

Consolidated Cash Flow Statement

For the year ended 31 December 2006
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	2006 RMB million	2005 RMB million
Profit/(loss) before taxation	357	(1,853)
Depreciation of property, plant and equipment	4,999	4,420
Other amortisation	33	40
Amortisation of deferred credits	(61)	(78)
Share of associates' results	(5)	285
Share of jointly controlled entities' results	(115)	(36)
(Gain)/loss on sale of property, plant and equipment, net	(335)	32
Interest income	(41)	(55)
Interest expense	2,070	1,616
Loss on derivatives financial instrument, net	19	–
Net realised and unrealised gain on equity securities held for trading	–	(6)
Dividend income from other investments in equity securities	(7)	–
Unrealised exchange gain, net	(1,492)	(1,164)
Decrease in inventories	95	46
Decrease/(increase) in trade receivables	36	(315)
Decrease/(increase) in other receivables	152	(236)
Increase in prepaid expenses and other current assets	(205)	(2)
Increase/(decrease) in net amounts due to related companies	113	(493)
(Decrease)/increase in trade and bills payables	(2,048)	2,239
Increase in sales in advance of carriage	23	539
Increase/(decrease) in accrued expenses	568	(399)
(Decrease)/increase in other liabilities	(247)	822
Increase in provision for major overhauls	504	17
Increase in provision for early retirement benefits	306	–
Cash inflows from operations	4,719	5,419
Interest received	41	55
Interest paid	(2,419)	(1,616)
Income tax paid	(46)	(23)
Net cash inflows from operating activities	2,295	3,835

Consolidated Cash Flow Statement (Cont'd)

For the year ended 31 December 2006
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	2006 RMB million	2005 RMB million
Investing activities		
Proceeds from sale of property, plant and equipment	492	238
Proceeds from sale of other investments	–	689
Net cash settlement of derivative financial instruments	7	–
Increase in deferred credits	–	57
Dividends received from associates	33	2
Dividends received from jointly controlled entities	50	39
Dividends received from other non-current investments	7	4
Decrease in other non-current assets	16	4
Payment for the acquisition of the airline operations and certain related assets of China Northern Airlines and Xinjiang Airlines	–	(1,959)
Payment of acquisition of equity interest held by minority shareholders	(12)	(118)
Payment of lease and equipment deposits	(5,464)	(6,649)
Refund of lease and equipment deposits	2,031	4,619
Capital expenditures	(2,644)	(4,935)
Payment for the investment in an associate	(31)	–
Through acquisition of CSAHC Hainan (Note 43(b))	33	–
Net cash used in investing activities	(5,482)	(8,009)
Net cash outflows before financing activities	(3,187)	(4,174)
Financing activities		
Proceeds from bank and other loans	24,983	18,238
Repayment of bank and other loans	(19,113)	(12,193)
Repayment of principal under finance lease obligations	(3,313)	(2,050)
Capital contribution received from minority shareholders	–	17
Dividends paid to minority shareholders	(7)	(20)
Net cash inflows from financing activities	2,550	3,992
Decrease in cash and cash equivalents	(637)	(182)
Cash and cash equivalents at 1 January	2,901	3,083
Cash and cash equivalents at 31 December	2,264	2,901

The notes on pages 50 to 109 form part of these financial statements.