

Consolidated Cash Flow Statement

Year ended 31 December 2006

(Prepared under International Financial Reporting Standards)

	Notes	2006 RMB'000	2005 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,929,221	3,374,254
Adjustments for:			
Exchange gains, net		(980,849)	(1,053,839)
Gains on fuel derivatives, net	8	(113,225)	(221,661)
Dividend income from available-for-sale investments	8	(265)	(168)
Share of profits and losses of associates	20	(517,500)	(224,930)
Depreciation	16	5,274,033	4,512,680
Gain on disposal of property, plant and equipment, net	5	(17,353)	(74,474)
Loss on derecognition of property, plant and equipment	7	70,206	430,010
Amortisation of lease prepayments	17	21,495	19,555
Provision/(write-back of provision) for doubtful debts, net	7	(1,902)	14,723
Interest income	8	(80,689)	(108,481)
Interest expense, net of interest capitalised	8	1,876,487	1,773,099
Gain on disposal of an associate	9	(1,592,633)	–
Impairment loss on available-for-sale investment	7	15,562	–
		7,882,588	8,440,768
Increase in inventories		(163,951)	(108,027)
Increase in accounts receivable		(68,873)	(414,382)
Decrease/(increase) in prepayments, deposits and other receivables		(329,898)	141,183
Increase in deposits for aircraft under operating leases		(21,416)	(73,850)
Decrease/(increase) in amount due from ultimate holding company		284,283	(474,216)
Decrease in amounts due from related companies		23,661	6,877
Increase in air traffic liabilities		53,865	260,849
Increase in accounts payable		619,697	157,756
Increase/(decrease) in bills payable		323,408	(34,096)
Increase in other payables and accruals		13,596	211,509
Increase/(decrease) in amounts due to related companies		(134,162)	5,854
Increase in provision for major overhauls		314,808	155,611
Increase/(decrease) in provision for early retirement benefits obligations		12,058	(6,047)
Recognition of deferred income		(76,943)	(76,943)
Cash generated from operations		8,732,721	8,192,846
Interest paid		(1,957,805)	(1,754,184)
Mainland China Enterprise income tax paid		(562,779)	(391,139)
NET CASH INFLOW FROM OPERATING ACTIVITIES		6,212,137	6,047,523

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CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	43(a)	(7,127,790)	(8,787,258)
Proceeds from disposal of property, plant and equipment		337,751	179,493
Decrease/(increase) in lease prepayments		37,042	(157,723)
Decrease/(increase) of advance payments for aircraft and related equipment		353,268	(4,503,710)
Net cash settlements of fuel derivatives		381,266	95,793
Decrease/(increase) in amounts due from associates		(81,966)	27,894
Increase in amounts due to associates		(6,479)	14,314
Decrease/(increase) in non-pledged deposits with maturity of more than three months when acquired		(1,473,402)	223,475
Increase in pledged deposits		(34,929)	(59,344)
Interest received		80,689	108,481
Capital contributions to associates		(5,460,124)	–
Dividends received from available-for-sale investments		265	168
Dividends received from associates		406,867	358,609
Receipts from the disposal of an associate		439,561	–
Purchases of available-for-sale investments		–	(600)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(12,147,981)	(12,500,408)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(5,935,844)	(6,452,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans, other loans and corporate bonds		14,476,780	10,480,685
Repayment of bank and other loans		(13,394,291)	(8,680,857)
Repayment of principal under finance lease obligations		(1,995,039)	(1,540,238)
Settlement of long term payables		(113,562)	(95,015)
Decrease in amount due to ultimate holding company		–	(2,037,437)
Dividends paid to minority shareholders		(10,571)	(68,611)
Net proceeds from issuance of new shares		8,570,348	1,172,097
New capital contribution by a minority shareholder of a subsidiary		451	2,940
Dividends paid		(224,793)	–
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		7,309,323	(766,436)
Effect of exchange rate changes on cash and cash equivalents		(33,461)	54,483
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,340,018	(7,164,838)
Cash and cash equivalents at beginning of year		2,248,386	9,413,224
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	3,588,404	2,248,386