scheme organised by the SA Group whereby the Group is required to make defined contributions at a rate of 4.5% of total salaries. The Group has no obligation for the payment of pension benefits beyond the contributions described above. Contributions to the retirement schemes are charged to the profit and loss account as and when incurred.

The Group is also required to provide retirees with medical benefits, transportation subsidies and other welfare facilities. Pursuant to the Services Agreement, the SA Group undertakes the post-retirement medical and other welfare benefits payments to current and future retirees of the Group for a ten-year period from 1 January, 1997 to 31 December, 2006. In this connection, a fee of RMB16,900,000 (2000: RMB16,900,000) was paid by the Group to the SA Group for the year ended 31 December, 2001. The fee will be revised every three years and the next revision will be made in the year 2003.

Furthermore, pursuant to the Services Agreement, the SA Group agrees to provide adequate quarters to eligible employees of the Group as and when required. In return, the Group agrees to pay a fixed annual fee of RMB85,000,000 to the SA Group for a ten-year period effective from 1 January, 1995.

During 2001, the Group provided additional quarters at its own expense to certain employees who are not eligible for quarters pursuant to the Services Agreement. These quarters were provided to the respective employees in accordance with the relevant PRC housing reform policy. The excess of the cost of these additional quarters over the considerations received by the Group from the employees of RMB110,723,000 was charged to expenses for 2001.

## 29 Commitments

## (a) Capital commitments

As at 31 December, 2001, the Group and the Company had capital commitments as follows:

|  | The Group         |                 | The Company       |                 |
|--|-------------------|-----------------|-------------------|-----------------|
|  | 2001<br>RMB'000   | 2000<br>RMB'000 | 2001<br>RMB'000   | 2000<br>RMB'000 |
| Commitments in respect of aircraft and related equipment (Note)    |                   |                 |                   |                 |
| - authorised and contracted for                                    | <b>12,052,703</b> | 3,161,539       | <b>11,600,308</b> | 3,161,539       |
| Commitments in respect of investments in the Guangzhou new airport |                   |                 |                   |                 |
| - authorised and contracted for                                    | <b>157,250</b>    | 38,937          | <b>157,250</b>    | 38,937          |
| - authorised but not contracted for                                | <b>3,338,984</b>  | 3,501,513       | <b>3,338,984</b>  | 3,501,513       |
|  | <b>3,496,234</b>  | 3,540,450       | <b>3,496,234</b>  | 3,540,450       |
| Other commitments  |                   |                 |                   |                 |
| - authorised and contracted for                                    | <b>43,011</b>     | 131,255         | <b>38,126</b>     | 121,710         |
| - authorised but not contracted for                                | <b>475,164</b>    | 590,688         | <b>256,151</b>    | 296,533         |
|  | <b>518,175</b>    | 721,943         | <b>294,277</b>    | 418,243         |
|  | <b>16,067,112</b> | 7,423,932       | <b>15,390,819</b> | 7,120,232       |

Note:

At 31 December, 2001, the Group had on order two Boeing 747-400 freighters, twenty Boeing 737-800 aircraft, one Boeing 757-200 aircraft and certain flight equipment, scheduled for deliveries in 2002 to 2005. Deposits of RMB1,812,150,000 have been made towards the purchase of these aircraft and related equipment. At 31 December, 2001, the approximate total future payments, including estimated amounts for price escalation through anticipated delivery dates for these aircraft and related equipment are as follows:

|                                 | The Group         |                 | The Company       |                 |
|---------------------------------|-------------------|-----------------|-------------------|-----------------|
|                                 | 2001<br>RMB'000   | 2000<br>RMB'000 | 2001<br>RMB'000   | 2000<br>RMB'000 |
| <b>Year ending 31 December,</b> |                   |                 |                   |                 |
| 2001                            | —                 | 1,024,832       | —                 | 1,024,832       |
| 2002                            | <b>5,741,839</b>  | 2,136,707       | <b>5,289,444</b>  | 2,136,707       |
| 2003                            | <b>3,192,272</b>  | —               | <b>3,192,272</b>  | —               |
| 2004                            | <b>2,391,690</b>  | —               | <b>2,391,690</b>  | —               |
| 2005                            | <b>726,902</b>    | —               | <b>726,902</b>    | —               |
|                                 | <b>12,052,703</b> | 3,161,539       | <b>11,600,308</b> | 3,161,539       |

