中國民航信息網絡股份有限公司
TravelSky Technology Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code : 0696)

Annual Report 2011

CONTENTS

CORPORATE PROFILE

TravelSky Technology Limited (the "Company", or including its subsidiaries, the "Group") is the dominant provider of information technology solutions for China's aviation and travel industry. The Group has been devoted to developing leading products and services that satisfy the needs of all the industry participants – ranging from commercial airlines, airports and air travel products and services suppliers to travel agencies, corporate clients, travelers and cargo shippers – to conduct electronic transactions and manage travel-related information. The core businesses of the Company include aviation information technology service, distribution information technology service, clearing and accounting and settlement service for aviation industry, etc.

The Company was incorporated in the People's Republic of China (the "PRC" or "China") on October 18, 2000. As of December 31, 2011, it has a direct controlling equity interest in each of the following significant subsidiaries: Accounting Centre of China Aviation Limited Company ("ACCA"), TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd, TravelSky Technology (Taiwan) Limited, Shanghai TravelSky Information Technology Limited, Guangzhou TravelSky Information Technology Limited, Hunan TravelSky Information Technology Limited, Inner Mongolia TravelSky Information Technology Limited, TravelSky Technology Huadong Data Center Limited, TravelSky CARES (Beijing) Real Estate Limited, Beijing TravelSky Travel Service Limited, Hainan Civil Aviation Cares Co., Ltd., Cares Shenzhen Co., Ltd., Cares Hubei Co., Ltd., Cares Chongqing Information Technology Co., Ltd., Aviation Cares of Yunnan Information Co., Ltd., Civil Aviation Cares of Xiamen Ltd., Civil Aviation Cares of Qingdao Ltd., Civil Aviation Cares Technology of Xi'an Ltd., Civil Aviation Cares Technology of Xinjiang Ltd., InfoSky Technology Co., Ltd., and Shanghai Yeexing E-Business Limited. The Company also holds an equity interest in each of the following associated companies: Shanghai Civil Aviation East China Cares System Integration Co., Ltd., Shenyang Civil Aviation Cares of Northeast China, Ltd., Aviation Cares of Southwest Chengdu, Ltd., Heilongjiang TravelSky Airport Technology Limited, Yunnan TravelSky Airport Technology Limited, Shanghai Dongmei Aviation Tourism Online Co., Ltd, Dalian TravelSky Airport Technology Limited, Hebei TravelSky Airport Technology Limited and Guangzhou Airport AirSpan Information Technology Co. Ltd.

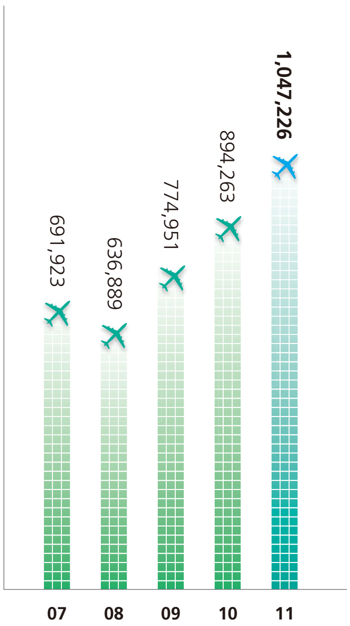
The Group had 4,727 employees as of December 31, 2011.

The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 7, 2001. As of the date of this report, the largest shareholder of the Company is China TravelSky Holding Company, which holds an equity interest of approximately 29.29% in the Company. A total of approximately 38.84% of the equity interest in the Company is held by 13 Chinese commercial airlines, including the holding companies of the three largest Chinese commercial airlines, namely, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company. The remaining 31.87% of the equity interest in the Company is held by holders of its H shares.

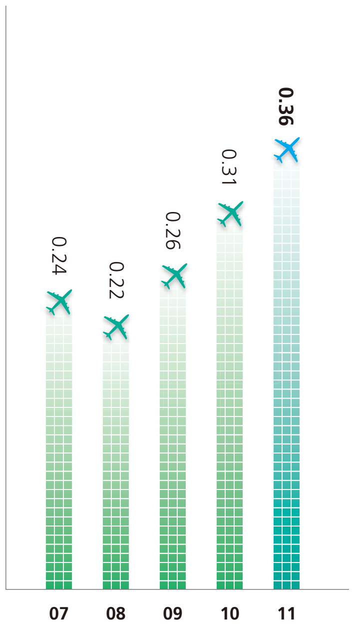
The Company established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market (OTC) on December 27, 2002.

FINANCIAL HIGHLIGHTS

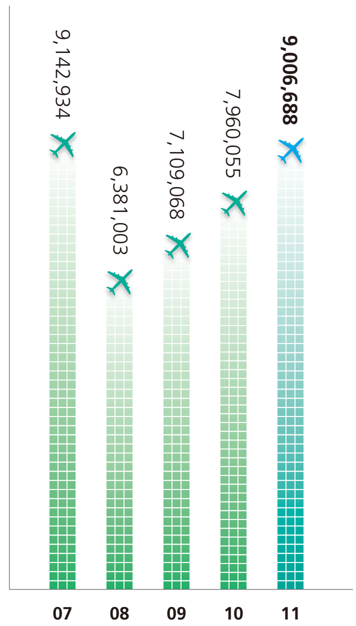
Profit Attributable to Owner of the Parent
RMB'000



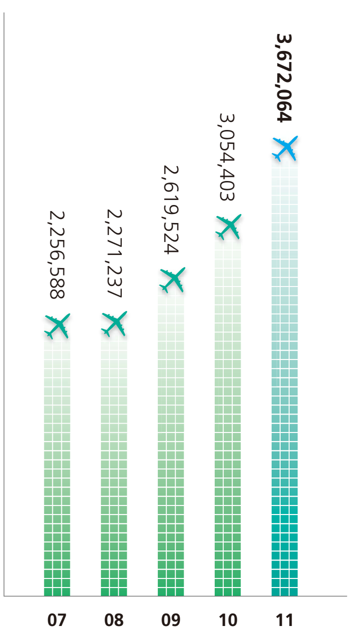
Earnings Per Share (Basic and Diluted)
RMB



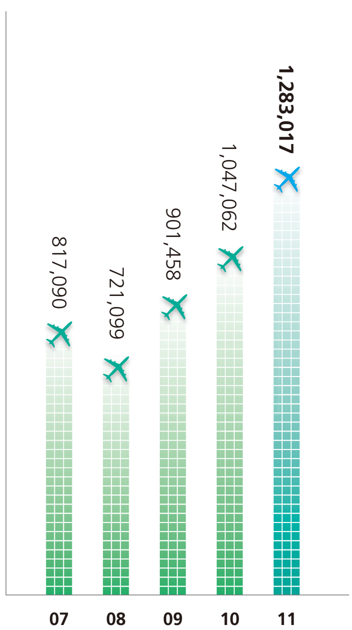
Total Assets
RMB'000



Revenues
RMB'000



Profit before Taxation
RMB'000



Earnings Before Interests, Tax, Depreciation and Amortisation
RMB'000

Note:

1. The financial figures for the years 2007 and 2008 have been adjusted, as if ACCA had been acquired at the earliest period presented.
2. Earnings per Share was calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2011.
3. The financial statements for the years from 2007 to 2010 have been adjusted due to changes in accounting policies during the year.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

Mr. Xu Qiang
Chairman

In 2011, building upon the stable development of the air transportation industry in China, aiming to become one of the world's first-class comprehensive information service enterprises and leveraging on the consistent stability of safe production, the Group stepped up efforts in operation and management such as technical innovation, management reform and service enhancement. With the steady growth in our operating results and a more solidified foundation for our sustainable development, it is a good start for the Group to develop during the 12th Five-Year Plan Period.

Looking ahead into 2012, the development in our country is still in a critical period of strategic opportunities. The macro environments of domestic economic and social development are generally positive. Besides, the sustained supportive policies of tourism and information technology development will further promote the business development of the Group. Meanwhile, we will encounter numerous challenges on the road ahead. The profound impacts of the international financial crisis are revealing constantly, which will affect the development of the global air transportation industry and may make the growth pace of air travelers slow down, imposing ongoing impact on our market foundation. The personalised and differentiated demands from customers such as commercial airlines, as well as the opening trend of GDS market are increasing the pressure of marketisation continuously. The advancement of new technology and the emergence of new business modes are also gradually challenging the capability of our sustainable development.

As such, in 2012, guided by the scientific perspective on development and adhering to the concept of whole-process service, the Group will strengthen the development aim of "becoming one of the world's first-class comprehensive information service enterprises", tackle difficulties to make headway, reinforce internal strengths, using reform and innovation so as to foster the sustainable development. The Group will accelerate the establishment of an operating system, which holds a leading position in China, meets the international standards, and gradually covers the coastal developed regions, and work intensively on formulating the layout of a combination of domestic and overseas research and development system. The Group will also establish a system and mechanism for technological innovation, expedite the research and development on the new-generation aviation passenger service information system, enhance the capability of scientific and technological innovation and strengthen its core competitiveness. In addition, the Group will keep expanding the international and domestic markets. In respect of traditional business, the Group will broaden its platform to enrich its products, and in respect of the new business, the Group will construct platform to gain scale, so as to enhance the profitability. Furthermore, the Group will actively involve in management innovation, streamline and refine its management procedures, implement full cost accounting system, upgrade security management level and enhance operation efficiency. The Group will also carry forward the strategy of "strong enterprise with talents", strengthen the construction of the management team and the cultivation and introduction of talents, as well as carry out performance management, in order to improve the capability of our team and intensify the overall execution capability. In addition, the Group will advance the constructions of service system and corporate culture, improve customer satisfaction and internal coordination to fuel the internal and external development in a harmonious manner.

Finally, I would like to take this opportunity to extend my gratitude to all shareholders, investors, customers, directors and supervisors for the trust and support they have bestowed upon us as well as to our management and staff for their concerted efforts devoted. Given the endeavours of our management and staff and the joint efforts from shareholders, investors, directors and supervisors, I believe our Group will continue to develop towards its goal of becoming one of the world's first-class comprehensive information service enterprises, better serve its customers, and create greater value.

Xu Qiang
Chairman

March 28, 2012

BUSINESS REVIEW

Mr. Xiao Yinhong
Executive Director, General Manager

As the leading provider of information technology solutions for China's aviation and travel industry, the Company stands at a core tache along the value chain of China's aviation and travel service distribution. The Company has been devoted to serving the needs of all industry participants ranging from commercial airlines, airports, travel products and services providers, travel agencies, travel service distributors, corporate clients, travelers and cargo shippers, as well as major international organisations such as IATA and government bodies, with the scope of services covering the provision of critical information systems on flight control, air ticket distribution, check-in, boarding and load planning, accounting, settlement and clearing system, etc.. With three decades of tenacious development, the Company has built up a complete industry chain for aviation and travel information technology service, established a relatively comprehensive, competitively priced product line of aviation and travel information technology service with robust functionality, aiming to help industry participants to expand their businesses, improve service quality, minimise operational costs and enhance operational efficiency, and ultimately bring benefits to travelers.

AVIATION INFORMATION TECHNOLOGY SERVICE

The aviation information technology ("AIT") services offered by the Company, which consist of a series of products and solutions, are provided to the PRC commercial airlines and more than 300 foreign and regional commercial airlines. The AIT services comprised electronic travel distribution ("ETD") service (including Inventory Control System ("ICS") service and Computer Reservation System ("CRS") service) and Airport Passenger Processing ("APP") service, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product service for supporting aviation alliances, solutions for developing commercial airlines'e-tickets and e-commerce, data service for supporting decision-making of commercial airlines as well as information management system for improvement of ground operational efficiency.

In 2011, amidst international economic downturn, China's aviation industry delivered sound results which drew global attention, in reliance upon the intrinsic momentum underlying the economic development of the PRC. On such basis, the Group stepped up its marketing efforts and service enhancements, and its electronic travel distribution (ETD) system processed approximately 318.6 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 9.2% over the same period in 2010. Among which, the processed flight bookings on commercial airlines in China increased by approximately 8.9%, while those on foreign and regional commercial airlines increased by approximately 15.5%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Company reached 95, with sales percentage through direct links exceeding 99.4%. In 2011, apart from the major domestic commercial airlines that already adopted our APP service, more foreign and regional commercial airlines were using the Company's APP system service, multi-host connecting program service and the ANGEL CUE platform connecting service, resulting in the increase of the number of such users to 69, with approximately 5.2 million of passenger departures processed in 42 airports.

In 2011, the Group further enhanced its aviation-related information technology services and its extended services, with an aim to fulfill the demand of commercial airlines for the information technology solutions on traveler services, e-commerce, auxiliary services and international services. As a strategic partner of the Fast Travel project of International Air Transport Association (IATA), the Company implemented on schedule the Automatic Baggage Rules of IATA and maintained its leading position as one of the advanced suppliers for the Fast Travel project of IATA. The commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 75 major domestic airports, and the online check-in service has been applied in 121 airports at home and abroad. Together with the mobile check-in service, the number of departing passengers processed with the above check-in services amounted to approximately 37.1 million. The "2D barcode on mobile electronic boarding passes" standard has been adopted by Civil Aviation Administration of China (CAAC) as an industry standard in China. The Company provided overall solutions through E-Build (an e-commerce supporting platform) to 22 e-commerce websites owned by China's 12 commercial airlines. The newly added functions including a search engine for international tariff and the air-rail transportation have been put into operation in the e-commerce websites of 4 China-based commercial airlines including Hainan Airlines Company Limited. NewSky, the Company's auxiliary revenue supporting system, has already been adopted by 12 commercial airlines in support of their refined channel management. The applications, which are based on the Electronic Miscellaneous Document (EMD), for changing dates of air tickets and overloading of baggage have been put to use. Full-process authentication has been granted by IATA, laying solid technological foundation for the commencement of the business in support of commercial airlines' auxiliary services. While providing IT support for China Eastern Airlines Corporation Limited to join SkyTeam, the Company also supported the exploration of overseas market sales channel of commercial airlines and launched the international B2C and B2B websites in 11 regional or overseas markets for 4 domestic and regional commercial airlines including China Eastern Airlines Corporation Limited and Hong Kong Airlines Ltd.

In 2011, the Group established a special R&D team, management coordination department and R&D management system for the new-generation aviation passenger service information system ("New Generation System"), completed the preliminary planning and clarified the core concepts, key attributes, development direction and implementation path for the New Generation System, formulated plans for the major functions and perimeters for the sub-systems, and reached strategic intentions with major commercial airlines in China for joining hands in the development of the New Generation System. Based on the general principles of self-design and group innovation, the Group expedited the establishment of the core system of the New Generation System, and a self-developed new generation front-end system for inventory control has been used at China Southern Airlines Company Limited. New products such as the unified front-end control system, team revenue auxiliary system, auxiliary service inventory management system, international tariff search system and dynamic route management system have been launched to address customers' concerns.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICE

The Company provided accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation corporations through Accounting Centre of China Aviation Limited Company (中國航空結算有限責任公司) ("ACCA"), a wholly-owned subsidiary of the Company. As the downstream businesses of the Company's principal activities in air travel service distribution and sales, the above businesses strengthened the Company's information technology business in the air transportation and travel industry. Apart from being the world's largest service provider of IATA BSP Data Processing ("BSP DP"), ACCA is also the largest provider of outsourced services and system products in revenue settlement and clearing in the air transportation industry in China. Its major customers include domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organisations and IATA. In 2011, there were approximately 487.9 million transactions and approximately 231.7 million BSP tickets processed with respect to the system service business of ACCA, while passenger and cargo postal revenues, miscellaneous fees as well as international and domestic clearing fees settled through our system amounted to approximately US$4.9 billion.

In 2011, apart from consolidating its existing market share, expanding its market scale and scope of business, ACCA also took the initiative to seek new opportunities for business development. The self-developed new-generation revenue management system for international passengers has been implemented in Air China Limited, China Eastern Airlines Corporation Limited and China Southern Airlines Company Limited, and has received recognition from these customers for completeness and accuracy of its operation data. ACCA also won the bid for the IATA Japan BSP Data Processing Centre Project, successfully completed the development of the IATA's Simplify Interline Settlement (SIS) system and undertook and worked according to schedule on the global key project of IATA – the R&D for the New Generation BSP Data Processing System. While developing the business of electronic payment, ACCA also provided development and maintenance support for the airport revenue management system to the Settlement and Clearance Center of CAAC. In addition, ACCA also undertook the development of the "Project for the Sub-platform of Wireless Positioning Surveillance for the Platform of Supervisory Service for the Mobile Viewing of Digital Films" from the Management Centre for the Digital Programmes of Films under the State Administration of Radio Film and Television, as a new trial in the course of expanding the non-aviation market.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICE

The Group's travel service distribution network comprises nearly 60,000 sales terminals owned by more than 6,000 travel agencies and travel service distributors, with high-level networking and direct links to all GDS around the world and 95 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localised services to travel agencies and travel service distributors through more than 30 local distribution centers across China and 7 overseas distribution centers across Asia, Europe and North America. The network processed over 241.7 million transactions during 2011 with its transaction amount up to RMB289.8 billion.

In 2011, the Group continued its effort in the construction and promotion of the product lines for distribution information technology services, established the decentralised product R&D system and marketing system, launched value-added services such as the low-cost aviation distribution platform and advertisements release for foreign commercial airlines, improved the development model of TravelWeb front-end business system, LinkoSky comprehensive distribution platform and BlueSky, etc, and proactively promoted strategic cooperation with and service delivery to key customers. The Group also entered into strategic cooperation agreement with Hogg Robinson Group, a globally renowned travel management firm. In addition, the LinkoSky comprehensive distribution platform has successfully secured 5 strategic customers including China Post for the provision of in-house services to strategic customers.

AIRPORT INFORMATION TECHNOLOGY SERVICE

In 2011, the Group proactively participated in the bidding process for the construction of information systems for the renovation and expansion of airports, gradually improved the design and applications of its product lines for airport ground operation, which were combined with product lines such as airport front-end service and terminal passenger service, thus a flexible, service-oriented integrated solution has been formed with the Airport Message Broker (AMB) platform as the basis. AMB is being used in 7 airports including Shenzhen, Chengdu and Xi'an airports. TUMS Information System, which is a Type B Message Service product, has been promoted to 4 airports including Beijing Capital Airport and Guangzhou Airport. Airport security check information system products are used in 9 airports including Beijing Capital, Hangzhou and Dalian. The new generation APP front-end system has a dominating role in large medium sized airports in China. The system facilitated China's commercial airlines to launch passenger check-in, transit and connecting flight services in 98 overseas or regional airports, processing approximately 15.7 million passenger departures, and accounting for approximately 82.7% of overseas returning passengers of China's commercial airlines. The service of Angel Lite, a passenger front-end processing system designed and developed for small airports ranking lower than the top 60 airports in terms of passenger throughput in China, was extended to another 6 airports including Yining Airport and Jieyang Chaoshan Airport, while the terminal passenger service products were launched in 9 airports including Chongqing, Qingdao and Nanchang etc.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICE

In 2011, capitalising on the opportunities brought about by China's effort to invigorate the logistics industry, the Group endeavoured to consolidate and expand its strategic customer market while continued to strengthen the construction of its platform products. R&D, promotion and application have been completed in respect of platform products including data exchange platform, EU electronic customs declaration platform and platforms for small-to-medium sized air cargo terminals. The project for the R&D and application of aviation logistics information platform, which aims to provide logistic chain participants including airlines, air cargo terminals, distributors, cargo shippers and regulatory bodies with an all-inclusive, one-stop-shop solution, has been recognised as a technology project by CAAC. In 2011, these systems processed approximately 8.0 million cargo airway bills, representing an increase of 17.6% as compared with the corresponding period of 2010.

BUSINESS REVIEW

TRAVEL PRODUCT DISTRIBUTION SERVICE

In 2011, the Group endeavoured to build the hotel informationisation platform, aiming to achieve flawless flow of information between upstream hotels, hotel suppliers, distributors and users. The products undergoing R&D covers a number of areas including hotel information sources, travel agency products and trading platform, forging cooperation in terms of information with various domestic and overseas leading hotel groups and suppliers. The Group distributed 1,850,300 hotel's room-nights through its hotel distribution platform-Sohoto.com during the year, representing an increase of approximately 21.7% as compared with the corresponding period in 2010.

