

Consolidated Cash Flow Statement

Year ended 31 December 2005

	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,374,254	3,559,559
Adjustments for:		
Exchange (gains)/losses, net	(1,053,839)	161,824
(Gain)/loss on disposal of property, plant and equipment, net	(74,474)	33,872
Loss on derecognition of property, plant and equipment	430,010	–
Gains on fuel derivatives, net	(221,661)	(41,036)
Dilution gains on investments	–	(410,137)
Depreciation	4,512,680	3,463,252
Amortisation of lease prepayments	19,555	4,884
Share of profits less losses from associates	(224,930)	(464,044)
Dividend income from available-for-sale investments	(168)	(4,622)
Interest income	(108,481)	(33,703)
Interest expense, net of interest capitalised	1,773,099	1,824,392
Provision/(write-back of provision) for doubtful debts, net	14,723	(988)
Write-back of provision against inventories, net	–	(11,508)
Operating profit before working capital changes	8,440,768	8,081,745
Increase in inventories	(108,027)	(19,681)
Increase in trade receivables	(414,382)	(425,080)
Increase in amount due from CNAHC	(474,216)	–
Increase in amount due to CNACG	15,000	–
Decrease in amounts due from other CNAHC group companies	6,877	19,012
(Increase)/decrease in prepayments, deposits and other receivables	141,183	(164,606)
(Increase)/decrease in deposits for aircraft under operating leases	(73,850)	18,581
Increase/(decrease) in amounts due to other CNAHC group companies	(9,146)	16,544
Increase in trade payables	157,756	268,645
Decrease in bills payable	(34,096)	(955,187)
Increase in other payables and accruals	211,509	1,154,425
Increase in provision for major overhauls	155,611	93,889
Increase in air traffic liabilities	260,849	52,664
Decrease in provision for early retirement benefits obligations	(6,047)	(3,409)
Recognition of deferred income	(76,943)	(70,593)
Cash generated from operations	8,192,846	8,066,949
Interest paid	(1,754,184)	(1,872,691)
Tax paid:		
Mainland China enterprise income tax paid	(378,675)	(36,953)
Overseas taxes paid	(12,464)	(1,568)
NET CASH INFLOW FROM OPERATING ACTIVITIES	6,047,523	6,155,737

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CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(8,787,258)	(5,270,777)
Proceeds from disposal of property, plant and equipment	179,493	189,840
Increase in lease prepayments	(157,723)	(23,349)
Additions of advance payments for aircraft and related equipment	(4,503,710)	(867,828)
Net cash settlements of fuel derivatives	95,793	69,036
Decrease in amounts due from associates	27,894	4,461
Increase in amounts due to associates	14,314	58,796
(Increase)/decrease in time deposits with original maturity of more than three months	223,475	(290,024)
(Increase)/decrease in pledged deposits	(59,344)	1,128,311
Interest received	108,481	33,703
Capital contributions to associates	–	(709,253)
Dividends received from available-for-sale investments	168	4,622
Dividends received from associates	358,609	176,365
Proceeds from disposal of available-for-sale investments	–	264
Purchases of available-for-sale investments	(600)	–
Net cash inflow of cash and cash equivalents in respect of the establishment of a joint venture (note 45 (a))	–	516,491
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(12,500,408)	(4,979,342)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES	(6,452,885)	1,176,395
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other loans	10,480,685	10,146,285
Repayment of bank and other loans	(8,680,857)	(10,500,107)
Repayment of principal under finance lease obligations	(1,540,238)	(1,607,056)
Settlement of long-term payables	(95,015)	(119,946)
Decrease in amount due to CNAHC	(2,037,437)	(468,789)
Contributions by CNAHC	–	560,782
Dividends paid to minority shareholders	(68,611)	(24,909)
Receipt of government grants	–	32,609
Net proceeds from issuance of new shares upon listing	1,172,097	7,600,839
New capital contribution by a minority shareholder of a subsidiary	2,940	–
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(766,436)	5,619,708
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	54,483	27,726
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,164,838)	6,823,829
Cash and cash equivalents at beginning of year	9,413,224	2,589,395
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,248,386	9,413,224