(Expressed in Renminbi)

**29 Commitments** (cont'd)

As at 31 December, 2001, the Group's and the Company's attributable share of the capital commitments of jointly controlled entity was as follows:

|                                   | <b>The Group and the Company</b> |                 |
|-----------------------------------|----------------------------------|-----------------|
|                                   | <b>2001</b><br><b>RMB'000</b>    | 2000<br>RMB'000 |
| Authorised and contracted for     | <b>47,820</b>                    | —               |
| Authorised but not contracted for | <b>671,408</b>                   | —               |
|                                   | <b>719,228</b>                   | —               |

**(b) Operating lease commitments**

As at 31 December, 2001, commitments under non-cancellable aircraft and flight equipment operating leases were as follows:

|  | <b>The Group</b>              |                 | <b>The Company</b>            |                 |
|--|-------------------------------|-----------------|-------------------------------|-----------------|
|  | <b>2001</b><br><b>RMB'000</b> | 2000<br>RMB'000 | <b>2001</b><br><b>RMB'000</b> | 2000<br>RMB'000 |
| Payments due                           |                               |                 |                               |                 |
| Within one year                        | <b>1,573,046</b>              | 1,443,673       | <b>1,360,272</b>              | 1,242,697       |
| In the second to fifth year, inclusive | <b>3,773,384</b>              | 4,026,992       | <b>3,128,249</b>              | 3,480,275       |
| After the fifth year                   | <b>289,530</b>                | 535,466         | <b>219,774</b>                | 386,700         |
|  | <b>5,635,960</b>              | 6,006,131       | <b>4,708,295</b>              | 5,109,672       |

**(c) Investing commitments**

As at 31 December, 2001, the Company was committed to make a capital contribution of approximately RMB82 million and RMB304 million respectively (2000: RMB261 million and RMB103 million respectively) to jointly controlled entity and associated company.

### 30 Contingent liabilities

- (a) The Company has been advised by its PRC lawyers that, except for liabilities constituting or arising out of or relating to the businesses assumed by the Company in the Reorganisation, no other liabilities were assumed by the Company, and the Company is not jointly and severally liable for other debts and obligations incurred by the SA Group prior to the Reorganisation. There are not, however, any definitive PRC regulations or other pronouncements confirming such conclusion.
- (b) The Group leases from the SA Group certain land in Guangzhou and certain land and buildings in Wuhan, Haikou and Zhengzhou. The Group has a significant investment in buildings and other leasehold improvements located on such land. However, such land in Guangzhou and such land and buildings in Wuhan, Haikou and Zhengzhou lack adequate documentation evidencing the SA Group's rights thereto.

With respect to the facilities in Guangzhou, the SA Group has received written assurance from the CAAC to the effect that the SA Group is entitled to continued use and occupancy of the land in Guangzhou. The Company understands that the CAAC is basing its conclusion on an agreement among certain government authorities relating to such land. Such assurance does not constitute formal evidence of the SA Group's right to transfer, mortgage or lease such real property interests. The Group cannot predict the magnitude of the effect on its financial condition or operating results to the extent that its use of one or more of these parcels of land or the related facilities were successfully challenged. The SA Group has agreed to indemnify the Group against any loss or damage caused by any challenge or interference with the Group's use of any of its land and buildings.

**31 Fair value of financial instruments and concentration of risk**

Financial assets of the Group include cash and cash equivalents, investments, trade receivables and other receivables. Financial liabilities of the Group include bank and other loans, accounts payable and obligations under finance leases.

**Business risk**

The Group conducts its principal operations in the PRC and accordingly is subject to special considerations and significant risks not typically associated with investments in equity securities of the United States of America and Western European companies. These include risks associated with, among others, the political, economic and legal environment, influence of the CAAC over many aspects of its operations, and competition, in the passenger, cargo and mail airlines services industry.

**Interest rate risk**

The interest rates and terms of repayment of the Group's bank and other loans, and finance lease obligations are disclosed in Notes 21 and 22, respectively.