PUBLIC INFORMATION TECHNOLOGY SERVICE

In 2011, on the basis of in-depth research of market development, the Group expedited the construction of a public information technology platform and continued the improvement of the product service systems. The Group utilised various channels to promote its public information service brand and explored customers in various industries with a focus on central enterprises and governmental authorities. The Group expanded the capacity of outsourced project of China Galaxy Securities Company Limited, won the bidding for a next generation system framework consultation project from China Sports Lottery Technology Group and implemented the consultation project for IT system simulation for China North Industries Corp., and undertook outsourced entrustment projects of large-scale information centers from the Ministry of Civil Affairs and SASAC Training Centre.

INFRASTRUCTURE

The Group's infrastructure serves to achieve sustainable development for its business. Its objectives are to ensure safety in production, satisfy the needs of business development, adjust system structure and optimise resource allocation by making full use of existing technologies, business and management instruments, so as to improve operation reliability and interference-resistant ability and realise low cost operation.

In 2011, the Group continued to solidify its safety foundation, with stable operation in its ICS, CRS, APP, the core open system and the settlement and clearing mainframe systems; daily passengers processed reached the magnitude of millions; and the continual progress achieved for the planned construction of Beijing Shunyi New Operating Centre. The Group expanded the capacity of its mainframe system, implemented the 4-HOST technical renovation, and enhanced the processing capability and reliability of its system. The Group implemented the application of virtual technology and reduced energy consumption in machine rooms, applied a series of self-developed information systems including system for real-time analysis of the function of large-scale mainframes, system for managing cross-platform operation plans and calibration, and platform for unified testing etc, to enhance the level of monitoring and operational efficiency of the system, and achieve cost reduction. In addition, the Group also completed the structure upgrade in respect of overseas network, boosting the reliability and effectiveness of overseas connection and significantly reducing the cost of communication. The Group improved the safe production assessment system and strengthened its construction of an international standard system. It passed the ISO20000 qualification certification and stepped up contingency skill drills and safety checking. Apart from securing the safe operation of the civil aviation passenger information system during the peak communal time around Chinese New year, the convention of meetings of the National People's Congress and the People's Political Consultative Conference, and on China's National Day on 1st October as usual, the Group also delivered satisfactory performance in information security in respect of civil aviation passengers during the 90th anniversary of the Communist Party of China, the Asia-Europe Expo and the Universiade held in Shenzhen.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial information of the Group contained in the financial statements (together with the notes thereto) reproduced in this annual report. The financial statements have been prepared in accordance with International Financial Reporting Standards. The following discussions on the synopsis of historical results do not represent a prediction as to the future business operations of the Group.

OVERVIEW

For Year 2011, profit before taxation of the Group was approximately RMB1,283.0 million, representing an increase of approximately 22.5% over that in the year ended December 31, 2010 ("Year 2010"). Earnings before interests, tax, depreciation and amortisation (EBITDA) reached approximately RMB1,624.9 million, representing an increase of approximately 15.0% over that in Year 2010. Profit attributable to equity holders of the Company was approximately RMB1,047.2 million, representing an increase of approximately 17.1% over that in Year 2010 mainly due to the strict cost control amid a growth in revenue.

The basic and diluted earnings per share of the Group in Year 2011 were RMB0.36.

TOTAL REVENUE

The total revenue of the Group in Year 2011 amounted to approximately RMB3,672.1 million, representing an increase of approximately RMB617.7 million, or 20.2% from approximately RMB3,054.4 million in Year 2010. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 61.5% of the total revenue of the Group in Year 2011 as compared to 68.2% in Year 2010. Aviation information technology service revenue increased by 8.5% to RMB2,259.2 million in Year 2011 from RMB2,082.7 million in Year 2010. The main sources of the revenue were Inventory Control System ("ICS") service, Computer Reservation System ("CRS") service and Airport Passenger Processing ("APP") service, as well as other extended information technology solutions related to the above core business provided by the Group to commercial airlines. The increase of the revenue was mainly due to the growth in the number of air travelers.

- Accounting, settlement and clearing revenue accounted for 10.3% of the Group's total revenue in Year 2011, as compared to 9.7% for Year 2010. Accounting, settlement and clearing services revenue increased by 28.3% to RMB380.0 million in Year 2011 from approximately RMB296.3 million for Year 2010. The main source of the revenue was accounting, settlement and clearing service provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The increase of the revenue was primarily due to the increase in business volume of accounting, settlement and clearing services.

- Data network and other revenue represented 28.2% of the total revenue of the Group in Year 2011 as compared to 22.1% in Year 2010. Data network and other revenue increased by 52.9% to RMB1,032.9 million in Year 2011 from RMB675.4 million in Year 2010. The main source of the revenue was distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels and air freight, logistics information technology service provided to commercial airlines, airports, cargo shippers, as well as airport information technology service provided by the Group and other business etc. The growth of the revenue was mainly due to the increase in revenue from data network services and airport information technology services.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING EXPENSES

Operating expenses for Year 2011 amounted to RMB2,489.9 million, representing an increase of RMB423.6 million, or 20.5%, from RMB2,066.3 million in Year 2010. The increase in operating expenses is reflected as follows:

- Network usage charge decreased by 26.0%, mainly because the Group has adopted cost control measures, and thus leased network line usage decreased even with the rapid growth in business volume;

- Staff costs increased by 10.0%, primarily due to the increase in the number of staff and improvement of staff benefits for supporting the Group's business development;

- Operating lease payments increased by 82.3%, mainly due to increase in leased office space; and

- Commission and promotion expenses increased by 15.1%, mainly due to the business development of the Group and the increased usage of APP system.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB194.1 million, or approximately 19.6% to approximately RMB1,182.2 million in Year 2011 from approximately RMB988.1 million in Year 2010.

CORPORATE INCOME TAX

Under the Corporate Income Tax Law of the People's Republic of China ("CIT Law"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a favorable statutory tax rate of 15%. The Company has been approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. Since 2006, the Company has used a preferential tax rate of 15% in computing corporate income tax. The Company also used the tax rate 15% in computing corporate income tax for Year 2011.

In addition to the recognised "High and New Technology Enterprise" enjoying a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as an "Important Software Enterprise" for the year it can further enjoy a preferential income tax rate of 10%. According to the relevant regulations, the differences that resulted from the enterprise income tax paid at the rate of 15% over this preferential income tax rate of 10% should be adjusted in the period when an enterprise obtained its "Important Software Enterprise" certification. From 2006 to 2010, the Company was certified as an "Important Software Enterprise" under the State plan of the PRC and subject to income tax at a preferential income tax rate of 10% for corresponding years. Such impact was reflected in corresponding financial statements.

As of the date of this report, relevant regulatory authorities have yet to publish the notice relating to the commencement of the assessment of "Important Software Enterprise" for Year 2011. Upon such notice, the Company will submit the application information for certification. If it is certified as an "Important Software Enterprise", the income tax rate of 10% will apply to the Company in computing its income tax for Year 2011 and the 5% of the income tax will be refunded to the Company. Such impact will be reflected in the financial statements of the corresponding year.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As a result of the above factors, the profit attributable to equity holders of the Company increased by approximately 17.1% to approximately RMB1,047.2 million in Year 2011 from approximately RMB894.3 million in Year 2010.

PROFIT AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 34 to the financial statements) from the profit attributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2011, amounted to approximately RMB1,504.1 million (2010: RMB1,572.8 million).

BONUS ISSUE

In August 2011, the Company completed the Bonus Issue (as described in the circular of the Company dated May 12, 2011) which was approved at the annual general meeting and shareholder class meetings held on June 28, 2011 respectively. The Company's paid-in capital increased to RMB2,926,209,589 by converting reserves and retained earnings amounting to RMB975,403,196 in aggregate into paid-in capital.

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2011

On March 28, 2012, the Board proposed the distribution of a final cash dividend of RMB351.1 million, which represented RMB0.120 per share (tax inclusive) for Year 2011 ("Dividend"). The total number of shares in issue which entitles the receipt of those dividends is 2,926,209,589 shares. Upon distribution of the above final dividend, the distributable profit as at December 31, 2011 is approximately RMB1,153.0 million (2010: RMB778.8 million).

Pursuant to the CIT Law and the Implementation Rules of the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), non-resident enterprise shareholders (including enterprises shareholders holding H shares of the Company as defined by the CIT Law) are subject to an enterprise income tax for its income arising within the PRC territory (including dividends they were entitled to as defined by the CIT Law). The applicable tax rate is 10% and the amount would be withheld by the Company.

Pursuant to relevant laws and regulations such as Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), foreign resident individual shareholders holding share certificates issued in Hong Kong by domestic non-foreign invested enterprises are entitled to relevant tax incentive policies subject to the tax arrangements signed by countries in which they are domiciled and the requirements of the tax arrangement between China and Hong Kong (Macau). As such, dividend income received by individual shareholders holding H shares of the Company are subject to individual income tax at the rate of 10%, and the Company would withhold such amounts.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The annual general meeting (the "AGM") and the shareholder class meetings of the Company will be held on June 5, 2012 in Beijing, the PRC. The register of members of the Company will be closed from Saturday, May 5, 2012 to Tuesday, June 5, 2012. The notices of AGM and H/domestic shareholder class meetings issued by the Company on April 13, 2012 have specified the book close date and the last registration date for attending AGM and shareholders class meetings. Holders of the H shares and domestic shares whose names appear on the register of members of the Company on Tuesday, June 5, 2012 are entitled to attend the AGM and the H/domestic shareholder class meetings.

The Company will make further announcement(s) on the voting results after the AGM and the shareholder class meetings.

If the above proposed distribution of a final cash dividend for Year 2011 is approved at AGM, the Company will publish the announcement of the voting results of AGM and shareholder class meetings and dividend distribution on the date of the conclusion of AGM. The circular and the notice of AGM issued by the Company on April 13, 2012 set out the book close date and the last registration date in relation to dividend distribution . Subject to the relevant regulations of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the record date for registration of shareholding shall be at least the third business day after the dividend distribution proposals are approved by shareholders, which means shareholders will be provided with at least one trading day for dealing after dividend distribution is approved at AGM on a cum-right basis. Pursuant to the provisions of the Articles of the Company, "No registration of change arising from share transfer can be made to the register of members within 5 days prior to the record date for the purpose of the decision made in respect of dividend distribution". Accordingly, the register of members will be closed from Saturday, June 9, 2012 to Thursday, June 14, 2012. The H/domestic shareholders of the Company whose names appeared on the register on Thursday, June 14, 2012 are entitled to the final cash dividend for Year 2011 to be approved at the AGM.

LIQUIDITY AND CAPITAL STRUCTURE

The following table summarizes the cash flows of the Group for the following years:

	For the year ended December 31	
	2011	2010
	(RMB in million)	*(RMB in million)*
		(Restated)
Net cash generated from operating activities	**1,319.2**	1,303.4
Net cash used in investing activities	**(1,009.5)**	(1,714.6)
Net cash used in financing activities	**(315.7)**	(243.3)
Net decrease in cash and cash equivalents	**(6.0)**	(654.6)
Effect of foreign exchange rate changes on cash and cash equivalents	**(3.0)**	(2.0)

The Group's working capital for Year 2011 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,319.2 million.

In Year 2011, the Group had no short-term and long-term bank loans, and the Group did not use any financial instruments for hedging purposes.

As at December 31, 2011, cash and cash equivalents of the Group amounted to approximately RMB890.2 million, of which approximately 97.6%, 0.6% and 0.5% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

HELD-TO-MATURITY FINANCIAL ASSETS

As at 31 December 2011, the Group held commercial bank financial products in the amount of RMB500 million with a yield rate of 5.0% to 5.8% per annum. Such products are principal-protected, fixed income financial products with a maturity of 3 to 12 months, and not redeemable prior to the maturity date.

CHARGE ON ASSETS

As at December 31, 2011, the Group had no charge on its assets.

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB151.8 million in Year 2011, representing a decrease of approximately RMB2,361.5 million as compared to that of approximately RMB2,513.3 million in Year 2010. The capital expenditure of the Group in Year 2011 consisted principally of development of the new generation aviation passenger service system and promotion of other new businesses.

The Board estimates that the Group's planned capital expenditure for the financial year ending 2012 will amount to approximately RMB1,924.5 million, which is mainly for the construction of the new operating centre in Beijing and development of the new generation aviation passenger service system and promotion of other new businesses. The sources of funding for the capital expenditure commitments will include existing cash on hand and internal cash flow generated from operations. The Board estimates that the sources of funding of the Group in 2012 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

EXCHANGE RISKS

The Group's foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in foreign currencies. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

GEARING RATIO

As at December 31, 2011, the gearing ratio of the Group was approximately 15.3% (2010: 13.7%), which was computed by dividing the total amount of liabilities by the total assets of the Group as at December 31, 2011.

CONTINGENT LIABILITIES

As at December 31, 2011, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EMPLOYEES

As at December 31, 2011, the total number of employees of the Group was 4,727. Staff costs amounted to approximately RMB678.3 million for Year 2011, representing approximately 27.2% of the total operating expenses of the Group for Year 2011.

The Group has different rates of remuneration for different employees (including Executive Directors and Staff Representative Supervisors), according to their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations, as amended from time to time. The remuneration of the employees of the Group includes salaries, bonuses and fringe benefits provided in compliance with relevant regulations in the PRC, as amended from time to time, such as medical insurance, pension, unemployment insurance, maternity insurance and housing funds.

In 2007, the Group implemented a corporate annuity scheme (or "supplementary pension plan") in accordance with relevant policies of the PRC. According to the corporate annuity scheme, the Group is required to make provision for monthly corporate annuity fees with reference to the total actual salary each month during preceding year and the ratio approved by the relevant authorities of the PRC. It also needs to deposit the annuities in the custody account of corporate annuity fund opened by its custodian. In 2011, the annual corporate annuity of the Group amounted to approximately RMB25.2 million (2010: RMB24.2 million).

Currently, none of the Non-executive Directors of the Company receive any remuneration. Nevertheless, any reasonable fees and expenses incurred by the Non-executive Directors during their tenure of service will be borne by the Company. Independent Non-executive Directors of the Company do receive director's fee, which is determined by reference to the prevailing market price, and that any reasonable fees and expenses incurred by Independent Non-executive Directors during their tenure of service will be borne by the Company. All directors of the Company (the "Directors") are entitled to liability insurance taken out by the Company for Directors.

The Group also provides its employees with opportunities to acquire skills in areas such as the aviation and travel industry, computer information technologies and business administration, and provides training on the latest development in areas such as computer information technologies, personal qualities, laws, regulations and economics.

As disclosed in the announcement of the Company dated August 29, 2011, according to the H Share Appreciation Rights Scheme (the "Scheme") for certain Directors, senior management and employees of the Company, the adoption of which was approved by shareholders on June 28, 2011, the Board granted a total of 14,004,000 share appreciation rights to the first batch of incentive recipients which consisted of 56 people in total (of which 3 were Executive Directors). Prior approval of the Scheme had been obtained from the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC").

CORPORATE GOVERNANCE REPORT

The board of Directors (the "Board"), Supervisory Committee and senior management of the Company are committed to implementing effective corporate governance policies to ensure that all decisions are made in good faith and in accordance with the principles of transparency, fairness and integrity. With necessary and effective counterbalance, the Company continues to improve its corporate governance structure, so as to raise the quality of supervision and management, and to meet the expectation of its shareholders and the relevant parties.

CORPORATE GOVERNANCE PRACTICE

In compliance with the Company Law of the People's Republic of China (the "PRC Company Law") and the Articles of Association of the Company (the "Articles"), the Company has regulated its operations and provided information of the Company to all market participants and regulatory authorities on a timely, accurate, complete and reliable basis, aiming to enhance its transparency. The Board has adopted the code provisions as stipulated in the "Code on Corporate Governance Practices" (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the Company's code of corporate governance practices.

In 2011, the Company fully complied with the Code except for the code provisions A.1.1, D.1.1 and D.1.2. In 2011, the Board held only two meetings which the Directors attended in person, and the requirement of code provision A.1.1 was thus not fully satisfied. However, the Board held four meetings by circulation of documents and reviewed matters that needed to be determined timely, and expressed their opinions in writing and made decisions in respect to those matters, effectively performing its duties. The Company will endeavor to improve the arrangement of meeting times to comply with the code provisions. The Articles set out the respective duties of the Board and the General Manager. However, the Company has not formulated specific written guidelines in respect of other duties and authority delegated to the management, which deviates from code provisions D.1.1 and D.1.2. Currently, the Board grants special authority to the management for approval or execution of certain types of matters or events based on actual requirements and the Board is of the opinion that the current arrangement does not prejudice the interests of the Company.

SECURITIES TRANSACTIONS OF DIRECTORS

Each Director of the Company has fulfilled their duties in a conscientious, diligent and honest manner. The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules, requesting all Directors to carry out securities transactions in accordance with the Model Code. Having made specific enquiries of all Directors, no Director failed to comply with the relevant requirements of the Model Code in 2011.

CORPORATE GOVERNANCE REPORT

THE BOARD

The Board is responsible to lead and monitor the Company, and to collectively make decisions on and supervise the operation of the Company.

The Board is responsible for preparing accounts for each financial period to ensure that they reflect the Group's business and results during the period in a true and fair manner. In preparing the accounts for 2011, the Board adopted the International Financial Reporting Standard ("IFRS") and selected the appropriate accounting policy to make prudent and reasonable judgments and estimations, and prepared accounts on a going concern basis. The Directors accept responsibilities for the preparation of the Group's financial statements. In 2011, the Board announced the annual results for 2010 and the interim results for 2011 within 3 months and 60 days respectively after the end of the respective financial periods in accordance with the requirements under the Articles and the Listing Rules.

According to the provisions of the Articles, the Board comprises 9 Directors (please refer to the section of "Corporate Information" for the list of Directors) including 3 Independent Non-executive Directors.

During the reporting period, the Company received from the three Independent Non-executive Directors, namely Mr. Cheung Yuk Ming, Mr. Zhou Deqiang and Mr. Pan Chongyi, annual confirmations of their independence for 2011 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the above Independent Non-executive Directors are independent.

Pursuant to the Articles and the PRC Company Law, the Directors serve a term of 3 years and are subject to re-election upon expiry. Where election cannot be arranged in time before the expiry of term, or where the number of members of the Board falls below the quorum due to resignation of Directors during the term, then, prior to assuming office by the elected Directors, the existing Directors shall continue to perform their duties in accordance with the requirements of the laws, administrative regulations and the Articles.

Upon election at the extraordinary general meeting of the Company held on March 16, 2010, Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong were re-elected as Executive Directors, Mr. Wang Quanhua and Mr. Luo Chaogeng were re-elected as Non-executive Directors, Mr. Sun Yude was elected as a Non-executive Director, and Mr. Cheung Yuk Ming, Mr. Zhou Deqiang and Mr. Pan Chongyi were elected as Independent Non-executive Directors; the above 9 persons shall form the fourth Board of the Company for a term of 3 years with effect from the conclusion of such extraordinary general meeting. Biographies of each of the members of the fourth Board of the Company are set out on pages 124 to 127. Each of the Directors has extensive experience in fields including aviation, information technology, corporate management or finance etc. The appointment of Independent Non-executive Directors is in compliance with the requirements set out in Rules 3.10(1) and (2) of the Listing Rules. The Chairman of the Board (Chairman) and Chief Executive Officer (General Manager) were, Mr. Xu Qiang and Mr. Xiao Yinhong respectively, both being Directors, who performed their respective duties according to the Articles.

Independent Non-executive Directors of the Company will perform their duties with care and due diligence, and with their valuable professional experience, provide guidance for operation management of the Company based on the overall interests of the Company. Moreover, as members of the Audit Committee and the Remuneration and Evaluation Committee (the "Remuneration Committee"), they will perform their duties such as supervising financial reporting procedures and internal control. In 2011, the Independent Non-executive Directors conducted a hearing into the work report on the Company's business systems and operating strategies, etc., and conducted investigation and research in respect of the business environment of the Company and the market development trend.

In 2011, the fourth Board held a total of two meetings which Directors attended in person with attendance of the Board meetings as follows:

Name	Position	Number of meetings attended *(Times)*	Number of meetings held *(Times)*	Attendance rate
Xu Qiang	Chairman, Executive Director	2	2	100%
Cui Zhixiong	Executive Director	2	2	100%
Xiao Yinhong	Executive Director	2	2	100%
Wang Quanhua	Non-executive Director	2 (with 1 attended by another authorised Director on his behalf)	2	100%
Luo Chaogeng	Non-executive Director	2	2	100%
Sun Yude	Non-executive Director	2 (with 1 attended by another authorised Director on his behalf)	2	100%
Zhou Deqiang	Independent Non-executive Director	2	2	100%
Pan Chongyi	Independent Non-executive Director	2	2	100%
Cheung Yuk Ming	Independent Non-executive Director	2	2	100%

In 2011, in addition to the above-mentioned meetings, the Board also convened four meetings by circulation of documents and each Director expressed his opinion in writing in respect of the matters proposed at each of such four meetings. In 2011, only two physical meetings of the Board were held and this failed to satisfy fully the code provision A.1.1. To enhance time efficiency, four meetings were held by circulation of documents, pursuant to which the Board reviewed, opined upon and made decisions with regards to certain matters of normal business, including subcontracting engineering projects to subsidiaries, extension of the scope of the Company's operation, addition of capital contribution to wholly-owned subsidiaries, amendment of the composition of members of the Remuneration Committee and amendment of internal system etc, effectively performing its duties.

