

Cash Flow Statement

For the year ended 31 December 2006
(Prepared under PRC Accounting Rules and Regulations)

	Notes to the cash flow statement	2006 RMB million
Cash flows from operating activities:		
Cash received from sale of goods and rendering of services		37,884
Other cash received relating to operating activities		206
Sub-total of cash inflows		38,090
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Cash paid for goods and services		30,392
Cash paid to and for employees		3,361
Cash paid for all types of taxes		1,024
Other cash paid relating to operating activities		209
Sub-total of cash outflows		34,986
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Net cash inflow from operating activities	(i)	3,104
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Cash flows from investing activities:		
Cash received from return on investments		101
Net cash received from disposal of fixed assets		443
Refund of deposits for acquisition of fixed assets		2,031
Cash received through the acquisition of CSAHC Hainan's assets	(iii)	38
Other cash received relating to investing activities		78
Sub-total of cash inflows		2,691
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Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		5,925
Cash paid for the acquisition of CSAHC Hainan's assets	(iii)	5
Cash paid for acquisition of investments		43
Sub-total of cash outflows		5,973
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Net cash outflow from investing activities		(3,282)

The notes on pages 127 to 194 form part of these financial statements.

Cash Flow Statement (Cont'd)

For the year ended 31 December 2006
(Prepared under PRC Accounting Rules and Regulations)

	Notes to the cash flow statement	2006 RMB million
Cash flows from financing activities:		
Cash received from borrowings		22,582
Other cash received relating to financing activities		5
Sub-total of cash inflows		22,587
Cash paid for repayment of borrowings		20,465
Cash paid for dividends or profits distribution or interest expenses		2,160
Sub-total of cash outflows		22,625
Net cash inflow from financing activities		(38)
Net decrease in cash and cash equivalents	(ii)	(216)

The notes on pages 127 to 194 form part of these financial statements.

Cash Flow Statement (Cont'd)

For the year ended 31 December 2006
(Prepared under PRC Accounting Rules and Regulations)

Notes to the cash flow statement

	2006 RMB million
(i) Reconciliation of net profit to cash flows from operating activities:	
Net profit	118
Add: Depreciation of fixed assets	3,715
Amortisation of intangible assets	30
Amortisation of long-term deferred expenses	19
Amortisation of deferred credits	(92)
Increase in deferred expenses	(37)
Increase in accrued expenses	164
Gains on disposal of fixed assets	(336)
Financial expenses	768
Investment income	(112)
Deferred tax liabilities (less: deferred tax assets)	(55)
Decrease in inventories	46
Increase in sales in advance of carriage	92
Increase in taxes payable	118
Decrease in other creditors	(151)
Increase in provision for major overhauls	336
Decrease in operating receivables	126
Decrease in operating payables	(1,645)
Net cash inflow from operating activities	3,104
(ii) Net decrease in cash and cash equivalents:	
Cash at the end of the year	1,786
Less: Cash at the beginning of the year	2,002
Net decrease in cash and cash equivalents	(216)

The notes on pages 127 to 194 form part of these financial statements.

Cash Flow Statement (Cont'd)

For the year ended 31 December 2006
(Prepared under PRC Accounting Rules and Regulations)

Notes to the cash flow statement (cont'd)

2006
RMB million

(iii) Cash paid for the acquisition of CSAHC Hainan's assets:

On 30 April 2006, the Company acquired certain assets of CSAHC Hainan, details are as follows:

Assets acquired:

Fixed assets	131
Intangible assets	35
Cash at bank and on hand	38
Inventories	28
Others	62

Subtotal

294

Liabilities assumed:

Accounts payable	(28)
Accrued expenses	(14)
Other payables	(247)

Subtotal

(289)

Net assets:

5

Cash paid for the acquisition

5

These financial statements have been approved by the Board of Directors of the Company on 16 April 2007.

Liu Shao Yong
Chairman

Si Xian Min
Director and President

Xu Jie Bo
Director and
Chief Financial Officer

Xiao Li Xin
General Manager of
Finance Department

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