**Foreign currency risk**

The Group has significant exposure to foreign currency as substantially all of the Group's lease obligations and a significant portion of its bank loans are denominated in foreign currencies, principally US dollars, and to a lesser extent, Japanese Yen. Depreciation or appreciation of the Renminbi against foreign currencies affects the Group's results significantly because the Group's foreign currency payments generally exceed its foreign currency receipts. The Group is not able to hedge its foreign currency exposure effectively other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange, or subject to certain restrictive conditions, entering into forward foreign exchange contracts with authorised PRC banks.

**Credit risks**

Substantially all of the Group's cash and cash equivalents are deposited with PRC financial institutions.

A significant portion of the Group's air tickets are sold by agents participating in the Billing and Settlement Plan ("BSP"), a clearing scheme between airlines and sales agents organised by International Air Transportation Association. As of 31 December, 2001, the balance due from BSP agents amounted to RMB226,135,000 (2000: RMB495,285,000).

**Liquidity risk**

As at 31 December, 2001, the Group's net current liabilities amounted to approximately RMB3,696 million (2000: RMB1,216 million). For the year ended 31 December, 2001, the Group recorded a net cash inflow from operating activities of approximately RMB2,224 million (2000: RMB2,355 million), a net cash outflow from investing activities and financing activities of approximately RMB3,604 million (2000: RMB2,746 million) and a decrease in cash and cash equivalents of approximately RMB1,380 million (2000: RMB391 million).

With regard to 2002 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due and, on its ability to obtain adequate external finance to meet its committed future capital expenditures. With regard to the future capital commitments, the Group has obtained firm commitments from several PRC banks to provide loan finance up to an approximate amount of RMB3,275 million and, the Group is in negotiation with several PRC banks to provide additional loan finance up to an approximate amount of RMB4,785 million. The directors of the Company believe that such financing will be available to the Group.

**Self insurance risk**

The Group maintains a limited amount of property insurance in respect of certain personal and real estate property.

**31 Fair value of financial instruments and concentration of risk (cont'd)**
**Fair value**

The carrying amounts and estimated fair value of significant financial assets and liabilities at 31 December, 2001 are set out below:

|   | 2001                       |                       | 2000                       |                       |
|---|----------------------------|-----------------------|----------------------------|-----------------------|
|   | Carrying amount<br>RMB'000 | Fair value<br>RMB'000 | Carrying amount<br>RMB'000 | Fair value<br>RMB'000 |
| <b>The Group</b>                          |                            |                       |                            |                       |
| Cash and cash equivalents                 | <b>2,817,863</b>           | <b>2,817,863</b>      | 4,197,455                  | 4,197,455             |
| Bank and other loans, current portion     | <b>2,177,516</b>           | <b>2,208,056</b>      | 783,115                    | 798,060               |
| Bank and other loans, non-current portion | <b>3,627,594</b>           | <b>3,752,143</b>      | 3,788,698                  | 3,874,296             |
| <b>The Company</b>                        |                            |                       |                            |                       |
| Cash and cash equivalents                 | <b>2,137,582</b>           | <b>2,137,582</b>      | 3,153,571                  | 3,153,571             |
| Bank and other loans, current portion     | <b>1,379,277</b>           | <b>1,399,479</b>      | 392,567                    | 404,250               |
| Bank and other loans, non-current portion | <b>2,111,683</b>           | <b>2,196,480</b>      | 2,092,996                  | 2,155,285             |

The following methods and assumptions were used to estimate the fair value for each class of financial instrument:

- (i) *Cash and cash equivalents*  
The carrying values approximate fair value because of the short maturities of these instruments.
- (ii) *Bank and other loans*  
The fair value has been estimated by applying a discounted cash flow approach using interest rates available to the Group for similar indebtedness.

The economic characteristics of the Group's leases vary from lease to lease. It is impractical to compare such leases with those prevailing in the market within the constraints of timeliness and cost for the purpose of estimating the fair value of such leases. Other investments represent unquoted available-for-sale equity securities of companies established in the PRC. There is no quoted market price for such equity securities and accordingly a reasonable estimate of the fair value could not be made without incurring excessive costs.