The Board is accountable to the general meeting in accordance with the Articles and performs the following duties: convening general meetings and reporting its work therein; implementing resolutions passed at the general meetings; confirming business plans and investment plans; preparing the annual budgets and accounts; proposing to shareholders on the distribution of dividends and bonuses as well as increment and decrement of share capital; establishing proposals for amendment to the Articles; deciding other significant affairs and administrative issues of the Company other than issues to be resolved in the general meetings as stipulated in the PRC Company Law and the Articles, and exercising other power by virtue of office and obligations as delegated by the general meetings and the Articles. It is also stipulated in the Company's Articles that resolutions approved by the Board in connection with the Company's connected transactions are not valid unless they are signed by Independent Non-executive Directors.

The Chairman of the Board (Chairman) and the General Manager (Chief Executive Officer) of the Company are assumed by Director Xu Qiang and Director Xiao Yinhong respectively. According to the Articles, the Chairman is responsible for convening and presiding at the Board meetings, organising and executing the duties of the Board, examining the implementation of the resolutions of the Board, signing the securities of the Company and executing other duties delegated by the Board; the General Manager is responsible for managing the Company's daily production and operation, coordinating the implementation of the resolutions passed by the Board, coordinating the implementation of the annual business plans and investment plans, formulating plans for the internal management bodies, formulating plans for the branches of the Company, establishing the basic management system, formulating the basic constitution, proposing the appointment or dismissal of the Deputy General Manager and Financial Controller of the Company, appointing or dismissing officers other than those to be appointed or dismissed by the Board and performing other duties as delegated by the Articles and the Board.

Despite the explicit requirements on the duties and the authority of the Board and the General Manager under the Articles, the Board has yet to set out clear guidance on the duties of and the authority delegated to the management, which partly deviated from code provisions D.1.1 and D.1.2. The Board is of the opinion that the management, with the General Manager being the core leader, when assigned the tasks of handling daily operation and management of the Company, shall not prejudice the interests of the Company.

In addition, at the first meeting of the fourth Board held on March 16, 2010, the Board authorised the General Manager to (a) determine the insignificant adjustments of the internal management bodies; (b) determine the establishment of branches of the Company; (c) determine the appointment or removal of the principal officers of the internal management bodies and branches (branch companies) of the Company; (d) appoint and change the members of the board of directors and the supervisory committee of the wholly-owned subsidiaries, appoint, change and recommend shareholder representatives, directors, supervisors and the senior management of the controlled subsidiaries and investee subsidiaries; and (e) approve and dispose of the equity investment and equity acquisition or disposal matters in respect of the principal operations of the Company or a single investment of the Company or a total investment less than RMB10,000,000 made in the same investee, including approval of the investment or transaction plans, approval and execution of the necessary documents in the course of plan implementation and so on. If the connected transactions and notifiable transactions under the Listing Rules are involved in the matters, the matters shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company.

According to the Code, the Board should review the effectiveness of the Company's internal control system at least once every year. The management is responsible for implementing and maintaining the Group's existing internal control system and its effectiveness, and in turn the activities of the management and the effectiveness of the internal control system shall be monitored by the Board and its Audit Committee. In 2011, the Company reviewed the effectiveness of the internal control system and did not identify any significant failures or weaknesses in all material respects. The Company will continue to optimize its internal control system and increase the effectiveness, scientificity and completeness of such system, aiming at enhancing the operational efficiency of corporate governance and level of internal control. At the Board meeting held on March 28, 2012 the Board was of the opinion that the Group's internal control system was basically effective in 2011 after a discussion, thus providing reasonable protection for the realisation of the target of overall control of the Company.

According to the directions given by the Listing Committee (for details, please refer to the press release published by The Stock Exchange of Hong Kong Limited on September 28, 2009 in relation to the Company and certain then Executive Directors), the Company has appointed a compliance adviser for consultation on Listing Rules compliance on an ongoing basis, such appointment is for a term of two years commencing October 2009, during which the compliance adviser shall be accountable to the Audit Committee of the Company. The term of the compliance adviser ended in October 2011. During the period ended October 2011, the Company consulted and adopted the advices and recommendations of the compliance adviser from time to time.

AUDIT COMMITTEE

The role, duties and authority of the Audit Committee are available at the Company's website. They mainly include: reviewing financial reports in respect of its completeness, accuracy and integrity; receiving reports from the management and auditors; making enquiries and receiving reasonable explanations to and from the Company's financial department and auditors on the Company's financial position; reviewing issues in respect of the Group's internal control and financial reporting and reporting the same to the Board. The Audit Committee held at least two regular meetings each year, and meetings will also be held at any time as and when necessary.

The Audit Committee of the fourth Board comprises three Independent Non-executive Directors, namely Mr. Cheung Yuk Ming, Mr. Zhou Deqiang and Mr. Pan Chongyi. Mr. Cheung Yuk Ming acted as the chief member of the Audit Committee (chairman). The term of each member of the committee is the same as his term as a Director.

In 2011, the Audit Committee convened two meetings, and the attendance rate of all members in the meetings was as follows:

Name	**Number of meetings attended** *(Times)*	**Number of meetings held in 2011** *(Times)*	**Attendance rate**
Cheung Yuk Ming (Chief member)	2	2	100%
Zhou Deqiang	2	2	100%
Pan Chongyi	2	2	100%

The Audit Committee reports to the Board at Board meetings in respect of its work and provides its advice and recommendations to the Board. The Audit Committee has sufficient resources to discharge its duties. Its work during 2011 is briefly described as follows:

- review of financial reports for the year ended December 31, 2010 and the six months ended June 30, 2011. Upon discussion with the management, the Company's financial department and external auditors, the Audit Committee agreed on the accounting treatment policy adopted by the Group and considered that the Group has tried its best to ensure the disclosure of financial information is in compliance with appropriate accounting standards and the requirements of the Listing Rules;

- review of auditing arrangements of external auditors and their status report, review of the independence of the external auditors and the effectiveness of their auditing procedures, discuss with the external auditors in relation to the nature and scope of the audit and relevant reporting responsibilities, and examination of issues raised by auditors to the management and the management's response to the same;

- review of the annual review report issued by the Company and the external auditors in respect of connected transactions;

- review of the Company's regulations on financial control and risk management, supervision of the coordination between internal and external auditing and their effectiveness, as well as the efficiency of internal financial reporting procedures and the implementation of internal management;

- discussion with the management and internal audit unit of the Company on the Company's internal control, review of the internal control system in accordance with the Listing Rules, provision of advice and recommendations to the Board, and review of the work report and recommendations of the compliance adviser; and

- consideration and approval of the change of external auditor, remuneration for auditing services and terms of engagement of external auditors, supervision on whether any non-auditing services have been provided by external auditors and giving advice to the Board on engagement of auditors.

The Audit Committee recommended to appoint Baker Tilly Hong Kong Limited ("Baker Tilly Hong Kong", Certified Public Accountants in Hong Kong) and Baker Tilly China ("Baker Tilly China", Certified Public Accountants in the PRC) as the Group's international and PRC auditors respectively for Year 2012.

REMUNERATION AND EVALUATION COMMITTEE

The Remuneration Committee shall be composed of at least three Directors of which a majority should be Independent Non-executive Directors. The term of each member of the Remuneration Committee is the same as his term as a Director. One Independent Non-executive Director serves as the chief member of the Remuneration Committee (chairman). The role and duties of the Remuneration Committee are available at the Company's website. They mainly include: studying appraisal criteria for Directors and senior management, giving advice and carrying out appraisal according to the Company's actual operation; studying and reviewing remuneration policies and proposals of Directors and senior management, and evaluating its effectiveness; advising the Board on the overall remuneration policies and frameworks of Directors and senior management of the Company, and on the remuneration policy for setting up formal and transparent procedures; monitoring the implementation of the Company's remuneration policies; determining specific remuneration of all Executive Directors and senior management and advising the Board on the remuneration of Non-executive Directors; reviewing and approving performance-linked remuneration in accordance with the corporate goals as from time to time approved by the Board; reviewing and approving the payment of compensation for loss or termination of office or appointment to Executive Directors and senior management to ensure such compensation is determined in accordance with contract terms; reviewing and approving the compensation arrangement for dismissal or removal of Directors for their misconducts to ensure such arrangement is made in accordance with contract terms; ensuring no Director or its associates could determine their own remuneration. The Remuneration Committee shall report to the Board its decisions or recommendations. The remuneration plan of the Company's Directors made by the Remuneration Committee is subject to the approval of the Board, and consideration and approval at the general meeting. The remuneration plan of the Company's senior management should also be approved by the Board.

The fourth Board appointed three Independent Non-executive Directors, namely Mr. Cheung Yuk Ming, Mr. Zhou Deqiang, Mr. Pan Chongyi, a Non-executive Director namely Mr. Wang Quanhua and an Executive Director namely Mr. Cui Zhixiong, to form the Remuneration Committee, and Mr. Zhou Deqiang was appointed as the chief member of the committee. In August 2011, the Board resolved to amend the composition of the Remuneration Committee in order to comply with the relevant requirements of SASAC, which meant Executive Directors were not appointed as members of the Remuneration Committee and the working rules of the Remuneration and Evaluation Committee were amended. Accordingly, pursuant to the Board's resolution, Executive Director Cui Zhixiong was no longer a member of the Remuneration Committee since August 2011.

In August 2011 the Remuneration Committee convened a meeting, at which the Company's initial grant of the H Share Appreciation Rights and the "Administrative Rules for the Share Appreciation Rights Incentives" were reviewed and approved, and subsequently submitted to the Board for review. In 2011, the attendance rate of members of the Remuneration Committee in the meetings was as follows:

Name	**Number of meetings attended** *(Times)*	**Number of meetings held in 2011** *(Times)*	**Attendance rate**
Zhou Deqiang (Chief member)	1	1	100%
Pan Chongyi	1	1	100%
Cheung Yuk Ming	1	1	100%
Wang Quanhua	1	1	100%
Cui Zhixiong (Resigned in August 2011)	0	0	0%

REMUNERATION POLICY OF DIRECTORS

The Board has approved and entered into service contracts with the Directors on behalf of the Company under the authorisation given at the general meeting. Pursuant to the contract, the annual fee of each of the Independent Non-executive Directors is RMB120,000 (inclusive of tax), but the Independent Non-executive Directors are not entitled to bonus. The fees are determined with reference to the prevailing market prices. The Executive Directors and Non-executive Directors are not entitled to such fees and/or bonus. However, Executive Directors are entitled to the remuneration for their full-time service if they are full-time employees of the Company. Such remuneration includes salaries, benefits, subsidies and retirement benefit scheme contribution as determined in accordance with the laws and regulations of the PRC and the policy guidance issued by the upper regulatory authorities as amended from time to time and their respective work duties, performance and working experience, as well as the discretionary bonus paid to employees based on the performance and financial position of the Company in accordance with the employees' remuneration scheme. The Company also bears the reasonable costs incurred by the Directors during their service in the Company and the Directors are entitled to liability insurance (if any) taken out by the Company for the Directors, Supervisors and senior management. The revised proposal for Directors' remuneration is determined by the Board and the Remuneration Committee according to the authorisation given at the general meeting and the applicable laws and regulations. Details of remuneration of each of the Directors are set out in Note 7 to the financial statements.

According to the H Share Appreciation Rights Scheme approved at the Company's general meeting in June 2011, and the adoption of the initial grant proposal approved by the Board in August 2011, 3 Executive Directors namely Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong were granted 495,000 H Share Appreciation Rights respectively on August 29, 2011.

NOMINATION OF DIRECTORS

The Company has not set up a nomination committee for Year 2011 and the preceding years. Nomination and election of Directors are carried out in accordance with the Articles. At present, the nomination and election procedures of the Directors are as follows: the major promoter shareholders and the Board nominate and recommend candidates for Directors (other than Independent Non-executive Directors) and Independent Non-executive Directors respectively; following the selection of candidates of Directors (including Independent Non-executive Directors) by the Board in accordance with the relevant requirements of the PRC Company Law, the Listing Rules, Chapter 14 of the Articles "Eligibility and obligations of Directors, Supervisors, Managers and other senior management of the Company", the election of proposed Directors will be put forward for approval at the general meeting; each Director serves for a term of 3 years and is subject to re-election upon expiry; written notices of intention of nominations of Director's candidate and of candidate's acceptance for nomination shall be sent to the Company after the date that the notice on the general meeting for the purpose of Directors' election is issued and at least 7 days prior to the date of the meeting; each session of the Board comprises 9 Directors, of which at least one-half of the Directors are external Directors (including at least three Independent Non-executive Directors); directors shall be elected by way of ordinary resolution in the general meeting; in case more than 9 Directors are approved, those who have got the highest votes shall be elected as Directors; any Director who has unexpired terms of office may be removed by way of ordinary resolution at the general meeting provided that the general meeting is conducted in accordance with the relevant provisions of laws and administrative rules.

Members of professional committees under the Board shall be nominated by either the Chairman, more than half of the Independent Non-executive Directors or one-third of all the Directors, and subsequently elected by the Board. Chief members of all committees shall be appointed by the Board. Members of the committees shall satisfy the qualification requirements set out in the working rules of the respective committees.

As at March 28, 2012, the establishment of the Nomination Committee, which comprised Mr. Xu Qiang (Chairman) and two Independent Non-executive Directors, namely Mr. Zhou Deqiang and Mr. Pan Chongyi, was approved by the Board. Mr. Xu Qiang (Chairman) is the chief member (chairman) of the Nomination Committee. Duties of the Nomination Committee are disclosed under the requirements of the Listing Rules.

REMUNERATION OF EXTERNAL AUDITORS

In 2011, aggregate remunerations for audit services provided by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company, the Company's international and PRC auditors respectively (for the first half year (Interim) of Year 2011), amounted to RMB0.7 million; aggregate remunerations for audit services provided by Baker Tilly Hong Kong and Baker Tilly China, being the Company's international and PRC auditors respectively, for Year 2011 amounted to RMB1.25 million. In 2011, PricewaterhouseCoopers, PricewaterhouseCoopers Zhong Tian CPAs Limited Company, Baker Tilly Hong Kong and Baker Tilly China did not provide any material non-audit services to the Group.

STRATEGIC COMMITTEE

The Strategic Committee is responsible for studying and advising the Company for its long term development strategies and significant investment decisions, including major issues like significant investment financing plans, significant capital operations and asset operations, which have an impact on the Company's development. Their duties are available at the Company's website. The Strategic Committee of the Company comprises six Directors. The term of each member of the Committee is the same as his term as a Director.

The fourth Board appointed six Directors, namely Xu Qiang, Cui Zhixiong, Xiao Yinhong, Wang Quanhua, Luo Chaogeng and Sun Yude to form the Strategic Committee of the Company, and Director Xu Qiang was appointed as the chief member (chairman) of the committee.

The Strategic Committee did not convene any meeting in 2011.

EXECUTIVE COMMITTEE

At the meeting of the fourth Board of the Company held on March 16, 2010, it was resolved to set up an executive committee (the "Executive Committee") to be responsible for examining, supervising and implementing the resolutions of the Board; regularly listening to the General Manager's report on the operation and management of the Company; regularly reporting its works to the Board and making recommendations and plans on important issues which shall be discussed and determined by the Board. Its duties are available at the Company's website.

The Executive Committee comprises all Executive Directors with the Chairman appointed as the chief member of the Executive Committee (chairman). The term of each member of the Committee is the same as his term as a Director. The fourth Board appointed three Executive Directors, namely Xu Qiang, Cui Zhixiong and Xiao Yinhong to form the Executive Committee with Director Xu Qiang appointed as the chief member of the Executive Committee (chairman).

On March 16, 2010, the fourth Board authorised the Executive Committee to approve and dispose of the equity investment and equity acquisition or disposal matters in respect of the principal operations of the Company or a single investment of the Company or a total investment over RMB10,000,000 made in the same investee but within 1% of the total assets of the Group (the Company and subsidiaries), including approval of the investment or transaction plans, approval and execution of the necessary documents in the course of plan implementation and so on. If the connected transactions and notifiable transactions under the Listing Rules are involved in the matters, the matters shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company.

The Executive Committee convened one meeting in 2011. "TravelSky Technology Huadong Data Center Limited", a wholly-owned subsidiary of the Company, was established in Jiaxing upon the decision reached after the discussion of the Executive Committee, with a registered capital amounting to RMB50 million.

SUPERVISORY COMMITTEE

In accordance with the PRC Company Law and the Articles, the Supervisory Committee comprises five Supervisors, including two Shareholder Representative Supervisors, one Independent Supervisor and two Staff Representative Supervisors. Other supervisors are all appointed and removed at the general meeting of the Company, except for Staff Representative Supervisors who are appointed or removed at the staff representative meeting of the Company. The term of each of the Supervisors of the Supervisory Committee of the Company is three years.

Supervisory Committee reviews the Company's financial position in accordance with the Articles and supervises the operation management activities of the Board and senior management. The Supervisory Committee is responsible for attending Board meetings, reviewing financial information proposed by the Directors at the general meetings from time to time such as corporate financial affairs and financial statements, and supervising activities of the Board and other senior management to discharge their duties. In case of conflict of interest between the Company and any of its Directors, the Supervisory Committee shall negotiate or initiate legal proceedings against such Directors on behalf of the Company. Resolution proposed in any meeting of the Supervisory Committee shall be adopted with approval granted by two-thirds or more of the Supervisors.

The fourth Supervisory Committee was formed by Ms. Li Xiaojun, Ms. Zeng Yiwei, Mr. Yu Yanbing, Mr. Rao Geping and Mr. Xiao Wei, with Ms. Li Xiaojun as the Chairperson of the Supervisory Committee. Biographies of the supervisors are set our on page 128 to page 129.

During 2011, the fourth Supervisory Committee held two meetings. The Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2010 and the interim results for the six months ended June 30, 2011, supervised operation and management activities of the Board and senior management, and discussed matters relating to the election of Supervisors, and made recommendations to the management.

In 2011, the fourth Supervisory Committee held two meetings. Attendance of each of the Supervisors of the Supervisory Committee at the Supervisory Committee meetings was as follows:

Name	**Position**	**Number of meetings attended** *(Times)*	**Number of meetings held** *(Times)*	**Attendance rate**
Li Xiaojun	Chairperson of the Supervisory Committee, Staff Representative Supervisor	2	2	100%
Zeng Yiwei	Supervisor	2	2	100%
Yu Yanbing	Supervisor	2	2	100%
Rao Geping	Independent Supervisor	2 (with 1 attended by another authorised Supervisor on his behalf)	2	100%
Xiao Wei	Staff Representative Supervisor	2	2	100%

In 2011, all Supervisors of the Supervisory Committee fully complied with the requirements of the Model Code.

By Order of the Board
Yu Xiaochun
Company Secretary

March 28, 2012

REPORT OF DIRECTORS

The Board of the Company is pleased to present its report together with the audited financial statements of the Group for Year 2011.

GROUP ACTIVITIES

The Group is the dominant provider of information technology solutions for China's aviation and travel industries. The core businesses of the Group include aviation information technology service, distribution of information technology service, as well as accounting, settlement and clearing services, etc..

