

## Supplementary Information

(Expressed in Renminbi)

**A. FINANCIAL STATEMENTS RECONCILIATION**

Effects of significant differences between PRC Accounting Rules and Regulations and International Financial Reporting Statements ("IFRS") on net results are analysed as follows:

	Notes	As at 31 December	
		2006 RMB million	2005 RMB million
Net profit/(loss) in the financial statements prepared under PRC Accounting Rules and Regulations		<b>118</b>	(1,794)
Adjustments:			
Gains on aircraft sale and leaseback transactions	(a)	<b>(35)</b>	(20)
Losses on staff housing allocations	(b)	<b>(27)</b>	(26)
Revaluation of land use rights	(c)	<b>4</b>	4
Investment in associates	(d)	<b>(49)</b>	(68)
Interest capitalisation	(e)	<b>374</b>	–
Government grants	(f)	<b>1</b>	53
Provision for early retirement benefits	(g)	<b>(392)</b>	–
Capitalisation of overhaul costs	(h)	<b>248</b>	–
Adjustment on fair value of fuel oil instruments	(i)	<b>(26)</b>	–
Effect of minority interests of the above adjustments		<b>5</b>	–
Effect of the above adjustments on taxation		<b>(33)</b>	3
Net gain/(loss) attributable to equity shareholders of the Company in financial Statements prepared under IFRS		<b>188</b>	(1,848)

Effects of significant differences between PRC Accounting Rules and Regulations and IFRS on shareholders' equity are analysed as follows:

	Notes	As at 31 December	
		2006 RMB million	2005 RMB million
Shareholders' equity in financial statements prepared under PRC Accounting Rules and Regulations		<b>10,074</b>	9,951
Adjustment:			
Gains on aircraft sale and leaseback transactions	(a)	<b>125</b>	160
Losses on staff housing allocations	(b)	<b>144</b>	171
Revaluation of land use rights	(c)	<b>(154)</b>	(158)
Investment in associates	(d)	<b>(139)</b>	(90)
Interest capitalisation	(e)	<b>385</b>	11
Government grants	(f)	<b>(43)</b>	(39)
Provision for early retirement benefits	(g)	<b>(392)</b>	–
Capitalisation of overhaul costs	(h)	<b>248</b>	–
Adjustment on fair value of fuel oil instruments	(i)	<b>(26)</b>	–
Effect of minority interests of the above adjustments		<b>1</b>	(4)
Effect of the above adjustments on taxation		<b>(35)</b>	(2)
Total equity attributable to equity shareholders of the Company in financial statements prepared under IFRS		<b>10,188</b>	10,000

## Supplementary Information (Cont'd)

(Expressed in Renminbi)

### Notes:

- (a) In accordance with PRC accounting rules and regulations, gains on aircraft sale and leaseback transactions are recorded as deferred credits and amortised over the lease terms on a straight-line basis. Under IFRS, gains on sale and leaseback transactions where the subsequent lease is an operating lease are recognised as income immediately, if the transactions are established at fair value. Differences between the sale price and fair value are deferred and amortised over the lease term.
- (b) In accordance with PRC accounting rules and regulations, losses on the lump sum housing benefits executed by CSAHC are charged to retained profits as of 1 January 2001 pursuant to the relevant regulations. Under IFRS, losses on lump sum housing benefits are charged to the income statement in the obligatory periods stipulated by the relevant contracts.
- (c) In accordance with PRC accounting rules and regulations, land use rights are carried at revalued amounts. Under IFRS, land use rights are carried at cost with effect from 1 January 2002. Accordingly, the unamortised surplus on revaluation of the land use rights was reversed against shareholders' equity.
- (d) In the PRC GAAP financial statements, the investment in an associate has been equity accounted for based on the PRC GAAP financial statements of such associate. The accounting policies of such associate differ in certain aspects from those of the Group. In the IFRS financial statements, the differences arising from the different accounting policies of the associate have been adjusted to conform to the accounting policies of the Group.
- (e) In the PRC GAAP financial statements, interest incurred on specific borrowings obtained for the construction of fixed assets is capitalised. In the IFRS financial statements, interest incurred on specific and other borrowings which are directly attributable to the construction of fixed assets is capitalised.
- (f) In accordance with PRC accounting rules and regulations, government grants relating to purchase of property, plant and equipment should be credited to capital reserve. Under IFRS, government grants relating to purchase of property, plant and equipment are offset against the cost of assets when utilised; other government grants are charged to the income statement when received.
- (g) Under IFRSs, the aggregate early retirement benefits for the period from date of early retirement to normal retirement date are recognised and charged to the income statement. There are not specific guidance under PRC accounting rules and regulations in this respect.
- (h) In accordance with PRC accounting rules and regulations, overhaul costs on aircraft and rotables are charged to income statement as and when incurred. Under IFRSs, overhaul costs are capitalised as a separate component in the carrying amount of the respective assets when the overhaul is performed. The overhaul cost component is subject to depreciation over the average expected life between major overhauls.
- (i) In the PRC GAAP financial statements, gains or losses on derivative financial instruments are recognised in the income statement upon the settlement. Under IFRSs, derivative financial instruments, which are not designated as cashflow hedges, are carried at fair value. The gain or loss on remeasurement of fair value is recognised in the income statement.
- (j) The Group's financial statements prepared under IFRSs for the years ended 31 December 2005 and 2006 were audited by KPMG, a firm of certified public accountants in Hong Kong.

## Supplementary Information (Cont'd)

(Expressed in Renminbi)

**B. GAIN/(LOSS) PER SHARE AND RETURN ON NET ASSETS**

	Returned on net assets ratio (%)		Earnings/(losses) per share (RMB)	
	Fully diluted	Weight average	Fully diluted	Weight average
Profit from principal activities	52.87	53.19	1.22	1.22
Operating loss	(6.08)	(6.12)	(0.14)	(0.14)
Net profit	1.17	1.18	0.03	0.03
Net loss after deduction of extraordinary gains and losses	(5.54)	(5.57)	(0.13)	(0.13)

**C. IMPAIRMENT LOSS**

	At 1 January 2006	Provision for the year	Written back	Written off	At 31 December 2006
	RMB million	RMB million	RMB million	RMB million	RMB million
1. Provision for bad and doubtful debts:					
Accounts receivable	52	19	11	1	<b>59</b>
Other receivables	10	4	–	–	<b>14</b>
2. Short-term investments	–	–	–	–	–
3. Provision for diminution in value of inventories	259	162	–	–	<b>421</b>
4. Long-term investments	–	–	–	–	–
5. Fixed assets	–	–	–	–	–
6. Intangible assets	–	–	–	–	–
7. Construction in progress	–	–	–	–	–