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(Expressed in Renminbi)

**32 Segmental information**

Geographic information about the Group's revenue and operating profit are as follows:

|                  | <b>Domestic</b><br>RMB'000 | <b>Hong Kong<br/>regional</b><br>RMB'000 | <b>International*</b><br>RMB'000 | <b>Total</b><br>RMB'000 |
|------------------|----------------------------|--|----------------------------------|-------------------------|
| <b>2001</b>      |                            |  |                                  |                         |
| Traffic revenue  | 12,924,892                 | 1,182,492                                | 2,354,148                        | 16,461,532              |
| Other revenue    | 359,895                    | 58,231                                   | —                                | 418,126                 |
|                  | 13,284,787                 | 1,240,723                                | 2,354,148                        | 16,879,658              |
| Operating profit | 1,090,154                  | 219,686                                  | 90,833                           | 1,400,673               |
| <b>2000</b>      |                            |  |                                  |                         |
| Traffic revenue  | 11,458,704                 | 1,197,883                                | 2,049,572                        | 14,706,159              |
| Other revenue    | 361,524                    | 16,479                                   | 94,156                           | 472,159                 |
|                  | 11,820,228                 | 1,214,362                                | 2,143,728                        | 15,178,318              |
| Operating profit | 899,082                    | 179,640                                  | 103,379                          | 1,182,101               |

\* Mainly routes between the PRC and Asian countries, the United States of America, Netherlands and Australia.

The major revenue-earning assets of the Group are its aircraft fleet, most of which are registered in the PRC. Since the Group's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets to geographic segments. Substantially all of the Group's non-aircraft identifiable assets are located in the PRC.

### 33 Reconciliation and supplementary statement of cash flow information

The reconciliation of profit before taxation and minority interests to cash inflows from operations is as follows:

|   | <b>2001</b>      | 2000      |
|---|------------------|-----------|
|   | <b>RMB'000</b>   | RMB'000   |
| Profit before taxation and minority interests | <b>795,256</b>   | 931,230   |
| Depreciation and amortisation of fixed assets | <b>1,802,462</b> | 1,845,279 |
| Other amortisation                            | <b>12,512</b>    | 18,510    |
| Amortisation of deferred credits              | <b>(18,483)</b>  | (26,160)  |
| Share of associated companies' results        | <b>(53,077)</b>  | (45,949)  |
| Share of jointly controlled entity's results  | <b>4,034</b>     | —         |
| Loss/(gain) on sale of fixed assets           | <b>55,889</b>    | (372,596) |
| Interest income                               | <b>(49,878)</b>  | (90,283)  |
| Interest expense                              | <b>933,717</b>   | 1,074,236 |
| Unrealised exchange gain, net                 | <b>(292,630)</b> | (312,592) |
| (Increase)/decrease in inventories            | <b>(2,033)</b>   | 41,682    |
| Decrease/(increase) in trade receivables      | <b>232,228</b>   | (26,364)  |
| Decrease in other receivables                 | <b>42,938</b>    | 8,552     |
| Increase in prepaid expenses and other assets | <b>(136,600)</b> | (5,579)   |
| Increase in amounts due to related companies  | <b>98,040</b>    | 144,565   |
| Decrease in accounts payable                  | <b>(167,599)</b> | (137,333) |
| Increase in sales in advance of carriage      | <b>31,036</b>    | 17,720    |
| (Decrease)/increase in accrued expenses       | <b>(132,121)</b> | 393,476   |
| Increase in other liabilities                 | <b>70,254</b>    | 95,371    |
| Decrease in provision for major overhauls     | <b>(40,422)</b>  | (47,333)  |
| Cash inflows from operations                  | <b>3,185,523</b> | 3,506,432 |

### 34 Ultimate holding company

The directors of the Company consider the ultimate holding company to be the SA Group, a state-owned enterprise established in the PRC.