The analysis of the Group's financial performance is set out under the section headed "Management Discussion and Analysis of Financial Condition and Results of Operations". No analysis of the Group's revenues and contribution to operating profit by geographical areas is presented, as revenues and results of the Group during Year 2011 were principally derived from the operations of the Group in the PRC.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2011 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2011, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Approximate percentage to the total number of shares in issue *(%)*
Domestic Shares	1,993,647,589	68.13
H Shares	932,562,000	31.87
Total	2,926,209,589	100.00

Movement of Share Capital

Bonus issue of shares, as described in the circular of the Company dated May 12, 2011, was approved at the Company's AGM and shareholder class meetings held on June 28, 2011 respectively (as described in the announcement dated on June 28, 2011). In August 2011, the Company completed the bonus issue of shares to the domestic shareholders and H shareholders whose names appeared on the register on June 28, 2011 and the corresponding conversion into paid-in capital. As of December 31, 2011, the total number of shares in issue of the Company amounted to 2,926,209,589 shares, of which 1,993,647,589 shares were domestic shares, representing approximately 68.13% of the total number of shares in issue; the number of H shares was 932,562,000 shares, representing approximately 31.87% of the total number of shares in issue.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2011, the interests and short positions of any persons (other than Directors, Supervisors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "Ordinance") are set out as follows:

Name of shareholder	**Number and class of shares** *(Note 1)*	**Capacity**	**Approximate percentage of respective class of share capital** *(Note 2)*	**Approximate Percentage of total share capital** *(Note 2)*
Templeton Asset Management Limited	129,377,291 H shares of RMB1 each (L)	Investment manager	13.87%	4.42%
GMT Capital Corp.	103,750,000 H shares of RMB1 each (L) *(Note 3)*	Beneficial owner	11.13%	3.55%
JPMorgan Chase & Co.	74,645,903 H shares of RMB1 each (P) *(Note 4)*	Custodian-corporation/ approved lending agent	8.00%	2.55%
	9,500 H shares of RMB1 each (L) *(Note 4)*	Beneficial owner	0.01%	0.0003%
The Bank of New York Mellon Corporation	48,236,498 H shares of RMB1 each (L) *(Note 5)*	Interest of controlled corporation	7.76% *(Note 5)*	1.65% *(Note 5)*
Platinum International Fund	43,293,433 H shares of RMB1 each (L) *(Note 6)*	Beneficial owner	6.96% *(Note 6)*	2.22% *(Note 6)*
Keywise Capital Management (HK) Limited	38,069,000 H shares of RMB1 each (L) *(Note 7)*	Beneficial owner	6.12% *(Note 7)*	1.95% *(Note 7)*
China TravelSky Holding Company	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Southern Air Holding Company	349,381,500 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	65,773,500 domestic shares of RMB1 each (L) *(Note 8)*	Interest of controlled corporation	3.30%	2.25%

Name of shareholder	Number and class of shares *(Note 1)*	Capacity	Approximate percentage of respective class of share capital *(Note 2)*	Approximate Percentage of total share capital *(Note 2)*
China Eastern Air Holding Company	328,243,500 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	25,155,000 domestic shares of RMB1 each (L) *(Note 9)*	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) *(Note 10)*	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company	268,300,500 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	18,720,000 domestic shares of RMB1 each (L) *(Note 11)*	Interest of controlled corporation	0.94%	0.64%

Notes:

(1) (L) – Long position; (P) – lending pool.

(2) Percentage of total share capital is based on 2,926,209,589 shares of the total issued share capital of the Company as at December 31, 2011; percentage of respective class of share capital is based on 1,993,647,589 domestic shares and 932,562,000 H shares of the Company as at December 31, 2011.

(3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by GMT Capital Corp. on November 2, 2011, GMT Capital Corp. shall be deemed to be interested in 103,750,000 H Shares. These shares were deemed to be held by GMT Capital Corp. through Bay II Resources Partners, LP, Bay Resources Partners, LP, Bay Offshore Resource Partners, Lyxor and Thomas E. Claugus (such companies were 100% controlled by GMT Capital Corp.).

(4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on December 8, 2011, JPMorgan Chase & Co. was deemed to be interested in 74,655,403 H Shares. These shares were held by JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation and J.P. Morgan International Inc. , which were 100% directly or indirectly controlled by JPMorgan Chase & Co.. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the Ordinance.

(5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Bank of New York Mellon Corporation on April 11, 2011, the 48,236,498 H shares in which The Bank of New York Mellon Corporation was deemed to be interested were held through The Bank of New York Mellon (such company was 100% controlled by The Bank of New York Mellon Corporation). As the latest filing date of The Bank of New York Mellon Corporation was prior to the date of distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company, and its number and percentage of shareholding as of December 31, 2011 could not be determined.

(6) As the latest filing date of Platinum International Fund was November 10, 2010 which was prior to the date of the distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company in 2011, and its number and percentage of shareholding as of December 31, 2011 could not be determined.

(7) As the latest filing date of Keywise Capital Management (HK) Limited was October 29, 2009 which was prior to the date of the distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company in 2011, and its number and percentage of shareholding as of December 31, 2011 could not be determined.

(8) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company. China Southern Air Holding Company was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the Ordinance.

(9) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the Ordinance.

(10) These shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the Ordinance.

(11) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company. China National Aviation Holding Company was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the Ordinance.

(12) For the latest disclosure of interests filings of the substantial shareholders of the Company's H shares, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk).

Save as the above, as at December 31, 2011, no persons (other than Directors, Supervisors or chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Ordinance.

PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the corporate information available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY OTHER ASSOCIATED CORPORATIONS

As at December 31, 2011, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Ordinance) as recorded in the register required to be kept under Section 352 of the Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

None of the Directors, Supervisors or chief executive of the Company or their respective associates had been granted or had exercised any rights to subscribe for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Ordinance) for the year ended December 31, 2011.

As at December 31, 2011, each of China TravelSky Holding Company, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Ordinance.

As at December 31, 2011,

(a) Mr. Xu Qiang (Chairman of the Company and an executive Director) was an employee of China TravelSky Holding Company;

(b) Mr. Wang Quanhua (a non-executive Director) was an employee of China Southern Air Holding Company;

(c) Mr. Luo Chaogeng (a non-executive Director) was an employee of China Eastern Air Holding Company and retired in May 2011; and

(d) Mr. Sun Yude (a non-executive Director) was an employee of China National Aviation Holding Company.

Save as disclosed above, as at December 31, 2011, none of the existing and proposed Directors or Supervisors of the Company was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Ordinance.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All members of the fourth session of the Board and the fourth session of the Supervisory Committee of the Company have entered into service contracts with the Company. The term for the fourth session of the Board and the Supervisory Committee is 3 years, commencing from March 16, 2010 and ending on March 15, 2013 or on the date when the fifth session of the Board or the Supervisory Committee is elected by shareholders. Pursuant to the relevant requirements of the PRC Company Law and the Articles, the respective term of the Directors and Supervisors shall commence from the conclusion of the general meeting at which such Directors and Supervisors are elected until the forming of the next session of the Board and the Supervisory Committee upon election by a general meeting.

For the year ended December 31, 2011, none of the Directors or Supervisors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Certain members of the fourth session of the Board and the Supervisory Committee are also members of the management of various PRC commercial airlines which are shareholders of the Company. The contracts or transactions entered into between the Company or any of its subsidiaries and such airline shareholders have been referred to in the section “Connected Transactions” of this Report of Directors. Save as disclosed in that section, none of the Directors or Supervisors were materially interested, either directly or indirectly in any contract of significance to which the Company or any of its subsidiaries was a party during, or at the end of Year 2011.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of Directors and Supervisors are set out in Note 7 to the financial statements.

INTEREST CAPITALISED

No interest was capitalised for the Group in Year 2011.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2011 are summarised in Note 13 to the financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2011 are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board recommends the payment of a final cash dividend amounting to RMB0.120 per share (tax inclusive) for Year 2011. For details, please refer to the section headed "Proposed Distribution of a Final Cash Dividend for 2011" in "Management Discussion and Analysis of Financial Condition and Results of Operations".

SHARE APPRECIATION RIGHTS

Please refer to note 36 to the financial statements for details of the share appreciation rights scheme of the Company and the share appreciation rights granted during the year ended December 31, 2011.

EMPLOYEES' RETIREMENT SCHEME

Details of the employees' retirement scheme of the Group are set out in the section headed "Employees" in "Management Discussion and Analysis of Financial Condition and Results of Operations" and Note 7 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

Sociètè Internationale de Tèlècommunications Aeronautiques S.C. ("SITA S.C.") was the largest supplier of the Group for Year 2011 and the total network usage fees paid by the Group to SITA S.C. in Year 2011 accounted for 1.3% of the Group's total operating expenses (excluding depreciation and amortisation expenses). During Year 2011, the total amount paid to the five largest suppliers of the Group accounted for 6.2% of the Group's total operating expenses (excluding depreciation and amortisation expenses).

Sales to the largest customer of the Group, Air China Limited, a subsidiary of China National Aviation Holding Company, accounted for 15.8% of the Group's total revenues for Year 2011. During Year 2011, total sales to the Group's five largest customers accounted for 54.8% of the Group's total revenues. Three of these top five customers were China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited and Air China Limited. Their respective controlling shareholders, namely China Southern Air Holding Company (a substantial shareholder of the Company), China Eastern Air Holding Company (a substantial shareholder of the Company) and China National Aviation Holding Company, held an aggregate of approximately 36.2% of the issued share capital of the Company as at December 31, 2011. The revenue derived from the above major customers is set out in Note 40 to the financial statements.

Save as disclosed in this report and in Note 40 to the financial statements, none of the Directors, Supervisors and their associates nor any shareholder (which to the knowledge of the Directors hold more than 5% of the Company's issued share capital) had any interest in any of the aforementioned suppliers and customers.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at December 31, 2011 are set out in Note 1 to the financial statements.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During Year 2011, the Group continued to carry out the following transactions, which constitute continuing connected transactions as defined in the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(a) The Group (excluding ACCA) provides aviation information technology services and products to a number of airlines ("Airlines") as follows, which includes:

the Airlines were the associates of the substantial shareholders of the Company and connected person under "Listing Rules" including China Southern Airlines Company Limited ("Southern Airlines"), Xiamen Airlines Company Limited ("Xiamen Airlines"), Sichuan Airlines Company Limited ("Sichuan Airlines"), Chongqing Airlines Company Limited, China Eastern Airlines Corporation Limited ("Eastern Airlines"), China Eastern Airlines Wuhan Company Limited ("CEA Wuhan"), Shanghai Airlines Ltd ("Shanghai Airlines", formerly known as Shanghai Airlines Company Limited);

The Group (excluding ACCA) provided the aviation information technology service and related products to the Airlines, including:

(i) flight control system services which provided, among other services, the consolidated information, flight information, flight control, flight tickets sales, automatic tickets sales and announcement of freight price;

(ii) electronic travel distribution system services which provided, among other services, flight information display, real-time flight reservation, automatic tickets sales, tickets price display and other travel- related services;

(iii) airport passenger processing system services which provided check-in, boarding and load planning services; and

(iv) civil aviation and commercial data network services which provided, among other services, the network transmission services and connection services.

In accordance with the prescribed prices of Civil Aviation Administration of China ("CAAC") determined through amicable negotiation between both parties, depending on the types of system through which the transactions were processed, the aforesaid Airlines were required to pay service fees to the Group on monthly basis including:

(i) per passenger booking fee for domestic routes ranging from RMB4.5 to RMB6.5 depending on the monthly booking volume and for international and regional routes ranging from RMB6.5 to RMB7;

(ii) fees for each boarding passenger handled by the airport passenger processing system up to maximum allowable price of RMB7 for international and regional routes and up to a maximum of allowable price of RMB4 for domestic routes depending on the types of the route, volume, level of services, etc;

(iii) load balancing fees for each flight handled by the airport passenger processing system up to maximum allowable price of RMB500 depending on the size of the aircraft; and

(iv) fees for using the Company's data network services such as physical identified device (PID) connection fees and maintenance fees depending on type and quantity of equipment.

The above continuing connected transactions were conducted in the ordinary and usual course of business of the Group and were the source of principal operating revenue of the Group. For more details, please refer to the announcements of the Company dated September 19, 2007, December 31, 2008, September 2, November 4, 2009 and November 17, 2010 and circulars of the Company dated October 10, 2007, November 13, 2009, April 1 and December 3, 2010 respectively.

The respective annual caps and transaction amounts of the above continuing connected transactions for the financial year ended December 31, 2011 were as follows:

Airlines *(connected persons)*	**Agreement date**	**Year 2011 Annual caps** *(RMB'000)*	**2011 Transaction amounts** *(RMB'000)*
Southern Airlines (including Xiamen Airlines, Chongqing Airlines Company Limited)	February 17, 2011	581,463.00	420,466.11
Sichuan Airlines	November 17, 2010	152,642.50	119,679.91
Eastern Airlines (including Shanghai Airlines)	June 30, 2007	849,368.00	463,035.32
CEA Wuhan	December 31, 2008	30,593.00	18,906.67

(b) *Lease of Properties by the Company from China TravelSky Holding Company*

The Company continued to lease the properties in Dongsi, Beijing (as stated in the announcement of the Company dated December 23, 2009) from China TravelSky Holding Company in 2011 as data centers for daily operation. As China TravelSky Holding Company is a substantial shareholder of the Company, it is a connected person of the Company under Listing Rules. Term of the tenancy agreements for the lease of the Dongsi properties was three years starting from January 1, 2010. The amount of the rentals payable to China TravelSky Holding Company by the Company is based on market price. The rental (including property management fee) is RMB4.11 per square meter per day and is paid quarterly. The annual cap of the above continuing connected transaction for Year 2011 was RMB31,350,000.

For Year 2011, total rental paid by the Company to China TravelSky Holding Company under the above tenancy agreements amounted to approximately RMB31,257,410.

(c) *Transactions between the Company and the Service Companies*

As set out in the announcement of the Company dated November 4, 2009, and the circular of the Company dated November 13, 2009, the Service Companies include:

(A) The following non-wholly owned subsidiaries, being the connected persons under Rule 14A.11(5) of the Listing Rules:

Hainan Civil Aviation Cares Co., Ltd. ("Hainan Cares"), Cares Shenzhen Co., Ltd. ("Shenzhen Cares"), Cares Hubei Co., Ltd. ("Hubei Cares"), Aviation Cares of Yunnan Information Co., Ltd. ("Yunnan Cares"), Civil Aviation Cares of Xiamen Ltd. ("Xiamen Cares"), Civil Aviation Cares of Qingdao Ltd. ("Qingdao Cares"), Civil Aviation Cares Technology of Xi'an Ltd. ("Xi'an Cares") and Civil Aviation Cares Technology of Xinjiang Ltd. ("Xinjiang Cares");

(B) The associates of the substantial shareholders or the associates of promoters of the Company, being connected persons as defined under Rule 14A.11(4) of the Listing Rules:

Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("Huadong Cares"), Shenyang Civil Aviation Cares of Northeast China Ltd. ("Dongbei Cares"), Shanghai Dongmei Aviation Tourism Online Co., Ltd ("Dongmei Online") and Guangzhou Airport AirSpan Information Technology Co. Ltd ("Guangzhou Konggang");

These Service Companies are established to distribute products of the Company and to provide better services to the local customers. These Service Companies (i) are established and operate in different regions and maintain the connection points and equipment of their respective networks which are connected to the Company's network and systems. They also act as the regional service centers of the Company's data network services, to provide such services as linking connection points of the network data transmission equipment and terminals, equipment installation and maintenance, technical support and other network services; (ii) provide technological service to the customers of the Company's aviation technology system within the Company's nationwide data network; (iii) provide marketing and distribution services for products of the Company; and (iv) provide technology development service.

The service fees payable by the Company to the Service Companies were determined on the following basis: (i) service fees would be determined in accordance with the pricing schedule prescribed by regulatory authorities (e.g. CAAC) in the event that services were regulated by relevant regulatory authorities; (ii) service fees would be determined through negotiation with reference to government price guideline; (iii) if there was no prescribed pricing schedule or price guideline, or the prescribed pricing schedule or price guideline had been revoked or became inapplicable, the service fees would be determined through negotiation between the Company and the Service Companies with references to the prevailing market prices (if any) or previously prescribed pricing schedule or price guideline or on a cost basis.

On November 4, 2009, a service framework agreement was entered into between the Company and its 25 subsidiaries and associates (including the aforesaid Service Companies) with a term of 3 years commencing on January 1, 2010. The agreement would be automatically renewed and extended for another three years if no party gave dissenting opinion in writing three months prior to its expiration.

During Year 2011, the aggregated amounts of the transactions between the Company and the Service Companies were as follows:

Service Companies	**Year 2011 Annual caps** *(RMB'000)*	**2011 Transaction amounts** *(RMB'000)*
Hainan Cares	4,406	3,002
Shenzhen Cares	18,308	10,960
Xiamen Cares	4,562	3,310
Xinjiang Cares	5,078	3,593
Hubei Cares	7,475	4,715
Yunnan Cares	5,053	2,528
Xi'an Cares	5,543	5,296
Qingdao Cares	5,808	5,431
Huadong Cares	44,566	22,975
Dongbei Cares	7,933	7,266
Guangzhou Konggang	1,200	–
Dongmei Online	336	–

(d) *Security check information system services provided by Xiamen Cares to the Company*

As stated in the announcement of the Company dated July 29, 2010, the Company entered into the Security Check System Service Agreement (the "Agreement") with Xiamen Cares (a connected person as defined under Rule 14A.11(5) of the Listing Rules) with a term from July 29, 2010 to December 31, 2012. Pursuant to the Agreement, the Company will from time to time enter into specific agreements to subcontract certain works regarding the security check information system of different projects to Xiamen Cares. The services include, among others, the design of the security check operating system, the procurement, supply, planning, installment, testing, inspection, training and/or implementation of software and hardware.

Service fees: The fees to be paid to Xiamen Cares for each project shall be determined and agreed between the parties in writing based on the scale and actual circumstances and after taking into account the costs and income of both parties and market conditions. The schedule and method of payment of the fees shall also be determined and agreed between the parties in writing based on the scale and actual circumstances of each project.

The annual cap of the continuing connected transaction under the Agreement for Year 2011 was RMB13,000,000. The cumulative contract amount under the Agreement for Year 2011 was approximately RMB12,361,000, among which approximately RMB6,955,000 was paid in 2011.

(e) *Services provided by ACCA to the Airlines (as specified in item (a) of the section headed "Continuing Connected Transactions" above)*

In March 2009, the Company completed the acquisition of 100% equity interest in ACCA. As a wholly owned subsidiary of the Company, the provision of services by ACCA to the connected persons of the Company is also subject to the relevant requirements under Chapter 14A of the Listing Rules.

(i) The provision of Revenue Accounting Systems Development and Support Services and/or Passenger and Cargo Revenue Accounting and Settlement Services by ACCA to those airlines.

Scope of services includes:

(1) provision of computer system application development and support services including self-developed computer application systems in respect of both international and domestic passengers revenue accounting system, international and domestic cargo revenue accounting system, mail revenue accounting system, airport miscellaneous charges accounting system, data service system, international and domestic clearing and settlement system by ACCA; service fees varied depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate) as expressly stipulated in the agreement, and such fees would be collected on a monthly basis;

(2) provision of data capturing, sales reporting control, sales auditing, prorating, uplift processing, outward and inward billing, coupon matching, accounting, reconciliation and management reporting services for passenger and cargo (as the case may be) revenue accounting and settlement services by ACCA; service fees would be determined with reference to the rates and rules prescribed in the relevant documents of the industrial regulatory authorities, and the pricing of services provided would be expressly stipulated in the relevant agreements based on a percentage rate of the total accounting amount and/or the transaction volume times unit price; the service fees were paid monthly.

In Year 2011, the transaction amounts and annual caps of the above continuing connected transactions between ACCA and the connected persons below were as follows:

Airlines *(connected persons)*	**Agreement date**	**Year 2011 Annual caps** *(RMB'000)*	**2011 Transaction amounts** *(RMB'000)*
Southern Airlines	September 22, 2009	49,980.0	44,279.0
Sichuan Airlines	December 29, 2009	4,845.6	3,875.0
Eastern Airlines (including Shanghai Airlines)	March 29, 2011	103,639.0	68,419.0

(For details, please refer to the announcements of the Company dated September 3, September 22, November 4 and December 29, 2009, and March 23, 2010 respectively, and the circular of the Company dated November 13, 2009.)

(ii) IATA (International Air Transport Association) – BSP Services (Provision of Sales Data Processing and Settlement Service)

Scope of services includes: provision of sales data processing and capital settlement service between the agencies and certain airline companies to IATA in the PRC, Hong Kong, Macau and Taiwan, and supply of software application support, development and maintenance services. Pursuant to the service fee basis defined in the agreement dated March 27, 2008 between ACCA and IATA, service fees were charged on the airlines on the basis of a "Standard Charging Unit" per processing transaction. Transactions are defined in Renminbi for transactions in the PRC, in Hong Kong Dollars for Hong Kong and Macau and in United Stated Dollars for other territories, subject to exchange rate fluctuation which will be adjusted in accordance with the terms of the agreement.

