

Balance Sheet

31 December 2006

(Prepared under International Financial Reporting Standards)

| | Notes | 2006 RMB'000 | 2005 RMB'000 |
|--|-------|---------------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 16 | 52,021,875 | 45,025,463 |
| Lease prepayments | 17 | 991,884 | 1,052,493 |
| Interests in subsidiaries | 18 | 5,736,360 | 140,075 |
| Interests in joint ventures | 19 | 1,403,788 | 1,398,595 |
| Interests in associates | 20 | 796,966 | 723,365 |
| Advance payments for aircraft and related equipment | | 6,976,054 | 6,997,560 |
| Long term receivable from ultimate holding company | 21 | 431,813 | 531,813 |
| Deposits for aircraft under operating leases | | 186,407 | 146,575 |
| Available-for-sale investments | 22 | 816 | 816 |
| Deferred tax assets | 23 | 495,000 | 391,000 |
| | | 69,040,963 | 56,407,755 |
| CURRENT ASSETS | | | |
| Inventories | 24 | 640,888 | 541,453 |
| Accounts receivable | 25 | 2,371,867 | 2,517,384 |
| Prepayments, deposits and other receivables | 26 | 842,699 | 651,778 |
| Financial assets | 47(c) | 98,026 | 115,220 |
| Pledged deposits | 27 | 80,672 | 84,048 |
| Non-pledged deposits with maturity of more than three months when acquired | 27 | 421,498 | 20,875 |
| Cash and cash equivalents | 27 | 2,500,402 | 891,923 |
| Due from ultimate holding company | 28 | 304,933 | 474,216 |
| Due from related companies | 29 | 21 | 12,993 |
| | | 7,261,006 | 5,309,890 |
| TOTAL ASSETS | | 76,301,969 | 61,717,645 |
| CURRENT LIABILITIES | | | |
| Air traffic liabilities | | (1,418,304) | (1,337,948) |
| Accounts payable | 30 | (4,156,278) | (3,666,128) |
| Bills payable | 31 | (610,545) | (327,937) |
| Other payables and accruals | 32 | (3,545,797) | (3,568,896) |
| Financial liabilities | 47(c) | (242,108) | (1,791) |
| Tax payable | | (530,720) | (392,984) |
| Obligations under finance leases | 33 | (2,354,905) | (1,954,873) |
| Bank and other loans | 34 | (10,737,064) | (10,127,847) |
| Provision for major overhauls | 35 | (47,318) | (18,721) |
| Due to related companies | 29 | (18,913) | (141,093) |
| | | (23,661,952) | (21,538,218) |
| NET CURRENT LIABILITIES | | (16,400,946) | (16,228,328) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 52,640,017 | 40,179,427 |

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| NON-CURRENT LIABILITIES | | | |
| Obligations under finance leases | 33 | (11,247,855) | (8,078,671) |
| Bank loans, other loans and corporate bonds | 34 | (12,130,330) | (12,448,067) |
| Provision for major overhauls | 35 | (696,828) | (474,571) |
| Provision for early retirement benefits obligations | | (141,416) | (189,141) |
| Long term payables | 36 | (218,305) | (317,379) |
| Deferred income | 37 | (948,966) | (1,025,910) |
| | | (25,383,700) | (22,533,739) |
| | | 27,256,317 | 17,645,688 |
| EQUITY | | | |
| Issued share capital | 38 | 12,251,362 | 9,433,211 |
| Reserves | 40 | 14,402,188 | 7,987,684 |
| Proposed final dividend | 14 | 602,767 | 224,793 |
| | | 27,256,317 | 17,645,688 |

Cai Jianjiang
Director

Fan Cheng
Director