### 35 Subsequent events

On 29 January, 2002, the Company entered into a conditional agreement with the SA Group for the acquisition of five Boeing 737-300/37K aircraft and related spare parts and certain special vehicles from Zhongyuan Airlines, a subsidiary of the SA Group, at a consideration of approximately RMB1,097 million. Such consideration is to be satisfied by cash of approximately RMB132 million together with an assumption by the Company of bank debts due from Zhongyuan Airlines of approximately RMB965 million. In addition, the SA Group has agreed to reimburse the Company for rentals totalling approximately RMB150 million paid on wet leases of the above aircraft during the period from 1 July, 2001 to 31 December, 2001. The above acquisition which was approved in a shareholders' meeting held on 26 March, 2002, will become effective upon completion of the relevant legal transfer procedures.

(Expressed in Renminbi)

**36 Subsidiaries**

The particulars of the Company's principal subsidiaries at 31 December, 2001 are as follows:

| Name of company   | Place and date of establishment/operation | Attributable equity interest |            | Issued/registered capital# | Principal activities    |
|---|---|------------------------------|------------|----------------------------|-------------------------|
|   |   | Direct %                     | Indirect % |                            |                         |
| China Southern Airlines (Group) Hainan Co. (a)                        | PRC<br>5 September, 1991                  | 100                          | —          | 30,260,000                 | Airline                 |
| China Southern Airlines (Group) Hunan Co. (a)                         | PRC<br>16 December, 1993                  | 100                          | —          | 39,679,000                 | Airline                 |
| China Southern Airlines (Group) Shenzhen Co. (a)                      | PRC<br>14 October, 1993                   | 100                          | —          | 108,453,000                | Airline                 |
| China Southern Airlines (Group) Zhuhai Helicopter Company Limited (a) | PRC<br>31 August, 1993                    | 100                          | —          | 86,696,000                 | Airline                 |
| Guangxi Airlines Company Limited (a)                                  | PRC<br>28 April, 1994                     | 60                           | —          | 170,900,000                | Airline                 |
| Southern Airlines Group Shantou Airlines Company Limited (a)          | PRC<br>20 July, 1993                      | 60                           | —          | 280,000,000                | Airline                 |
| Zhuhai Airlines Company Limited (a)                                   | PRC<br>8 May, 1995                        | 60                           | —          | 250,160,000                | Airline                 |
| Xiamen Airlines Company Limited (a)                                   | PRC<br>11 August, 1984                    | 60                           | —          | 568,142,000                | Airline                 |
| Guizhou Airlines Company Limited (a)                                  | PRC<br>12 November, 1991                  | 60                           | —          | 80,000,000                 | Airline                 |
| Baiyun Xinhua (Guangzhou) Air Cargo Service Co. (b)                   | PRC<br>4 January, 1989                    | 70                           | —          | 7,380,000                  | Cargo forwarding        |
| Guangzhou Nanland Air Catering Company Limited (b)                    | PRC<br>21 November, 1989                  | 51                           | —          | 55,980,000                 | Air catering            |
| China Southern West Australian Flying College Pty Ltd                 | Australia<br>26 January, 1971             | 65                           | —          | A\$100,000                 | Pilot training services |

## 36 Subsidiaries (cont'd)

| Name of company                                  | Place and date of establishment/operation | Attributable equity interest |            | Issued/registered capital# | Principal activities |
|--|---|------------------------------|------------|----------------------------|----------------------|
|  |   | Direct %                     | Indirect % |                            |                      |
| CZ Flamingo Limited                              | Cayman Islands<br>8 December, 1993        | 100                          | —          | US\$1,000                  | Aircraft leasing     |
| CZ Skylark Limited                               | Cayman Islands<br>17 November, 1993       | 100                          | —          | US\$1,000                  | Aircraft leasing     |
| CZ Kapok Limited                                 | Cayman Islands<br>26 October, 1993        | 100                          | —          | US\$1,000                  | Aircraft leasing     |
| CSA-I Limited                                    | Cayman Islands<br>1 September, 1993       | 100                          | —          | US\$1,000                  | Aircraft leasing     |
| CZ93B Limited                                    | Cayman Islands<br>11 May, 1993            | 100                          | —          | US\$1,000                  | Aircraft leasing     |
| CZ97A Limited                                    | Cayman Islands<br>2 January, 1997         | 100                          | —          | US\$1,000                  | Aircraft leasing     |
| CXA92A Limited                                   | Cayman Islands<br>3 August, 1992          | —                            | 60         | US\$1,000                  | Aircraft leasing     |
| CXA93A Limited                                   | Cayman Islands<br>1 July, 1993            | —                            | 60         | US\$1,000                  | Aircraft leasing     |
| CXA95B Limited                                   | Cayman Islands<br>7 July, 1995            | —                            | 60         | US\$1,000                  | Aircraft leasing     |
| CXA95C Limited                                   | Cayman Islands<br>16 October, 1995        | —                            | 60         | US\$1,000                  | Aircraft leasing     |
| CXA98A Limited                                   | Cayman Islands<br>20 March, 1998          | —                            | 60         | US\$1,000                  | Aircraft leasing     |
| Xiamen Aviation Property Development Company (a) | PRC<br>22 June, 1993                      | —                            | 60         | 5,000,000                  | Property development |
| Xiamen Aviation Advertising Company Limited (a)  | PRC<br>17 December, 1992                  | —                            | 60         | 620,218                    | Aviation advertising |