As stated in the announcement of the Company dated December 1, 2010, the annual cap for Year 2011 for this continuing connected transaction between ACCA and the connected persons (as defined under the Listing Rules) of the Company (comprising Southern Airlines, Xiamen Airlines, Sichuan Airlines, Eastern Airlines, Shanghai Airlines) was RMB39,535,000. In 2011, the transaction amount of such continuing connected transaction was approximately RMB27,619,000.

(iii) Domestic Mail Revenue Accounting and Settlement

As disclosed in the announcements of the Company dated August 18, 2011 and May 12, 2009, during the period from September to December 2008, ACCA entered into an agreement with each party thereto, for a term from January 1, 2009 to December 31, 2016. In August 2011, each party agreed to amend the relevant terms concerning computation of the receipt and payment under the agreement.

The agreement entered into and signed by the following parties on dates set forth below:

Southern Airlines: November 5, 2008;
Xiamen Airlines: October 23, 2008;
Sichuan Airlines: September 10, 2008;
Eastern Airlines: December 11, 2008;
Shanghai Airlines: September 11, 2008;

Scope of services under the agreement includes: provision of stock control, sales control, sales audit, uplift revenue proration, accounting processing, sales and uplift matching, clearing services by ACCA to the airlines. The system service fee was charged on a monthly basis. The service fee was based on the rate as set out in the agreement in which ACCA received payment of 5.5% handling charges based on the uplift amount from the airlines, and paid 4% handling fee to the airline based on sales amount. Such uplift amount and sales amount are determined based on the different roles (as carrier or seller) performed by the airlines in mail services transaction, and such fees were charged by reference to the relevant documents issued by the industry regulatory authorities.

The annual cap for Year 2011 for this continuing connected transaction was RMB48.3 million. The transaction amount in 2011 was approximately RMB41,181,270.

In the opinion of the Independent Non-executive Directors of the Company, the above items (a) to (e) of the continuing connected transactions:

(i) were in the usual and ordinary course of business of the Group;

(ii) were conducted on normal commercial terms, or where there is no available comparison, on terms that are no less favorable than those available to or from (as it is applicable) independent third parties;

(iii) were conducted on the terms of the relevant agreement governing those transactions, which are fair and reasonable and in the interest of the shareholders of the Company as a whole; and

(iv) did not exceed the annual cap amounts disclosed in the previous announcements and circulars during the financial year ended December 31, 2011.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the above items (a) to (e) of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

One-off connected transaction:

The Company and certain Services Companies entered into subcontracting contracts in respect of the construction projects of airport departure system in Year 2011:

Services Companies	Date of Announcement (Contract date)	Contract Content	Contract sum *(RMB)*
Guangzhou Konggang	January 17, 2011	The Company subcontracts to Guangzhou Konggang part of the work in respect of procurement, installation, modification and testing of software and hardware for the Guangzhou Baiyun Airport Improvement Project;	6,083,850.00
Xiamen Cares	January 17, 2011	The Company subcontracts to Xiamen Cares the work in respect of the procurement and setting-up of equipment such as software and hardware for departure control system for the new terminal of the Nanchang Changbei Airport;	5,449,349.55
Huadong Cares	June 10, 2011	Huadong Cares purchases New App System and ancillary products for Changzhou Benniu Airport from the Company, and the Company provides installation and maintenance services;	4,260,000.00
Xi'an Cares	August 29, 2011	The Company subcontracts to Xi'an Cares the work in respect of the construction of the Departure System Project and T3 terminal for Xi'an Xian Yang Airport;	17,256,600.00
Shenzhen Cares	December 8, 2011	The Company subcontracts to Shenzhen Cares (1) Implementation and services of the departure control system, (2) procurement of software and hardware, in respect of the expansion work of the T3 terminal of Shenzhen Airport.	(1)5,474,800.00 (2)22,955,610.00

The price levels of the above contracts were determined through negotiations in accordance with market condition, and the agreed contract sums were paid in installments based on the work progress and the project examination result in accordance with the requirement of contracts terms.

The Directors confirm that the above transactions are connected transactions or continuing connected transactions of the Company (some of them are also related party transactions as set out in Note 40(2) to the financial statements) which are the connected transactions and continuing connected transactions as defined under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2011, the Group did not have any trust deposits or irrecoverable overdue time deposits. All of the Group's cash deposits are deposited with commercial banks and are in compliance with applicable laws and regulations.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2011, the Company and any of its subsidiaries did not purchase, sell or redeem any of its securities.

AUDIT COMMITTEE AND COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Audit Committee has reviewed the accounting policy and practice adopted by the Group and has also discussed certain other matters relating to audit, internal control and financial reporting including the review of the audited consolidated financial statements of the Group for the year ended December 31, 2011. Details of the Company's compliance with the requirements of the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for Year 2011 are set out in the "Corporate Governance Report" contained in this annual report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights under the articles of association of the Company or the PRC laws.

MATERIAL LITIGATION

The Group was not involved in any material litigation or dispute in Year 2011.

AUDITORS

Pursuant to the resolutions passed at the AGM held on June 28, 2011, PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Limited Company (Certified Public Accountants in the PRC) were the Company's international and PRC auditors respectively for Year 2011. However, to comply with the regulations of domestic regulatory authorities in respect of the maximum limit of the service term of auditors, in August 2011, the Board decided to replace the above auditors with Baker Tilly Hong Kong Limited (Certified Accountants in Hong Kong) and Baker Tilly China (Certified Accountants in the PRC) as the international and PRC auditors for Year 2011 respectively. Such change was ratified and approved at the extraordinary general meeting of the Company on February 22, 2012.

A resolution relating to the appointment of Baker Tilly Hong Kong Limited (Certified Public Accountants in Hong Kong) and Baker Tilly China (Certified Public Accountants in the PRC) as the Company's International and PRC auditors for the year ending December 31, 2012 respectively will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
Xu Qiang
Chairman

March 28, 2012

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2011, members of the fourth Supervisory Committee of the Company have diligently performed their duties during their tenure to ensure that the Company has observed and complied with the Listing Rules, the laws and regulations of the PRC, the Articles of Association of the Company and other relevant rules and regulations to protect the interests of the Company and its shareholders.

According to the Articles of Association of the Company, the Supervisory Committee of the Company comprises five Supervisors (among which the number of staff representative Supervisors should be more than one-third of the number of members of the Supervisory Committee) and one independent Supervisor. Each Supervisor serves a term of 3 years. (The list of Supervisors is set out in the section headed "Corporate Information" and the biographies of Supervisors are set out on pages 128 to 129).

The fourth Supervisory Committee of the Company convened two meetings in Year 2011. The fourth Supervisory Committee reviewed the Company's financial statements for Year 2010 and interim financial statements for Year 2011, attended meetings of the board of directors (the "Board") and undertook the responsibility to monitor the policies and decisions made by the Board to determine whether they were in compliance with the Listing Rules, the relevant laws and regulations of the PRC, the Articles of Association of the Company, and whether they were made in the best interest of the Company and shareholders, and offered proper suggestions to the Board and the management. For the scope of work of the Supervisory Committee, please refer to the section headed "Supervisory Committee" in the Corporate Governance Report.

On March 28, 2012, the fourth Supervisory Committee of the Company reviewed the Company's financial statements for Year 2011, and considered that the financial statements gave a true and fair view of the financial position and operation results of the Company and they were in compliance with the regulations applicable to the Company. The fourth Supervisory Committee confirmed that the Company had not been involved in any material litigation or arbitration, and there were no litigations or claims of material importance pending or threatened by or against the Company in Year 2011.

The fourth Supervisory Committee considered that the Board and the senior management of the Company were committed to act honestly and to perform their duties diligently during Year 2011, such that the best interests of the Company and the shareholders were protected. The Supervisory Committee considered that the Report of Directors for the year ended December 31, 2011 reflected the actual operational circumstances of the Company. The Supervisory Committee has great confidence in the Company's future prospects and development.

By Order of the Supervisory Committee
Li Xiaojun
Chairperson of the Supervisory Committee

March 28, 2012

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司

2nd Floor, 625 King's Road, North Point, Hong Kong
香港北角英皇道625號2樓

Independent auditor's report to the shareholders of TravelSky Technology Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of TravelSky Technology Limited (the "Company") and its subsidiaries (collectively referred to as, the "Group") set out on pages 48 to 118, which comprise the consolidated and company balance sheets as at December 31, 2011 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as of December 31, 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, March 28, 2012

Lo Wing See
Practising Certificate number P04607

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2011
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Revenue			
Aviation information technology services		**2,259,151**	2,082,670
Accounting, settlement and clearing services		**380,027**	296,317
Data network and others		**1,032,886**	675,416
Total revenues	*5*	**3,672,064**	3,054,403
Operating expenses			
Business taxes and other surcharges		**(134,134)**	(109,132)
Depreciation and amortisation		**(406,267)**	(404,013)
Network usage fees		**(54,536)**	(73,720)
Personnel expenses		**(678,338)**	(616,563)
Operating lease payments		**(97,600)**	(53,529)
Technical support and maintenance fees		**(191,965)**	(160,534)
Commission and promotion expenses		**(452,115)**	(392,910)
Other operating expenses		**(474,957)**	(255,942)
Total operating expenses		**(2,489,912)**	(2,066,343)
Operating profit		**1,182,152**	988,060
Financial income, net		**73,595**	34,612
Share of results of associated companies		**27,270**	24,390
Profit before taxation	*6*	**1,283,017**	1,047,062
Taxation	*10*	**(207,649)**	(130,369)
Profit after taxation		**1,075,368**	916,693
Other comprehensive income			
Currency translation differences		**(2,471)**	(1,104)
Other comprehensive income, net of tax		**(2,471)**	(1,104)
Total comprehensive income		**1,072,897**	915,589
Profit after taxation attributable to			
Owner of the parent		**1,047,226**	894,263
Non-controlling interests		**28,142**	22,430
		1,075,368	916,693

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Total comprehensive income attributable to			
Owner of the parent		**1,044,755**	893,159
Non-controlling interests		**28,142**	22,430
		1,072,897	915,589
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	*12*	**0.36**	0.31
Cash Dividends	*11*	**351,145**	306,277

Details of the dividends payable to owners of the Company are disclosed in note 11 to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at December 31, 2011
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2011 RMB'000	2010 RMB'000 (Restated)	2009 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment, net	*13*	**950,126**	1,097,716	933,281
Lease prepayment for land use right, net	*14*	**2,019,504**	2,072,241	149,481
Intangible assets, net	*15*	**50,938**	104,450	82,706
Investments in associated companies	*17*	**153,835**	130,855	123,835
Deferred income tax assets	*19*	**11,774**	11,175	10,103
Other long-term assets	*20*	**11,312**	4,570	2,786
		3,197,489	3,421,007	1,302,192
Current assets				
Inventories	*21*	**3,548**	7,948	8,095
Trade receivables, net	*22*	**431,788**	226,757	185,550
Due from related parties, net	*23, 40(3)*	**1,609,733**	1,384,156	1,362,615
Due from associated companies	*25*	**17,750**	17,000	13,010
Income tax receivable		**1,221**	49,120	35,212
Prepayments and other current assets	*26*	**261,911**	216,089	343,717
Held-to-maturity financial assets	*27*	**500,000**	–	–
Short-term bank deposits	*28*	**2,093,074**	1,738,834	2,302,954
Cash and cash equivalents	*29*	**890,174**	899,144	1,555,723
		5,809,199	4,539,048	5,806,876
Total assets		**9,006,688**	7,960,055	7,109,068
Equity				
Capital and reserves attributable to Owner of the parent				
Paid-In capital	*32*	**2,926,209**	1,950,806	1,950,806
Reserves	*33*	**2,705,429**	3,028,888	2,818,883
Retained earnings	*34*			
– Proposed final cash dividend	*11*	**351,145**	306,277	261,408
– Others		**1,498,573**	1,456,983	1,080,106
		7,481,356	6,742,954	6,111,203
Non-controlling interests		**145,486**	124,472	109,664
Total equity		**7,626,842**	6,867,426	6,220,867

	Note	2011 RMB'000	2010 RMB'000 (Restated)	2009 RMB'000 (Restated)
LIABILITIES				
Non-Current liabilities				
Deferred income tax liabilities	*19*	**18,252**	19,166	19,716
Current liabilities				
Trade payables and accrued liabilities	*30*	**1,168,713**	911,441	768,529
Due to related parties	*31*	**152,758**	121,065	92,550
Income tax payable		**33,940**	7,305	4,419
Deferred revenue		**6,183**	33,652	2,987
		1,361,594	1,073,463	868,485
Total liabilities		**1,379,846**	1,092,629	888,201
Total equity and liabilities		**9,006,688**	7,960,055	7,109,068
Net current assets		**4,447,605**	3,465,585	4,938,391
Total assets less current liabilities		**7,645,094**	6,886,592	6,240,583

Approved by the Board of Directors on March 28, 2012.

Xu Qiang
Chairman

Xiao Yinhong
Director

The accompanying notes are an integral part of these consolidated financial statements.

BALANCE SHEET

as at December 31, 2011

(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2011 RMB'000	2010 RMB'000 (Restated)	2009 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment, net	13	765,618	901,876	725,412
Lease prepayment for land use right, net	14	1,962,875	2,014,349	90,326
Intangible assets, net	15	47,240	101,673	77,512
Investments in subsidiaries	16	545,024	403,057	399,986
Investments in associated companies	17	26,540	27,290	27,290
Deferred income tax assets	19	10,949	10,234	8,465
Other long-term assets	20	10,463	56,480	2,698
		3,368,709	3,514,959	1,331,689
Current assets				
Trade receivables, net	22	337,207	178,853	138,727
Due from related parties, net	23, 40(3)	1,306,654	1,113,243	1,193,564
Due from subsidiaries, net	24	54,787	36,562	20,280
Due from associated companies	25	10,287	16,726	10,478
Income tax receivable		–	48,959	29,094
Prepayments and other current assets	26	63,378	38,017	195,770
Held-to-maturity financial assets	27	500,000	–	–
Short-term bank deposits	28	1,516,114	1,159,037	1,989,038
Cash and cash equivalents	29	197,196	433,707	968,193
		3,985,623	3,025,104	4,545,144
Total assets		7,354,332	6,540,063	5,876,833
Equity				
Capital and reserves attributable to Owner of the parent				
Paid-In capital	32	2,926,209	1,950,806	1,950,806
Reserves	33	2,275,363	2,596,274	2,385,165
Retained earnings	34			
– Proposed final cash dividend	11	351,145	306,277	261,408
– Others		793,805	919,504	672,664
Total equity		6,346,522	5,772,861	5,270,043

	Note	2011 RMB'000	2010 RMB'000 (Restated)	2009 RMB'000 (Restated)
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	*30*	**766,719**	595,497	509,281
Due to related parties	*31*	**143,037**	116,519	73,519
Due to subsidiaries	*24*	**78,797**	55,186	23,990
Income tax payable		**19,257**	–	–
		1,007,810	767,202	606,790
Total equity and liabilities		**7,354,332**	6,540,063	5,876,833
Net current assets		**2,977,813**	2,257,902	3,938,354
Total assets less current liabilities		**6,346,522**	5,772,861	5,270,043

Approved by the Board of Directors on March 28, 2012.

Xu Qiang
Chairman

Xiao Yinhong
Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2011

(Amounts expressed in thousands of Renminbi ("RMB"))

		Attributable to owner of the parent				
	Note	Paid-In capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2010						
As previously reported		1,950,806	2,367,208	1,730,989	109,664	6,158,667
Prior year restatements	2	–	451,675	(389,475)	–	62,200
Restated balance at 1 January 2010		1,950,806	2,818,883	1,341,514	109,664	6,220,867
Profit for the year		–	–	894,263	22,430	916,693
Other comprehensive income:						
Currency translation differences	33	–	(1,104)	–	–	(1,104)
Total comprehensive income		–	(1,104)	894,263	22,430	915,589
Dividend relating to 2009		–	–	(261,408)	–	(261,408)
Dividends payable to non-controlling shareholders of subsidiaries		–	–	–	(7,622)	(7,622)
Appropriation to reserves	33,34	–	211,109	(211,109)	–	–
Restated balance at December 31, 2010		1,950,806	3,028,888	1,763,260	124,472	6,867,426
Balance at January 1, 2011						
As previously reported		**1,950,806**	**2,577,213**	**2,155,354**	**124,472**	**6,807,845**
Prior year restatements	2	**–**	**451,675**	**(392,094)**	**–**	**59,581**
Restated balance at 1 January 2011		**1,950,806**	**3,028,888**	**1,763,260**	**124,472**	**6,867,426**
Profit for the year		**–**	**–**	**1,047,226**	**28,142**	**1,075,368**
Other comprehensive income:						
Currency translation differences	33	**–**	**(2,471)**	**–**	**–**	**(2,471)**
Total comprehensive income		**–**	**(2,471)**	**1,047,226**	**28,142**	**1,072,897**
Acquisition of a subsidiary	41	**–**	**–**	**–**	**2,330**	**2,330**
Bonus issue	32	**975,403**	**(487,702)**	**(487,701)**	**–**	**–**
Dividend relating to 2010	11	**–**	**–**	**(306,277)**	**(9,458)**	**(315,735)**
Deregistration of a subsidiary		**–**	**(76)**	**–**	**–**	**(76)**
Appropriation to reserves	33,34	**–**	**166,790**	**(166,790)**	**–**	**–**
Balance at December 31, 2011		**2,926,209**	**2,705,429**	**1,849,718**	**145,486**	**7,626,842**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2011
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	35	**1,453,870**	1,446,396
Refund of enterprise income tax		**52,602**	41,599
Enterprise income tax paid		**(187,230)**	(184,612)
Net cash generated from operating activities		**1,319,242**	1,303,383
Cash flows from investing activities			
Purchases of property, plant, equipment, intangible assets and land use right		**(211,768)**	(2,344,663)
Maturities of short-term bank deposits		**1,738,834**	2,520,433
Placement of short-term bank deposits		**(2,093,074)**	(1,956,313)
Interest received		**52,469**	50,830
Net cash received from acquisition of a subsidiary	41	**127**	–
Dividends received from associated companies		**3,540**	14,670
Increase in held-to-maturity financial assets		**(500,000)**	–
Deregistration of a subsidiary		**(76)**	–
Proceeds from disposal of property, plant and equipment		**393**	403
Net cash used in investing activities		**(1,009,555)**	(1,714,640)
Cash flows from financing activities			
Dividend paid to the Group shareholders		**(306,277)**	(235,722)
Dividend paid to non-controlling shareholders of subsidiaries		**(9,458)**	(7,622)
Net cash used in financing activities		**(315,735)**	(243,344)
Net decrease in cash and cash equivalents		**(6,048)**	(654,601)
Cash and cash equivalents at beginning of the year		**899,144**	1,555,723
Effect of foreign exchange rate changes on cash and cash equivalents		**(2,922)**	(1,978)
Cash and cash equivalents at end of the year	29	**890,174**	899,144

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES

TravelSky Technology Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on October 18, 2000 to engage in the provision of aviation information technology service and related services in the PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited on February 7, 2001. The address of its registered office is 7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing 101308, PRC.

As at December 31, 2011, the Company had direct or indirect interests in the following subsidiaries and associated companies. All of these subsidiaries and associated companies are limited liability companies incorporated and operated in the PRC except for TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd. and TravelSky Technology (Taiwan) Limited which are limited liability companies incorporated and operated in Hong Kong, Singapore, Korea, Japan, Europe, the United States and Taiwan respectively.

