

## Consolidated Cash Flow Statement

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

	Notes to the consolidated cash flow statement	2006 RMB million
<b>Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services		48,378
Refund of taxes		18
Other cash received relating to operating activities		227
<b>Sub-total of cash inflows</b>		<b>48,623</b>
Cash paid for goods and services		38,294
Cash paid to and for employees		4,432
Cash paid for all types of taxes		1,424
Other cash paid relating to operating activities		281
<b>Sub-total of cash outflows</b>		<b>44,431</b>
<b>Net cash inflow from operating activities</b>	(i)	<b>4,192</b>
<b>Cash flows from investing activities:</b>		
Cash received from return on investments		41
Net cash received from disposal of fixed assets		512
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		51
<b>Sub-total of cash inflows</b>		<b>2,673</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		7,705
Cash paid for the acquisition of CSAHC Hainan's assets	(iii)	5
Cash paid for acquisition of investments		47
<b>Sub-total of cash outflows</b>		<b>7,757</b>
<b>Net cash outflow from investing activities</b>		<b>(5,084)</b>

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

## Consolidated Cash Flow Statement (Cont'd)

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

	Notes to the consolidated cash flow statement	2006 RMB million
<b>Cash flows from financing activities:</b>		
Cash received from borrowings		25,403
Other cash received relating to financing activities		5
<b>Sub-total of cash inflows</b>		<b>25,408</b>
<hr style="border-top: 1px dashed black;"/>		
Cash paid for repayments of borrowings		22,684
Cash paid for dividends or profits distribution or interest expenses		2,500
<b>Sub-total of cash outflows</b>		<b>25,184</b>
<hr style="border-top: 1px dashed black;"/>		
<b>Net cash inflow from financing activities</b>		<b>224</b>
<hr style="border-top: 1px dashed black;"/>		
<b>Net decrease in cash and cash equivalents</b>	(ii)	<b>(668)</b>

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## Consolidated Cash Flow Statement (Cont'd)

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

## Notes to the consolidated cash flow statement

	2006 RMB million
<b>(i) Reconciliation of net profit to cash flows from operating activities:</b>	
Net profit	118
Add: Depreciation of fixed assets	4,626
Amortisation of intangible assets	45
Amortisation of long-term deferred expenses	47
Amortisation of deferred credits	(95)
Increase in deferred expenses	(97)
Increase in accrued expenses	414
Gains on disposal of fixed assets	(333)
Financial expenses	967
Minority interests	52
Investment income	(76)
Deferred tax liabilities (less: deferred tax assets)	(27)
Decrease in inventories	46
Increase in sales in advance of carriage	23
Increase in taxes payable	131
Decrease in other creditors	(135)
Increase in provision for major overhauls	490
Increase in operating receivables	(97)
Decrease in operating payables	(1,907)
<b>Net cash inflow from operating activities</b>	<b>4,192</b>
<b>(ii) Net decrease in cash and cash equivalents:</b>	
Cash at the end of the year	2,462
Less: Cash at the beginning of the year	3,130
<b>Net decrease in cash and cash equivalents</b>	<b>(668)</b>

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## Consolidated Cash Flow Statement (Cont'd)

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

### Notes to the consolidated cash flow statement (cont'd)

2006  
RMB million

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

On 30 April 2006, the Group acquired certain assets of CSAHC Hainan Co., Ltd. ("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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