(Expressed in Renminbi)

## 36 Subsidiaries (cont'd)

| Name of company                                 | Place and date of establishment/operation | Attributable equity interest |            | Issued/registered capital# | Principal activities |
|---|---|------------------------------|------------|----------------------------|----------------------|
|   |   | Direct %                     | Indirect % |                            |                      |
| Xiamen Aviation Supplies Limited (a)            | PRC<br>30 July, 1997                      | —                            | 60         | 8,560,000                  | Aviation supplies    |
| Xiamen Aviation Development Company Limited (a) | PRC<br>18 February, 1998                  | —                            | 54         | 5,000,000                  | Hotel management     |
| Bai Lu Finance Limited                          | Hong Kong<br>22 February, 1996            | —                            | 54         | HK\$10,000,000             | Investment holding   |
| Xiamen Air Holidays Limited                     | Hong Kong<br>28 April, 1994               | —                            | 54         | HK\$3,000,000              | Travel servicing     |
| Xiamen Macau Holidays Limited                   | Macau<br>11 May, 1995                     | —                            | 27.5       | MOP1,000,000               | Travel servicing     |
| Shantou Hua Kang Air Catering Company Ltd (a)   | PRC<br>22 June, 1994                      | —                            | 42         | 10,000,000                 | Air catering         |

# Expressed in RMB, unless otherwise stated

(a) These subsidiaries are PRC limited companies.

(b) These subsidiaries are Sino-foreign equity joint venture companies.

**37 Associated companies and jointly controlled entity**

The particulars of the Group's principal associated companies and jointly controlled entity as at 31 December, 2001 are as follows:

| Name of company  | Place and date of establishment/<br>operation | Attributable equity interest |          | Issued/<br>registered<br>capital# | Principal activities                                  |
|--|---|------------------------------|----------|-----------------------------------|---|
|  |   | Direct                       | Indirect |                                   |   |
|  |   | %                            | %        |                                   |   |
| Guangzhou Aircraft Maintenance Engineering Company Limited | PRC<br>28 October, 1989                       | 50                           | —        | US\$27,500,000                    | Provision of aircraft repair and maintenance services |
| Southern Airlines Group Finance Company Limited            | PRC<br>28 June, 1995                          | 30                           | 16.86    | 424,330,000                       | Provision of financial services                       |
| Hainan Phoenix Information System Limited                  | PRC<br>12 March, 1994                         | 45                           | —        | US\$15,360,000                    | Provision of ticket reservation system services       |
| Hong Kong Business Aviation Centre Company Limited         | Hong Kong<br>7 January, 1998                  | 20                           | —        | HK\$1,000,000                     | Provision of private flight logistic services         |
| MTU Maintenance Zhuhai Co. Ltd.*                           | PRC<br>6 April, 2001                          | 50                           | —        | US\$43,100,000                    | Provision of engine repair and maintenance services   |

# Expressed in RMB, unless otherwise stated

\* This is a jointly controlled entity

**38 Comparative figures**

Certain traffic revenue previously included in international segment has been reclassified to domestic segment and Hong Kong regional segment to better reflect the locality of such revenue.