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2011		2010			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries							
Hainan Civil Aviation Cares Co., Ltd. ("Hainan Cares")	March 2, 1994	64.78%	–	64.78%	–	10,000,000	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems
Cares Shenzhen Co., Ltd. ("Shenzhen Cares")	April 14, 1995	61.47%	–	61.47%	–	11,000,000	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems
Cares Hubei Co., Ltd. ("Hubei Cares")	July 25, 1997	50%	12.5%	50%	12.5%	5,000,000	Provisions of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems
Cares Chongqing Information Technology Co., Ltd. ("Chongqing Cares")	December 1, 1998	51%	–	51%	–	9,800,000	Provisions of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES *(continued)*

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2011		2010			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
Aviation Cares of Yunnan Information Co., Ltd. ("Yunnan Cares")	June 15, 2000	51%	–	51%	–	9,000,000	Computer hardware and software development and data network services
InfoSky Technology Co., Ltd. ("InfoSky")	September 20, 2000	90%	10%	51%	49%	92,835,701	Provision of cargo management services and related software and technology development; and provision of technical support, training and consulting services
TravelSky Technology (Hong Kong) Limited ("TravelSky Hong Kong")	December 13, 2000	100%	–	100%	–	11,385,233	Commercial services
Civil Aviation Cares of Xiamen Ltd. ("Xiamen Cares")	September 14, 2001	51%	–	51%	–	10,000,000	Computer hardware and software development and data network services
Civil Aviation Cares of Qingdao Ltd. ("Qingdao Cares")	January 11, 2002	51%	–	51%	–	10,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xi'an Ltd. ("Xi'an Cares")	July 9, 2002	51%	–	51%	–	5,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xinjiang Ltd. ("Xinjiang Cares")	August 16, 2002	51%	–	51%	–	5,000,000	Computer hardware and software development and data network services
TravelSky Technology (Singapore) Limited ("TravelSky Singapore")	October 21, 2005	100%	–	100%	–	3,553,028	Computer hardware and software consulting services
TravelSky Technology (Korea) Limited ("TravelSky Korea")	December 28, 2005	100%	–	100%	–	403,677	Computer hardware and software development and data network services

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES *(continued)*

Name	Date of incorporation	Percentage of equity interest held 2011 Direct	2011 Indirect	2010 Direct	2010 Indirect	Issued and paid-up capital RMB	Principal activities
Subsidiaries (continued)							
TravelSky Technology (Japan) Limited ("TravelSky Japan")	December 16, 2005	100%	–	100%	–	670,121	Software development and computer equipment maintenance services
Shanghai TravelSky Information Technology Limited ("TravelSky Shanghai")	July 1, 2008	100%	–	100%	–	4,000,000	Computer hardware and software development and data network services
Guangzhou TravelSky Information Technology Limited ("TravelSky Guangzhou")	September 28, 2008	100%	–	100%	–	4,000,000	Computer hardware and software development and data network services
Accounting Center of China Aviation Limited Company ("ACCA")	October 26, 2007	100%	–	100%	–	759,785,000	Accounting, settlement and clearing services, and related information system development and support services
Beijing YaKe Development Company Limited ("YaKe")	October 30, 2007	–	100%	–	100%	116,121,600	Provision of information system development and related services
TravelSky Technology (Europe) GmbH ("TravelSky Europe")	March 23, 2009	100%	–	100%	–	4,680,000	Technology services and technology support
TravelSky CARES (Beijing) Real Estate Limited ("Beijing Estate")	August 28, 2009	100%	–	100%	–	10,000,000	Real estate development, sales of commercial and residential building, professional contracting, labor subcontracting and investment management
TravelSky Technology (USA) Ltd. ("TravelSky USA")	September 8, 2009	100%	–	100%	–	3,413,600	Technology services and technology support
Beijing TravelSky Travel Service Limited * ("BTTSL")	January 11, 2011	100%	–	–	–	2,000,000	Provision of meetings and exhibition services, tour consulting services and technology promotion services

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES *(continued)*

Name	Date of incorporation	Percentage of equity interest held 2011 Direct	2011 Indirect	2010 Direct	2010 Indirect	Issued and paid-up capital RMB	Principal activities
Subsidiaries (continued)							
TravelSky Technology (Taiwan) Limited* ("TravelSky Taiwan")	April 4, 2011	100%	–	–	–	6,471,000	Technical services, support and customer service of computer reservation systems for air transport services
Inner Mongolia TravelSky Information Technology Limited* ("TravelSky Inner Mongolia")	May 26, 2011	100%	–	–	–	5,000,000	Computer and related equipment, development on network systems, sales, provision of rental, maintenance, computer system and tour consulting services
Hunan TravelSky Information Technology Limited* ("TravelSky Hunan")	June 13, 2011	100%	–	–	–	5,000,000	Computer hardware and software development, import and export business and provision of tour consulting services
TravelSky Technology Huadong Data Center Limited* ("Huadong Data Center")	November 8, 2011	100%	–	–	–	50,000,000	Not yet commenced business
Shanghai Yeexing E-Business Limited# ("Shanghai Yeexing")	January 22, 2007	60%	–	–	–	8,800,000	Computer hardware and software development and provision of tour consulting services

The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

* These companies are newly set up by the Group during the year of 2011.

On September 30, 2011, the Company acquired 60% equity interest in Shanghai Yeexing. Please refer to Note 41 for details.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES *(continued)*

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2011		2010			
		Direct	Indirect	Direct	Indirect	RMB	
Associated Companies							
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("Huadong Cares")	May 21, 1999	41%	–	41%	–	10,000,000	Computer hardware and software development and data network services
Shenyang Civil Aviation Cares of Northeast China, Ltd. ("Dongbei Cares")	November 2, 1999	46%	–	46%	–	2,000,000	Computer hardware and software development and data network services
Aviation Cares of Southwest Chengdu, Ltd. ("Xinan Cares")	November 28, 1999	44%	–	44%	–	10,000,000	Computer hardware and software development and data network services
Yunnan TravelSky Airport Technology Limited ("Yunnan Konggang")	April 1, 2003	40%	–	40%	–	15,000,000	Computer hardware and software development and technical consulting services
Heilongjiang TravelSky Airport Technology Limited ("Heilongjiang Konggang")	April 30, 2003	50%	–	50%	–	6,000,000	Computer hardware and software development and technical consulting services
Shanghai Dongmei Aviation Tourism Online Co., Limited ("Dongmei Online")	September 28, 2003	50%	–	50%	–	24,800,000	E-commerce, sales of computers and related parts and provision of network, technical services and economic consulting services
Dalian TravelSky Airport Technology Limited ("Dalian Konggang")	January 28, 2005	50%	–	50%	–	6,000,000	Computer hardware and software development and technical consulting services
Hebei TravelSky Airport Technology Limited ("Hebei Konggang")	April 5, 2007	50%	–	50%	–	3,000,000	Computer hardware and software development and technical consulting services
Guangzhou Airport AirSpan Information Technology Co. Ltd. ("Guangzhou Konggang")	December 24, 2007	20%	–	20%	–	20,000,000	Computer hardware and software development and technical consulting services

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The International Accounting Standards Board has issued a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), Related party disclosures

- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of these developments are discussed below:

- IAS 24 (revised 2009), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003 and revises the definition of a related party. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. There has been no material impact of adoption of IAS 24 (revised 2009) to the Group.

2. BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the group (continued)

- Improvement to IFRSs (2010) omnibus standard introduces a number of amendments to the IFRSs. The amendment to IFRS 1 'First-time adoption of IFRS' allows a first-time adopter of IFRSs to use an event-driven fair value measurement as deemed cost for certain of its assets and liabilities, even when the event date is after the IFRSs transition date, provided that the event date is before the end of the period the entity's first IFRS financial statements are issued. This amendment can also be adopted retrospectively by existing IFRSs reporters, provided that they make the necessary changes at the latest in the first annual period beginning on or after January 1, 2011. Accordingly, with effect from January 1, 2011, the Company has applied this amendment retrospectively. The re-valued amount of the Group's interests in property, plant and equipment, lease prepayment for land use right, and intangible assets on the occurrence of the Company's initial public offering in 2001 and the re-valued amount of the Group's interests in property, plant and equipment, lease prepayment for land use right, and intangible assets on the acquisition of the Group's subsidiary, ACCA, in 2009 has been recognised as deemed cost in this consolidated financial statements. Prior to January 1, 2011, interests in property, plant and equipment, lease prepayment for land use right, and intangible assets which were included in the financial statements were carried at historical cost. The above change in accounting policy was made with a view to aligning the accounting policies adopted in the consolidated financial statements of the Group prepared under IFRSs and the Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the group (continued)

The change in the aforesaid accounting policy is applied retrospectively and had no material impact on earnings per share.

	Property, plant and equipment, net RMB'000	Lease prepayment for land use right, net RMB'000	Intangible assets, net RMB'000	Deferred income tax assets RMB'000	Deferred income tax liabilities RMB'000	Revaluation Reserve RMB'000	Retained earnings RMB'000
Balance as reported – January 1, 2010	891,985	109,236	82,559	10,006	131	–	1,730,989
Effect of event-driven revaluation up to January 1, 2010	41,296	40,245	147	97	19,585	451,675	(389,475)
Restated balance as at January 1, 2010	933,281	149,481	82,706	10,103	19,716	451,675	1,341,514
Balance as reported – December 31, 2010	1,058,531	2,032,855	104,413	11,085	49	–	2,155,354
Effect of event-driven revaluation up to January 1, 2010	41,296	40,245	147	97	19,585	451,675	(389,475)
Effect of event-driven revaluation during the year of 2010	(2,111)	(859)	(110)	(7)	(468)	–	(2,619)
Restated balance as at December 31, 2010	1,097,716	2,072,241	104,450	11,175	19,166	451,675	1,763,260

The effect on the consolidated statement of comprehensive income was as follows:

	2011 RMB'000	2010 RMB'000
Increase in depreciation and amortisation	**(3,811)**	(3,811)
Decrease in other operating expenses	**54**	731
Decrease in taxation	**292**	461
Decrease in profit after taxation	**(3,465)**	(2,619)

2. BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures *(continued)*

(b) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning January 1, 2011 and have not been early adopted.*

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued by International Accounting Standards Board in November 2009 and revised in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch in profit or loss. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2013.

- IFRS 10, "Consolidated financial statements", builds on existing principles by identifying a new concept of control (e.g. "de facto" control) as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The accounting requirements in the existing IAS 27 on other consolidated related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after January 1, 2013.

- IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, subsidiaries, special purpose entities and other off balance sheet entities. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2013.

- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

There are no other IFRSs or IFRIC interpretations which are not yet effective that would be expected to have a material impact on the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Company and its subsidiaries are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to December 31.

(i) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expense in the year in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(ii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations by the Group other than the common control combination (Note 3(a)(i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3(g)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(iii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iv) Associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in companies are recognised in the statement of comprehensive income.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses (Note 3(g)). The results of associated companies are accounted for by the Company on the basis of dividends received and receivables.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Except for TravelSky Hong Kong, TravelSky Singapore, TravelSky Korea, TravelSky Japan, TravelSky Europe, TravelSky USA and TravelSky Taiwan, the functional currency of the Company's subsidiaries is also in Renminbi.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the statement of comprehensive income within "finance income or cost".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in other comprehensive income.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies *(continued)*

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, cumulative exchange differences that were recorded in currency translation differences in equity relating to that operation up to the date of disposal are recognised in the statement of comprehensive income as part of the gain or loss on sale.

(c) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to expense in the year in which they are incurred. When the expenditure results in increase in the future economic benefits expected to be obtained from the use of the asset and the cost of the asset can be measured reliably, the expenditure is capitalised.

Depreciation of property, plant and equipment is provided using the straight-line method over their estimated useful lives, after taking into consideration their estimated residual value. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20–30 years
Computer systems and software	3–8 years
Motor vehicles	6 years
Furniture, fixtures and other equipment	4–11 years
Leasehold improvements	Over the lease term

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Property, plant and equipment *(continued)*

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3(g)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Assets under construction are stated at cost. Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the assets during the period of construction or installation and testing. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for use.

(d) Intangible assets

Intangible assets mainly represent purchased computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over 3–5 years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

(e) Lease Prepayments for land use rights

Lease prepayments for land use rights represent purchase cost of land use rights in the PRC and are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land in the PRC. Amortisation of lease prepayments for land use rights is calculated on a straight-line basis over the period of the lease for 40–50 years.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Research and development costs

Expenditures for research and development are charged against income in the period incurred except for software development costs which comply strictly with the following criteria:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are amortised on a straight-line basis over their expected useful lives. The period of amortisation does not normally exceed 5 years. During the year ended December 31, 2011, no development costs were capitalised as they did not meet all the criteria listed above (2010: nil).

(g) Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at their initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are then classified as non-current assets. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in the consolidated statement of comprehensive income when the financial assets are derecognised or impaired, as well as through the amortisation process.

(i) Operating leases (as the lessee)

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. Rental payments under operating leases (net of any incentives received from the lessor) are charged to expense based on the straight-line method over the period of the leases.

(j) Inventories

Inventories, which principally comprise equipment for sale, spare parts and consumable items, are carried at lower of cost and net realisable value. Cost is determined based on the first-in, first-out ("FIFO") method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the statement of comprehensive income. When trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of comprehensive income.

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(m) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Taxation

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Taxation *(continued)*

(ii) Deferred income taxation

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of an asset or liability and its carrying amount in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(iii) Other tax

Other tax liabilities are provided in accordance with the regulations issued by the respective government authorities.

(o) Employee benefits

(i) Pension

The full-time employees of the Group are covered by government-sponsored pension plan under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans.

Starting from January 1, 2007, the Company implemented an additional supplementary pension scheme, which is funded through the insurance company.

Under these plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Employee benefits *(continued)*

(ii) Other employee benefits

All Chinese employees of the Group participate in employee social security plans, including medical, housing and other welfare benefits, organised and administered by the government authorities. Other than the welfare benefits provided by these social security plans as disclosed, the Group has no material commitments to employees.

According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed as incurred.

(iii) Share appreciation rights

Compensation expense in respect of the share appreciation rights granted is accrued as a charge to the consolidated income statement over the applicable vesting period based on the fair value of the share appreciation rights. The liability of the accrued compensation expense is remeasured to fair value at each balance sheet date with the effect of changes in the fair value of the liability is charged or credited to the consolidated statement of comprehensive income. Further details of the Group's share appreciation rights scheme are set out in Note 36.

(p) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimation can be made for the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision reflecting the passage of time is recognised as interest expense.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, sales discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Revenue for aviation information technology services, data network services and accounting supports, settlement and clearing services are recognised when the services are rendered;

- Sale of equipment is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;

- Revenue for equipment installation project and non-proprietary customers' information system development project are recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined in the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable. In the period in which it is determined that a loss will result from the performance of the contract, the entire amount of the estimated ultimate loss is charged against income;

- Interest income is recognised on a time-proportion basis, taking into account the principal amounts outstanding and the applicable interest rates; and

- Dividend income is recognised when the right to receive payment is established.

(r) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) Share Capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the general manager of the Company.

(u) Related parties

A party is considered to be related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group in making financial and operating policy decisions; or has joint control over the Group;

(ii) the party is an associate of the Group;

(iii) the party is a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(u) Related parties *(continued)*

State-owned enterprises, other than entities under China TravelSky Holding Company ("CTHC" or the "Parent") which are also state-owned enterprises, directly or indirectly controlled by the Central People's Government of the PRC are also regarded as related parties of the Group.

For the purpose of the related party transactions and disclosure of their balances, the Group has established procedures for determination, to the extent possible, of the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises to ensure the adequacy of disclosure for all material related party transactions and balances given that many state-owned enterprises have multi-layered corporate structures and their ownership structures change over time as a result of transfers and privatisation programs.

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS

The preparation of consolidated financial statements in conformity with IFRSs requires the Group to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, the Group evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful life and residual value of property, plant and equipment

The property, plant and equipment of the Group are depreciated at rates sufficient to write off their costs less accumulated impairment losses and estimated residual values over their estimated useful lives on a straight-line basis. The Group reviewed the useful lives periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of economic benefits from the property, plant and equipment. The Group estimates the useful lives of the property, plant and equipment as set out in Note 3(c) based on the historical experience with similar assets, taking into account anticipated technological changes. The depreciation expenses in the future periods will change if there are significant changes to these estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS *(continued)*

(b) Impairment of assets

At each balance sheet date, the Group considers both internal and external sources of information to assess whether there is any indication that the Group's assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised to reduce the carrying amount of the asset to its recoverable amount. Accordingly, there will be an impact to the future results if there is a significant change in the recoverable amounts of the assets.

(c) Income taxes and deferred taxes

The Group is subject to income taxes in both PRC and other jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Services fees

The aviation information technology services fees are subject to discussion with airlines. The departure technology support fees are subject to discussion with airports. In certain cases, in situation where final agreement has not been reached, management makes estimates of the fees with reference to the status of negotiation and taking into accounts of historical experiences and industry performance.

(e) Share appreciation rights

In determining the fair value of the share appreciation rights, considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

5. REVENUE

Revenues primarily comprise the service fees earned by the Group for the provision of the Group's aviation information technology services, accounting, settlement and clearing services and related data network services. A major portion of these revenues was generated from the shareholders of the Company.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting) the following:

	2011 RMB'000	2010 RMB'000 (Restated)
After charging:		
Depreciation	281,659	293,375
Amortisation of intangible assets	66,065	61,698
Amortisation of leasehold improvements	5,806	4,400
Amortisation of lease prepayment for land use right	52,737	44,540
Provision for/(Reversal of) impairment of receivables	13,276	(5,137)
Cost of equipment sold	163,041	62,642
Retirement benefits	78,280	71,040
Auditors' remuneration	1,950	2,402
Contribution to housing benefits	48,940	65,131
Exchange loss, net	–	4,008
Research and development expenses	383,282	330,125
Share appreciation rights	1,514	–
After crediting:		
Interest income	(64,342)	(38,620)
Exchange gain, net	(9,253)	–
Gain on disposal of property, plant and equipment	(24)	(53)

7. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' and supervisors' emoluments

The following table sets out the emoluments paid to the Company's directors and supervisors during the year ended December 31, 2011 (tax inclusive):

Name of director and supervisor	Remuneration for director RMB'000	Bonus for director RMB'000	Salary of employee, allowances and benefits (employer's contribution inclusive) RMB'000	Employees' discretionary bonus RMB'000	Employer's contribution to pension scheme for employee RMB'000	Share appreciation rights RMB'000 (iii)	Total RMB'000
Executive directors							
Mr. Xu Qiang (Chairman)	–	–	286	482	53	54	875
Mr. Cui Zhixiong	–	–	286	482	54	54	876
Mr. Xiao Yinhong	–	–	286	482	53	54	875
Non-executive directors							
Mr. Wang Quanhua*	–	–	–	–	–	–	–
Mr. Luo Chaogeng*	–	–	–	–	–	–	–
Mr. Sun Yude* (i)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Cheung Yuk Ming (i)	120	–	–	–	–	–	120
Mr. Zhou Deqiang (i)	120	–	–	–	–	–	120
Mr. Pan Chongyi (i)	120	–	–	–	–	–	120
Supervisors							
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor)	–	–	256	424	51	37	768
Mr. Yu Yanbin*	–	–	–	–	–	–	–
Mr. Rao Geping (Independent Supervisor)	60	–	–	–	–	–	60
Mr. Zeng Yiwei* (i)	–	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor) (i)	–	–	232	195	46	23	496
	420	–	1,346	2,065	257	222	4,310

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

7. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(i) Directors' and supervisors' emoluments *(continued)*

The following table sets out the emoluments paid to the Company's directors and supervisors during the year ended December 31, 2010 (tax inclusive):

Name of director and supervisor	Remuneration for director RMB'000	Bonus for director RMB'000	Salary of employee, allowances and benefits (employer's contribution inclusive) RMB'000	Employees' discretionary bonus RMB'000	Employer's contribution to pension scheme for employee RMB'000	Share appreciation rights RMB'000 (iii)	Total RMB'000
Executive directors							
Mr. Xu Qiang (Chairman)	–	–	272	372	49	–	693
Mr. Cui Zhixiong	–	–	272	372	50	–	694
Mr. Xiao Yinhong	–	–	272	367	48	–	687
Non-executive directors							
Mr. Wang Quanhua*	–	–	–	–	–	–	–
Mr. Luo Chaogeng*	–	–	–	–	–	–	–
Mr. Cao Guangfu* (ii)	–	–	–	–	–	–	–
Mr. Sun Yude* (i)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Yick Wing Fat, Simon (ii)	25	–	–	–	–	–	25
Mr. Chua Keng Kim (ii)	25	–	–	–	–	–	25
Mr. Yuan Yaohui (ii)	25	–	–	–	–	–	25
Mr. Cheung Yuk Ming (i)	95	–	–	–	–	–	95
Mr. Zhou Deqiang (i)	95	–	–	–	–	–	95
Mr. Pan Chongyi (i)	95	–	–	–	–	–	95
Supervisors							
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor)	–	–	243	323	48	–	614
Ms. Du Hongying* (ii)	–	–	–	–	–	–	–
Mr. Yu Yanbin*	–	–	–	–	–	–	–
Ms. Gao Jingping (Staff Representative Supervisor) (ii)	–	–	196	–	45	–	241
Mr. Rao Geping (Independent Supervisor)	58	–	–	–	–	–	58
Mr. Zeng Yiwei* (i)	–	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor) (i)	–	–	246	164	42	–	452
	418	–	1,501	1,598	282	–	3,799

7. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(i) Directors' and supervisors' emoluments *(continued)*

* These directors and supervisors are employees of the shareholders of the Company or their subsidiaries, and obtain emoluments from them. No appropriation has been made as the directors of the Company considered it is impracticable to apportion this amount between their services to the Group and the parent of the Company or their subsidiaries.

