

**CONSOLIDATED CASH FLOW STATEMENT**

Year ended 31 December 2004

	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>3,656,533</b>	178,279
Adjustments for:		
Exchange losses, net	<b>161,824</b>	370,148
(Gain)/loss on disposal of property, plant and equipment, net	<b>33,872</b>	(17,048)
Gains on trading of derivatives, net	<b>(41,036)</b>	(169,921)
Dilution gains on investments	<b>(410,137)</b>	—
Depreciation	<b>3,463,252</b>	3,377,472
Share of profits less losses from associates	<b>(561,018)</b>	(243,093)
Dividend income on long-term investments	<b>(4,622)</b>	(406)
Interest income	<b>(33,703)</b>	(18,803)
Interest expense	<b>1,824,392</b>	2,241,166
Provision for/(write-back of) doubtful debts, net	<b>(988)</b>	12,144
Provision for/(write-back of) inventories, net	<b>(11,508)</b>	24,090
Operating profit before working capital changes	<b>8,076,861</b>	5,754,028
(Increase)/decrease in inventories	<b>(19,681)</b>	2,228
Increase in trade receivables	<b>(425,080)</b>	(93,284)
(Increase)/decrease in amounts due from other CNAHC group companies	<b>19,012</b>	(32,309)
Increase in prepayments, deposits and other receivables	<b>(164,606)</b>	(77,792)
Decrease in deposits for aircraft under operating leases	<b>18,581</b>	19,288
Increase/(decrease) in amounts due to other CNAHC group companies	<b>16,544</b>	(6,001)
Increase in trade payables	<b>268,645</b>	806,877
Increase/(decrease) in bills payable	<b>(955,187)</b>	900,820
Increase in other payables and accruals	<b>1,154,425</b>	41,676
Increase in provision for major overhauls	<b>93,889</b>	151,486
Increase in air traffic liabilities	<b>52,664</b>	276,883
Increase/(decrease) in provision for early retirement benefits	<b>(3,409)</b>	15,272
Recognition of deferred income	<b>(70,593)</b>	(57,894)
Cash generated from operations	<b>8,062,065</b>	7,701,278
Interest paid	<b>(1,872,691)</b>	(2,248,996)
Tax paid:		
Mainland China enterprise income tax paid	<b>(36,953)</b>	(17,032)
Overseas taxes paid	<b>(1,568)</b>	(10,550)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>6,150,853</b>	5,424,700



## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2004

	2004 RMB'000	2003 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(5,270,777)	(3,065,218)
Proceeds from disposal of property, plant and equipment	189,840	164,873
Increase in lease prepayments	(18,465)	(4,939)
Increase in advance payments for aircraft and related equipment	(867,828)	(784,061)
Net cash settlements of derivatives	69,036	100,921
(Increase)/decrease in amounts due from associates	4,461	(18,406)
Increase/(decrease) in amounts due to associates	58,796	(27,522)
(Increase)/decrease in time deposits with original maturity of more than three months	(290,024)	22,587
(Increase)/decrease in pledged deposits	1,128,311	(853,958)
Interest received	33,703	18,803
Capital contributions to associates	(709,253)	(4,000)
Dividends received on long-term investments	4,622	406
Dividends received from associates	176,365	90,551
Proceeds from disposal of long-term investments	264	—
Net cash inflow of cash and cash equivalents in respect of the establishment of a joint venture (note 45 (b))	516,491	—
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(4,974,458)	(4,359,963)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	1,176,395	1,064,737
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other loans	10,146,285	10,205,236
Repayment of bank and other loans	(10,500,107)	(13,371,026)
Repayment of principal under finance lease obligations	(1,607,056)	(1,961,181)
Settlement of long-term payables	(119,946)	(132,509)
Increase/(decrease) in balance due to shareholders	(468,789)	1,276,384
Contributions by CNAHC	560,782	2,055,845
Distributions to CNAHC	—	(342,843)
Dividends paid to minority shareholders	(24,909)	(14,639)
Receipt of government grants	32,609	77,338
Net proceeds from issuance of new shares upon listing	7,600,839	—
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	5,619,708	(2,207,395)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	27,726	85,946
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,823,829	(1,056,712)
Cash and cash equivalents at beginning of year	2,589,395	3,646,107
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 45 (a))	9,413,224	2,589,395