(i) Appointed on March 16, 2010

(ii) Resigned on March 16, 2010

(iii) These represent the change in the fair value of the share appreciation rights granted to the directors and supervisors under the Group's share appreciation rights scheme. The value of these share appreciation rights is measured according to the Group's accounting policy for share appreciation rights as set out in Note 3(o)(iii).

The details of these benefits, including the principal terms and number of share appreciation rights granted, are disclosed in Note 36.

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) individuals during the year are as follows:

	2011 RMB'000	2010 RMB'000
Basic salaries and allowances	**514**	486
Bonuses	**853**	646
Retirement benefits	**101**	96
	1,468	1,228

The annual emoluments paid during the year ended December 31, 2011 to each of the directors and the five highest paid employees fell within the band from HKD nil to HKD 1.2 million (equivalent to from RMB nil to RMB1 million) (2010: from HKD nil to HKD1.2 million (equivalent to RMB nil to RMB1 million).

During the year ended December 31, 2011, no director and the five highest paid employees had waived or agreed to waive any emolument (2010: nil). No emolument was paid to any of the directors and the five highest paid employees as an inducement to join or upon joining the Company or as compensation for loss of office (2010: nil).

8. RETIREMENT BENEFITS

All the full time employees of the Group are covered by state-sponsored pension scheme under which the employees are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make specified contributions to the state-sponsored pension scheme at the rate of 20% of the employees' basic salaries subject to certain ceiling for the year ended December 31, 2011 (2010: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2011 amounted to approximately RMB53.1 million (2010: RMB46.8 million). This amount was recorded in personnel expenses.

In addition, starting from January 1, 2007, a supplementary defined contribution pension plan managed by an insurance company was established. The annual contributions to this plan made by the Group for the year ended December 31, 2011 amounted to approximately RMB25.2 million (2010: RMB24.2 million). These amounts were recorded in personnel expenses.

Under these schemes, the Group has no obligation for post-retirement benefits beyond the annual contributions made.

As at December 31, 2011, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2010: Nil).

9. HOUSING BENEFITS

All the full-time employees of the Group are entitled to participate in a state-sponsored housing fund. The fund can be used by the employees for housing purchases, or may be withdrawn upon their retirement. The Group is required to make annual contributions to this state-sponsored housing fund equivalent to a certain percentage of each employee's salary. The contributions made by the Group to the housing fund for the year ended December 31, 2011 amounted to approximately RMB34.6 million (2010: RMB29.4 million). This amount was recorded in personnel expenses.

In 2010, the Group obtained the approval from the relevant government authorised to establish a supplementary housing benefit scheme for their employees. This supplementary housing benefit scheme will provide supplemental housing benefits to existing employees who have met certain pre-requisite criteria.

Pursuant to the supplementary housing benefit scheme, the Group agrees to pay a one-time lump sum housing allowances, totalling RMB35.8 million to certain eligible employees for their past services in 2010. Such one-time housing allowance was recorded in personnel expenses in the relevant reporting period.

Pursuant to the supplementary housing benefit scheme, the Group will also implement monthly housing subsidies for certain eligible employees in the following years. The monthly housing subsidies payment will be charged to the statement of comprehensive income as incurred. The contributions made by the Group to the housing subsidies for the year ended December 31, 2011 amounted to approximately RMB14.3 million (2010: RMB nil).

As of December 31, 2011, the total number of employees of the Group was 4,727 (2010: 4,324).

10. TAXATION

Income tax

	2011 RMB'000	2010 RMB'000 (Restated)
Current tax:		
PRC enterprise income tax expenses	**209,133**	131,808
Overseas income tax expenses	**29**	183
Deferred tax	**(1,513)**	(1,622)
	207,649	130,369

Taxation of the Group except for TravelSky Hong Kong, TravelSky Singapore, TravelSky Japan, TravelSky Korea, TravelSky Europe, TravelSky USA and TravelSky Taiwan is provided based on the tax laws and regulations applicable to PRC enterprises. The Group provides for PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation prevailing in the locations in which the Group operates.

Starting from January 1, 2008, the Corporate Income Tax Law of the People's Republic of China ("new CIT law") unified the income tax rate of enterprises in China to 25%.

Enterprises recognised as "High and New Technology Enterprises" are entitled to a favourable statutory tax rate of 15% under the new CIT Law. In December 2008, the Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" under the new CIT Law, and was entitled to the preferential tax rate of 15% from 2008 to 2010. In September 2011, the Company was approved in principle by relevant authorities as a "High and New Technology Enterprise" under the new CIT Law, and was entitled to the preferential tax rate of 15% from 2011 to 2013.

In addition to the recognised "High and New Technology Enterprise" enjoying a preferential income tax rate of 15%, the Company being approved and certified by relevant authorities as an "Important Software Enterprise" could further enjoy a preferential income tax rate of 10%. According to the relevant regulations, the differences that resulted from the enterprise income tax paid at the rate of 15% over this preferential income tax rate of 10% should be paid to the Company subsequently.

The Company continued and obtained its "Important Software Enterprise" approval for Year 2010, and accordingly, the income tax rate was further reduced to 10% for 2010. In 2011, RMB51.6 million (2010: RMB32.5 million) was refunded in respect of the status of "Important Software Enterprise" approved in 2010.

The "Important Software Enterprise" status in 2011 and thereafter is subject to an annual assessment and approval.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

10. TAXATION *(continued)*

Income tax *(continued)*

The Company's subsidiaries in PRC are entitled to different tax rates, ranging from 15% to 25% under the new CIT Law.

In 2011 and 2010, the reconciliation between the Group's actual tax charge and the amount which is calculated based on the weighted average statutory tax rate is as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
Profit before taxation	**1,283,017**	1,047,062
Weighted average statutory tax rate	**25%**	25%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**321,765**	265,966
Share of profits of associated companies	**(6,817)**	(6,098)
Effect of tax exemption/reduction	**21,487**	14,838
Effect of preferential tax rates	**(128,786)**	(144,337)
Tax charge	**207,649**	130,369

Business Tax

The Group is subject to business taxes on its service revenues:

Aviation information technology service and data network services	3%
Technical support services	5%
Accounting, settlement and clearing services	5%

Value-Added Tax ("VAT")

The Group's sales of equipment and software in PRC are subject to Value Added Tax (VAT). The Company and some of its subsidiaries including InfoSky, Shenzhen Cares, Hubei Cares, Chongqing Cares, Xiamen Cares, Qingdao Cares, Xi'an Cares, and Xinjiang Cares are certified by the tax authorities as general tax payers, and other subsidiaries of the Company are small-scale VAT tax payers. The applicable tax rate is 17% for general tax payers, and 3% for small-scale VAT tax payers.

For general tax payers, input VAT from purchase of equipment for sale can be netted off against output VAT from sales.

VAT payable or receivable is the net difference between periodic output and deductible input VAT.

11. DIVIDENDS DISTRIBUTION

The equity holders approved the distribution of a final dividend of RMB306.3 million (RMB0.157 per share) for Year 2010 in the annual general meeting of the Company held on June 28, 2011. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2011.

As at March 28, 2012, the Board recommended the distribution of a final cash dividend of RMB351.1 million for Year 2011 (RMB0.12 per share). The proposed final dividend distribution is subject to shareholders' approval in their next general meeting and will be recorded in the Group's financial statements for the year ending December 31, 2012.

On June 28, 2011, the equity holders approved the bonus issue of 975,403,196 new ordinary shares to its shareholders on the basis of one new ordinary share for every two ordinary shares held, by conversion of reserves and retained earnings into paid-in capital.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following:

	2011	2010 (Restated)
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**1,047,226**	894,263
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue *(Note)*	**2,926,209**	2,926,209
Earnings per share (RMB)		
Basic and dilutive	**0.36**	0.31

Note: The shareholders in the annual general meeting of the Company held on June 28, 2011 approved the bonus issue of 975,403,196 new ordinary shares to its shareholders on the basis of one new ordinary share for every two ordinary shares held, by conversion of reserves and retained earnings into paid-in capital.

The Company has completed the legal procedures for the bonus issue on August 10, 2011. The total shares issued by the Company increased from 1,950,806,393 to 2,926,209,589 and the paid-in capital increased from RMB1,950,806,393 to RMB2,926,209,589.

Due to the bonus issue, the number of ordinary shares for the year ended December 31, 2011 and December 31, 2010 for the purpose of calculating earnings per share has been adjusted accordingly.

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2011 and 2010.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, property, plant and equipment comprised:

The Group:

	Note	Buildings RMB'000	Computer systems and software RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Leasehold improve-ments RMB'000	Total RMB'000
Cost								
As at January 1, 2010								
As previously reported		347,411	2,327,459	58,595	100,928	2,165	27,812	2,864,370
Prior year restatements		9,621	(41,553)	(6,367)	(17,665)	–	–	(55,964)
As restated		357,032	2,285,906	52,228	83,263	2,165	27,812	2,808,406
Purchases		89,229	352,746	2,341	5,395	4,606	8,243	462,560
Disposals/write off, as restated		–	(3,957)	(1,059)	(655)	–	–	(5,671)
As at December 31, 2010, as restated		446,261	2,634,695	53,510	88,003	6,771	36,055	3,265,295
Purchases		2,693	47,508	11,464	41,255	28,827	7,467	139,214
Disposals/write off		–	(1,465)	(667)	(944)	–	–	(3,076)
Transfer from assets under construction		10,756	392	–	–	(11,148)	–	–
Acquisition of a subsidiary through business combination	*41*	–	–	95	689	–	246	1,030
As at December 31, 2011		**459,710**	**2,681,130**	**64,402**	**129,003**	**24,450**	**43,768**	**3,402,463**
Accumulated depreciation								
As at January 1, 2010								
As previously reported		(82,217)	(1,729,692)	(39,706)	(78,261)	–	(21,761)	(1,951,637)
Prior year restatements		33,641	40,769	6,231	16,619	–	–	97,260
As restated		(48,576)	(1,688,923)	(33,475)	(61,642)	–	(21,761)	(1,854,377)
Charge for the year, as restated		(20,376)	(250,508)	(5,866)	(16,625)	–	(4,400)	(297,775)
Disposals/write off, as restated		–	3,829	955	537	–	–	5,321
As at December 31, 2010, as restated		(68,952)	(1,935,602)	(38,386)	(77,730)	–	(26,161)	(2,146,831)
Charge for the year, as restated		(23,223)	(228,930)	(5,367)	(24,139)	–	(5,806)	(287,465)
Disposals/write off		–	1,145	649	913	–	–	2,707
As at December 31, 2011		**(92,175)**	**(2,163,387)**	**(43,104)**	**(100,956)**	**–**	**(31,967)**	**(2,431,589)**
Provision								
As at January 1, 2010, December 31, 2010 and December 31, 2011		**–**	**(20,748)**	**–**	**–**	**–**	**–**	**(20,748)**
Net book value								
As at December 31, 2010, as restated		377,309	678,345	15,124	10,273	6,771	9,894	1,097,716
As at December 31, 2011		**367,535**	**496,995**	**21,298**	**28,047**	**24,450**	**11,801**	**950,126**

13. PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

The Company:

	Buildings RMB'000	Computer systems and software RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Leasehold improve-ments RMB'000	Total RMB'000
Cost							
As at January 1, 2010							
As previously reported	181,857	2,152,961	33,057	59,518	–	25,584	2,452,977
Prior year restatements	–	38,866	(725)	369	–	–	38,510
As restated	181,857	2,191,827	32,332	59,887	–	25,584	2,491,487
Purchases	89,205	342,954	249	2,578	–	8,235	443,221
As at December 31, 2010, as restated	271,062	2,534,781	32,581	62,465	–	33,819	2,934,708
Purchases	2,677	39,385	6,072	35,349	29,877	6,694	120,054
As at December 31, 2011	**273,739**	**2,574,166**	**38,653**	**97,814**	**29,877**	**40,513**	**3,054,762**
Accumulated depreciation							
As at January 1, 2010							
As previously reported	(18,815)	(1,603,680)	(20,241)	(46,842)	–	(19,668)	(1,709,246)
Prior year restatements	–	(36,484)	759	(356)	–	–	(36,081)
As restated	(18,815)	(1,640,164)	(19,482)	(47,198)	–	(19,668)	(1,745,327)
Charge for the year	(11,115)	(234,585)	(3,794)	(12,946)	–	(4,317)	(266,757)
As at December 31, 2010, as restated	(29,930)	(1,874,749)	(23,276)	(60,144)	–	(23,985)	(2,012,084)
Charge for the year	(14,021)	(211,906)	(3,298)	(21,313)	–	(5,774)	(256,312)
As at December 31, 2011	**(43,951)**	**(2,086,655)**	**(26,574)**	**(81,457)**	**–**	**(29,759)**	**(2,268,396)**
Provision							
As at January 1, 2010, December 31, 2010 and December 31, 2011	**–**	**(20,748)**	**–**	**–**	**–**	**–**	**(20,748)**
Net book value							
As at December 31,2010, as restated	241,132	639,284	9,305	2,321	–	9,834	901,876
As at December 31, 2011	**229,788**	**466,763**	**12,079**	**16,357**	**29,877**	**10,754**	**765,618**

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

14. LEASE PREPAYMENT FOR LAND USE RIGHT, NET

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Cost				
As at January 1				
As previously reported	**2,079,918**	112,618	**2,059,727**	92,427
Prior year restatements	**42,016**	42,016	**–**	–
As restated	**2,121,934**	154,634	**2,059,727**	92,427
Additions	**–**	1,967,300	**–**	1,967,300
As at December 31	**2,121,934**	2,121,934	**2,059,727**	2,059,727
Accumulated amortisation				
As at January 1				
As previously reported	**(47,063)**	(3,382)	**(45,378)**	(2,101)
Prior year restatements	**(2,630)**	(1,771)	**–**	–
As restated	**(49,693)**	(5,153)	**(45,378)**	(2,101)
Additions, as restated	**(52,737)**	(44,540)	**(51,474)**	(43,277)
As at December 31	**(102,430)**	(49,693)	**(96,852)**	(45,378)
Net Book Value				
As at December 31	**2,019,504**	2,072,241	**1,962,875**	2,014,349

Additions of lease prepayment for land use right, net, in 2010 represented a purchase price of RMB1.91 billion for the land use right of the lands namely 08, 09, 19 and 21 blocks at Xincheng 19 Street, Shunyi District, Beijing at an open auction held on January 14, 2010. The Company is in the process of building a new operating center comprising a data center and the headquarter office building of the Company on this piece of land.

Land in PRC mainland is state-owned or collectively-owned and no individual land ownership right exists. Lease prepayments for land use rights represent the Group's interests in lands which is held on lease with a term of 40 to 50 years.

15. INTANGIBLE ASSETS, NET

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost				
As at January 1				
As previously reported	**266,246**	182,804	**246,829**	163,567
Prior year restatements	**(1,573)**	(1,573)	**–**	–
As restated	**264,673**	181,231	**246,829**	163,567
Additions	**12,553**	83,442	**9,094**	83,262
As at December 31	**277,226**	264,673	**255,923**	246,829
Accumulated amortisation				
As at January 1				
As previously reported	**(161,833)**	(100,245)	**(145,156)**	(86,055)
Prior year restatements	**1,610**	1,720	**–**	–
As restated	**(160,223)**	(98,525)	**(145,156)**	(86,055)
Additions, as restated	**(66,065)**	(61,698)	**(63,527)**	(59,101)
As at December 31	**(226,288)**	(160,223)	**(208,683)**	(145,156)
Net Book Value				
As at December 31	**50,938**	104,450	**47,240**	101,673

The intangible assets of the Group and the Company represent purchased computer software.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

16. INVESTMENTS IN SUBSIDIARIES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Investments, at cost	**–**	–	**545,024**	403,057

A list of the Company's subsidiaries is shown in Note 1 to the consolidated financial statements.

17. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Beginning of the year	**130,855**	123,835	**27,290**	27,290
Share of profit	**27,270**	24,390	**–**	–
Dividend receivable from associated companies	**(4,290)**	(17,370)	**(750)**	–
End of the year	**153,835**	130,855	**26,540**	27,290

A list of the Group's associates is shown in Note 1 to the consolidated financial statements.

The Group's interests in its associates, all of which are unlisted, were as follows:

	Total assets RMB'000	**Total liabilities** RMB'000	**Revenues** RMB'000	**Profit attributable to equity holders** RMB'000
2010	200,915	70,060	559,729	24,390
2011	**224,471**	**70,636**	**626,215**	**27,270**

18. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Assets as per balance sheet:				
Trade receivables, net *(Note 22)*	431,788	226,757	337,207	178,853
Due from related parties, net *(Note 23)*	1,609,733	1,384,156	1,306,654	1,113,243
Due from subsidiaries, net *(Note 24)*	–	–	54,787	36,562
Due from associated companies *(Note 25)*	17,750	17,000	10,287	16,726
Interest received and other current assets *(Note 26)*	233,584	201,539	39,944	26,590
Held-to-maturity financial assets *(Note 27)*	500,000	–	500,000	–
Short-term bank deposits *(Note 28)*	2,093,074	1,738,834	1,516,114	1,159,037
Cash and cash equivalents *(Note 29)*	890,174	899,144	197,196	433,707
Total	5,776,103	4,467,430	3,962,189	2,964,718

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Liabilities as per balance sheet:				
Trade payables and other liabilities *(Note 30)*	1,131,596	885,742	738,369	578,278
Due to related parties *(Note 31)*	152,758	121,065	143,037	116,519
Due to subsidiaries *(Note 24)*	–	–	78,797	55,186
Total	1,284,354	1,006,807	960,203	749,983

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

19. DEFERRED INCOME TAX

	The Group		The Company	
	2011 RMB'000	2010 RMB'000 (Restated)	**2011 RMB'000**	2010 RMB'000 (Restated)
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	**8,283**	8,306	**8,556**	8,187
Deferred tax assets to be recovered within 12 months	**3,491**	2,869	**2,393**	2,047
	11,774	11,175	**10,949**	10,234
Deferred tax liabilities:				
Deferred tax liabilities to be settled over 12 months	**(18,252)**	(19,166)	**–**	–
	(18,252)	(19,166)	**–**	–

The net movement on the deferred income tax accounts is as follows:

The Group:

	Depreciation and Amortisation RMB'000	Accrual, Provision and Others RMB'000	Total RMB'000
As at January 1, 2010			
As previously reported	8,524	1,351	9,875
Prior year restatements	(19,488)	–	(19,488)
As restated	(10,964)	1,351	(9,613)
Recognised in the statement of comprehensive income, as restated	(3,584)	5,206	1,622
As at December 31, 2010, as restated	(14,548)	6,557	(7,991)
As at January 1, 2011			
As previously reported	**4,479**	**6,557**	**11,036**
Prior year restatements	**(19,027)**	**–**	**(19,027)**
As restated	**(14,548)**	**6,557**	**(7,991)**
Recognised in the statement of comprehensive income	**4,579**	**(3,066)**	**1,513**
As at December 31, 2011	**(9,969)**	**3,491**	**(6,478)**

19. DEFERRED INCOME TAX *(continued)*

The Company:

	Depreciation and Amortisation RMB'000	Accrual, Provision and Others RMB'000	Total RMB'000
As at January 1, 2010	8,465	–	8,465
Recognised in the statement of comprehensive income	(3,996)	5,765	1,769
As at December 31, 2010	4,469	5,765	10,234
Recognised in the statement of comprehensive income	3,781	(3,066)	715
As at December 31, 2011	**8,250**	**2,699**	**10,949**

20. OTHER LONG-TERM ASSETS

At December 31, other long-term assets of the Group mainly comprised long-term rental deposits.

21. INVENTORIES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Equipment for sale	**3,576**	6,632	**–**	–
Spare parts	**78**	146	**–**	–
Others	**–**	1,276	**–**	–
Total	**3,654**	8,054	**–**	–
Provision for impairment of inventories (Equipment for sale)	**(106)**	(106)	**–**	–
	3,548	7,948	**–**	–

No inventories have been pledged as security for borrowings by the Group or the Company.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

22. TRADE RECEIVABLES, NET

	The Group		The Company	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
Trade receivables	**467,986**	262,712	**363,934**	212,320
Provision for impairment of receivables	**(36,198)**	(35,955)	**(26,727)**	(33,467)
Trade receivables, net	**431,788**	226,757	**337,207**	178,853

The carrying amounts of the Group's trade receivables approximated its fair value as at December 31, 2011 because of the short-term maturities of these receivables.

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. The Group does not hold any collateral as security.

As of December 31, 2011 and 2010, the ageing analysis of the trade receivables was as follows:

	The Group		The Company	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
Within 6 months	**392,194**	206,499	**312,191**	168,633
Over 6 months but within 1 year	**36,059**	19,542	**27,775**	10,657
Over 1 year but within 2 years	**16,165**	11,666	**8,371**	9,433
Over 2 years but within 3 years	**4,423**	20,347	**2,164**	18,939
Over 3 years	**19,145**	4,658	**13,433**	4,658
Trade receivables	**467,986**	262,712	**363,934**	212,320
Provision for impairment of receivables	**(36,198)**	(35,955)	**(26,727)**	(33,467)
Trade receivables, net	**431,788**	226,757	**337,207**	178,853

22. TRADE RECEIVABLES, NET *(continued)*

As of December 31, 2011, trade receivables of RMB11.9 million (2010: RMB12.4 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Over 6 months but within 1 year	**7,526**	8,827	**–**	–
Over 1 year but within 2 years	**3,466**	2,356	**–**	–
Over 2 years but within 3 years	**870**	1,169	**–**	–
	11,862	12,352	**–**	–

As of December 31, 2011, trade receivables of RMB63.9 million (2010: RMB43.9 million) were impaired. The amount of the provision was RMB36.2 million as of December 31, 2011 (2010: RMB36.0 million). It was assessed that a portion of the receivables is expected to be recovered. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Over 6 months but within 1 year	**28,533**	10,715	**27,775**	10,657
Over 1 year but within 2 years	**12,699**	9,310	**8,371**	9,433
Over 2 years but within 3 years	**3,553**	19,178	**2,164**	18,939
Over 3 years	**19,145**	4,658	**13,433**	4,658
	63,930	43,861	**51,743**	43,687

The movement of provision for impairment of receivables is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Balance at beginning of year	**35,955**	41,926	**33,467**	37,127
Provision/(Reversal)	**13,276**	(5,137)	**6,293**	(3,660)
Write-off	**(13,033)**	(834)	**(13,033)**	–
Balance at end of year	**36,198**	35,955	**26,727**	33,467

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

22. TRADE RECEIVABLES, NET *(continued)*

The carrying amounts of the trade receivables are denominated in the following currencies:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
RMB	**357,583**	150,391	**257,753**	102,022
HKD denominated	**3,967**	27,038	**2,943**	27,038
USD denominated	**92,276**	80,185	**91,259**	79,037
Others	**14,160**	5,098	**11,979**	4,223
	467,986	262,712	**363,934**	212,320

23. DUE FROM RELATED PARTIES, NET

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Within 6 months	**1,204,094**	1,070,512	**918,225**	804,675
Over 6 months but within 1 year	**370,349**	303,662	**364,841**	299,029
Over 1 year but within 2 years	**31,909**	9,804	**20,354**	9,479
Over 2 years but within 3 years	**3,288**	60	**3,234**	60
Over 3 years	**93**	118	**–**	–
Due from related parties	**1,609,733**	1,384,156	**1,306,654**	1,113,243
Provision for impairment of receivables	**–**	–	**–**	–
Due from related parties, net	**1,609,733**	1,384,156	**1,306,654**	1,113,243

These balances are trade-related, interest free, unsecured and generally repayable within six months.

As of December 31, 2010, notes receivable of RMB125.2 million was included in the above balances. The notes have been collected in 2011.

As of December 31, 2011, notes receivables of RMB61.2 million was included in the above balances.

23. DUE FROM RELATED PARTIES, NET *(continued)*

As of December 31, 2011, due from related parties of RMB405.6 million (2010: RMB313.6 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Over 6 months but within1 year	**370,349**	303,662	**364,841**	299,029
Over 1 year but within 2 years	**31,909**	9,804	**20,354**	9,479
Over 2 years but within 3 years	**3,288**	60	**3,234**	60
Over 3 years	**93**	118	**–**	–
	405,639	313,644	**388,429**	308,568

24. DUE FROM/(TO) SUBSIDIARIES, NET

(i) The ageing analysis of amounts due from subsidiaries is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Within 6 months	**–**	–	**29,574**	17,580
Over 6 months but within 1 year	**–**	–	**5,639**	4,267
Over 1 year but within 2 years	**–**	–	**15,462**	10,662
Over 2 years but within 3 years	**–**	–	**848**	451
Over 3 years	**–**	–	**11,075**	11,413
Total	**–**	–	**62,598**	44,373
Provision for impairment of receivables	**–**	–	**(7,811)**	(7,811)
Due from subsidiaries, net	**–**	–	**54,787**	36,562

These balances are trade related interest free, unsecured and generally repayable on demand.

(ii) The amounts due to subsidiaries in the Company are interest free, unsecured and generally repayable on demand.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

25. DUE FROM ASSOCIATED COMPANIES

These balances are mainly trade related, interest free, unsecured and generally repayable within one year.

26. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Advance payments	**28,327**	14,550	**23,434**	11,427
Interest receivable	**17,387**	5,514	**17,204**	5,413
Prepaid expenses	**6,255**	1,865	**6,255**	1,865
Other receivables (i)	**180,883**	163,498	**–**	–
Other current assets	**29,059**	30,662	**16,485**	19,312
Total	**261,911**	216,089	**63,378**	38,017

(i) Other receivables represent the payment made on behalf of the customer airlines, which are part of ACCA's settlement and clearing services.

27. HELD-TO-MATURITY FINANCIAL ASSETS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
At amortised cost:				
Certificates of deposits held	**500,000**	–	**500,000**	–

The annual interest rate on certificates of deposit held by the Group and the Company ranges from 5.0% to 5.8% and these deposits have a maturity period ranging from 3 to 12 months and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate their fair values.

28. SHORT-TERM BANK DEPOSITS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**2,091,315**	1,736,900	**1,516,114**	1,159,000
HKD denominated	**–**	37	**–**	37
Others	**1,759**	1,897	**–**	–
	2,093,074	1,738,834	**1,516,114**	1,159,037

The annual interest rate on short-term bank deposits ranges from 2.25% to 3.50% (2010: 1.98% to 2.75%) and these deposits have a maturity period ranging from 6 to 12 months (2010: 6 to 12 months).

29. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash				
RMB	**400**	539	**281**	448
Others	**20**	55	**–**	–
	420	594	**281**	448
Demand deposits				
RMB	**868,692**	867,279	**196,752**	430,136
USD denominated	**5,398**	16,895	**163**	3,123
HKD denominated	**4,281**	4,908	**–**	–
Others	**11,383**	9,468	**–**	–
	889,754	898,550	**196,915**	433,259
Total cash and cash equivalents	**890,174**	899,144	**197,196**	433,707

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

30. TRADE PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Trade payables	**134,385**	77,484	**87,997**	64,270
Accrued departure technology support fees	**407,550**	284,808	**407,550**	284,808
Accrued technical support fees	**51,297**	24,099	**51,297**	24,099
Accrued network usage fees	**10,473**	19,924	**10,473**	19,924
Accrued bonuses and staff cost	**153,967**	116,237	**149,849**	113,241
Other taxes payable (i)	**37,117**	25,699	**28,350**	17,219
Other payables (ii)	**292,343**	270,738	**–**	–
Other liabilities	**81,581**	92,452	**31,203**	71,936
Total	**1,168,713**	911,441	**766,719**	595,497

At December 31, 2011, approximately RMB39.5 million of the above balances were denominated in US dollars (2010: RMB52.8 million).

The ageing analysis of trade payables and accrued liabilities is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Within 6 months	**104,785**	42,156	**64,201**	34,595
Over 6 months but within 1 year	**1,939**	4,431	**659**	4,080
Over 1 year but within 2 years	**17,195**	2,474	**13,922**	506
Over 2 years but within 3 years	**1,036**	9,326	**108**	6,264
Over 3 years	**9,430**	19,097	**9,107**	18,825
Total trade payables	**134,385**	77,484	**87,997**	64,270
Accrued liabilities and other liabilities	**1,034,328**	833,957	**678,722**	531,227
Total	**1,168,713**	911,441	**766,719**	595,497

30. TRADE PAYABLES AND ACCRUED LIABILITIES *(continued)*

(i) Other taxes payables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Business tax payable	**15,721**	13,099	**11,430**	7,532
VAT payable	**11,139**	3,063	**10,488**	2,759
Other	**10,257**	9,537	**6,432**	6,928
Total	**37,117**	25,699	**28,350**	17,219

(ii) Other payables represent the amount collected on behalf of the customer airlines, which are part of ACCA's settlement and clearing services.

31. DUE TO RELATED PARTIES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**30,558**	15,747	**20,865**	12,927
Over 6 months but within 1 year	**89,732**	76,579	**89,723**	76,579
Over 1 year but within 2 years	**18,247**	12,730	**18,228**	11,980
Over 2 years but within 3 years	**9,849**	3,470	**9,849**	3,470
Over 3 years	**4,372**	12,539	**4,372**	11,563
Total	**152,758**	121,065	**143,037**	116,519

These balances comprised mainly dividend payables and service fee payable.

32. PAID-IN CAPITAL

As of December 31, 2011, all issued shares are registered and fully paid, divided into 2,926,209,589 shares (2010: 1,950,806,393 shares) of RMB1.00 each, comprised of 1,993,647,589 Domestic Shares and 932,562,000 H Shares (2010: 1,329,098,393 Domestic Shares and 621,708,000 H Shares).

The bonus issue proposed in the Company's circular dated May 12, 2011 was approved at the annual general meeting and class meetings of the Company held on June 28, 2011 (as stated in the announcement made by the Company on June 28, 2011). In August 10, 2011, the bonus shares were issued to the Company's H shareholders and Domestic shareholders whose names appeared on the Company's register of members on June 28, 2011 and the relevant paid-in capital was increased accordingly.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

32. PAID-IN CAPITAL *(continued)*

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Registered:					
Registered shares of RMB1.0 each					
As at January 1, 2011	1,329,098	1,329,098	621,708	621,708	1,950,806
Issuance of bonus H shares	–	–	310,854	310,854	310,854
Issuance of bonus Domestic shares	664,549	664,549	–	–	664,549
As at December 31, 2011	1,993,647	1,993,647	932,562	932,562	2,926,209

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Issued and fully paid:					
Registered shares of RMB1.0 each					
As at January 1, 2011	1,329,098	1,329,098	621,708	621,708	1,950,806
Issuance of bonus H shares	–	–	310,854	310,854	310,854
Issuance of bonus Domestic shares	664,549	664,549	–	–	664,549
As at December 31, 2011	1,993,647	1,993,647	932,562	932,562	2,926,209

33. RESERVES

The Group:

	Capital surplus (Share premium) RMB'000	Statutory surplus reserve fund RMB'000	Merger reserve RMB'000 (i)	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000 (ii)	Currency translation differences RMB'000	Total RMB'000
Balance as at January 1, 2010							
As previously reported	658,918	642,676	369,313	700,748	–	(4,447)	2,367,208
Prior year restatements	–	–	–	–	451,675	–	451,675
As restated	658,918	642,676	369,313	700,748	451,675	(4,447)	2,818,883
Transfer from retained earnings	–	80,700	–	130,409	–	–	211,109
Currency translation differences	–	–	–	–	–	(1,104)	(1,104)
Restated balance as at December 31, 2010	658,918	723,376	369,313	831,157	451,675	(5,551)	3,028,888
Balance at January 1, 2011							
As previously reported	658,918	723,376	369,313	831,157	–	(5,551)	2,577,213
Prior year restatements	–	–	–	–	451,675	–	451,675
As restated	658,918	723,376	369,313	831,157	451,675	(5,551)	3,028,888
Bonus issue	–	–	–	(487,702)	–	–	(487,702)
Deregistration of a subsidiary	(76)	–	–	–	–	–	(76)
Currency translation differences	–	–	–	–	–	(2,471)	(2,471)
Appropriation to reserves	–	89,286	–	77,504	–	–	166,790
Balance as at December 31, 2011	658,842	812,662	369,313	420,959	451,675	(8,022)	2,705,429

(i) Merger reserve represents the difference between the carrying value of the acquired subsidiary – ACCA and the fair value of the domestic shares issued for the acquisition of ACCA at the acquisition date.

(ii) Revaluation reserve represents the revaluation of certain assets including property, plant and equipment, lease prepayment for land use right and intangible assets, on the occurrence of the Company's initial public offerings in 2001 and in respect of the acquisition of the Group's subsidiary, ACCA, in 2009.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

33. RESERVES *(continued)*

The Company:

	Capital surplus (Share premium) RMB'000	Statutory surplus reserve fund RMB'000	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000	Total RMB'000
Balance as at January 1, 2010					
As previously reported	661,932	635,395	700,748	–	1,998,075
Prior year restatements	–	–	–	387,090	387,090
As restated	661,932	635,395	700,748	387,090	2,385,165
Transfer from retained earnings	–	80,700	130,409	–	211,109
Restated balance as at December 31, 2010	661,932	716,095	831,157	387,090	2,596,274
Balance as at January 1, 2011					
As previously reported	661,932	716,095	831,157	–	2,209,184
Prior year restatements	–	–	–	387,090	387,090
As restated	661,932	716,095	831,157	387,090	2,596,274
Transfer from retained earnings	–	90,367	76,424	–	166,791
Bonus issue	–	–	(487,702)	–	(487,702)
Balance as at December 31, 2011	661,932	806,462	419,879	387,090	2,275,363

34. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2011, according to the Company Law of PRC, related regulations, and the Articles of Association of the Company, the distributable net profit after taxation and non-controlling interest is distributed in the following order:

(i) making up cumulative prior years' losses, if any;

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

(iv) distribution of dividends for ordinary shares to equity holders.

The Company is required to allocate at least 10% of its net profit to statutory surplus reserve fund until the cumulative amount reach 50% of the paid in registered capital under the Company Law of PRC.

34. APPROPRIATIONS AND DISTRIBUTION OF PROFIT *(continued)*

The appropriation of 10% of its net profit amount to RMB76.4 million to the discretionary surplus reserve fund for the year ended December 31, 2010 was approved in the annual general meeting held on June 28, 2011. The amount was accounted for in shareholder's equity as a distribution of retained earnings in the year ended December 31, 2011.

The proposed appropriation of 10% of its net profit amount to RMB88.0 million to the discretionary surplus reserve fund for the year ended December 31, 2011 is subject to shareholders' approval at the forthcoming annual general meeting in 2012. Therefore, the amount upon approval will be recorded in the Group's financial statements for year ending December 31, 2012.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2011 was approximately RMB1,504.1 million (2010: RMB1,572.8 million).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB879.9 million (2010: RMB764.2 million) for the year ended December 31, 2011.

35. CASH GENERATED FROM OPERATING ACTIVITIES

	2011 RMB'000	2010 RMB'000 (Restated)
Profit before taxation	**1,283,017**	1,047,062
Adjustments for:		
Depreciation and amortisation	**406,267**	404,013
Gain on disposal of property, plant and equipment	**(24)**	(53)
Interest income	**(64,342)**	(38,620)
Provision for/(reversal of) impairment of receivables	**13,276**	(5,137)
Staff costs arising from share appreciation rights	**1,514**	–
Share of results from associated companies	**(27,270)**	(24,390)
Foreign exchange loss	**10,241**	9,289
Decrease/(increase) in current assets:		
Trade receivables	**(215,949)**	(35,231)
Inventories	**4,400**	147
Prepayments and other current assets	**(30,380)**	(70,185)
Due from related parties/associated companies	**(225,577)**	(25,531)
Increase/(decrease) in current liabilities:		
Trade payables and accrued liabilities	**294,473**	102,487
Deferred revenue	**(27,469)**	30,665
Due to related parties	**31,693**	51,880
Cash generated from operations	**1,453,870**	1,446,396

36. SHARE APPRECIATION RIGHTS SCHEMES

The Group implemented a share appreciation rights scheme for its executive directors, senior management, and key technical and managerial personnel to provide incentives to them. Under this plan, share appreciation rights are granted in units with each unit representing one H share.

Under the terms of this plan, all share appreciation rights had a contractual life of seven years from the date of its grant. A recipient of share appreciation rights shall not exercise the rights within the first two years after the date of its grant. As at each of the second, third and fourth anniversary of the date of each grant, one-third, two-third and all of the rights will become exercisable respectively, of the rights granted to such person.

Upon the exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of the rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the exchange rate between RMB and Hong Kong dollars published by the People's Bank of China at the date of the exercise. The Company recognises staff compensation expense of the share appreciation rights over the applicable vesting period.

Under the share appreciation rights scheme, the share appreciation rights are not transferable, nor are there any voting rights attached. The operation of the share appreciation rights scheme does not involve any issue of new shares of the Company, and the exercise of any share appreciation rights will not create any dilution effect on the Company's shareholding structure. The share appreciation rights which have not been exercised after the expiration of the terms of the scheme shall lapse.

The share appreciation rights scheme was approved by the State-Owned Assets Supervision and Administration Commission of the State Council on April 21, 2011, and approved by the annual general meeting of the Company on June 28, 2011.

On August 29, 2011, 14,004,000 units of the share appreciation rights were granted to 3 executive directors, 10 senior management and 43 key technical and managerial personnel of the Company at an exercise price calculated at the higher of the closing price of the H-shares of the Company on August 29, 2011 and the average closing price of the H-shares of the Company for five consecutive trading days prior to August 29, 2011. 14,004,000 units of share appreciation rights were outstanding as at December 31, 2011, and no rights granted was exercised or expired during the year.

For the year ended December 31, 2011, the Group has recorded liabilities and expenses of approximately RMB1.5 million related to the share appreciation rights. The share appreciation rights liability was recorded in accrued bonus and staff cost in accrued liabilities and personnel expenses in operating expenses.

The fair value of share appreciation rights granted on August 29, 2011 determined using the Binominal Model was HKD1.26 per each right. The significant inputs into the model were fair value per share price of HKD4.07 at the grant date, exercise price shown above, volatility of 43.16%, dividend yield of 0%, share appreciation rights life of seven years, and an annual risk-free interest rate of 1.264%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices of the Company over the last seven years.

36. SHARE APPRECIATION RIGHTS SCHEMES *(continued)*

The fair value of share appreciation rights as at December 31, 2011 determined using the Binominal Model was HKD1.16 per each right. The significant inputs into the model were fair value per share price of HKD4.04 at the grant date, exercise price shown above, volatility of 43.28%, dividend yield of 0%, share appreciation rights life of 6.7 years, and an annual risk-free interest rate of 1.237%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices of the Company over the last seven years.

37. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the Group's finance department, following the overall directions determined by the Board of Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units.

(i) *Foreign currency risk*

The functional currency of the Company and most of the subsidiaries is RMB. Majority of transactions are conducted in RMB except for certain commercial transactions with foreign airlines and purchases of machinery and equipment from overseas suppliers. The Group manages the foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposure.

The Group's exposure to foreign exchange risk relates principally to its trade receivables, short-term bank deposits, cash and cash equivalents and trade payables denominated in foreign currencies. Analysis of these assets and liabilities by currency are disclosed in Notes 22, 28, 29, and 30 respectively.

As at December 31, 2011, if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB5.5 million lower/higher, mainly as a result of foreign exchange differences on translation of USD and HKD denominated trade receivables, cash and cash equivalents, short-term bank deposits and trade payables.

(ii) *Interest rate risk*

The Group's interest-bearing assets are mainly represented by short-term bank deposits, cash and cash equivalents and held-to-maturity financial assets. Interest income is approximately RMB64.3 million (2010: RMB38.6 million). Apart from this, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates and maturities of the Group's held-to-maturity financial assets and short-term bank deposits are disclosed in Notes 27 and 28 respectively.

The Group has no significant borrowings or non-current liabilities at December 31, 2011 and therefore do not have significant exposure to changes in interest rates.

37. FINANCIAL RISK MANAGEMENT *(continued)*

Financial risk factors *(continued)*

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from trade receivables, short-term bank deposits, held-to-maturity financial assets, cash and cash equivalents and due from related parties. The carrying amounts of these current assets represent the Group's maximum exposure to credit risk in relation to financial assets.

As a substantial portion of these revenues was generated from the shareholders of the Company, the amount due from related parties balances are trade related, and the counterparties mainly comprise the domestic airlines. Most of these domestic airlines are stated-owned enterprises with good repayment history. There was no material default of the balances in the past. Approximately 63% (2010: 62%) of the total amount due from related parties was due from the top 3 customers of the Group: China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited, and Air China Limited.

The Group has policies to ensure that the bank balances are placed with the banks with good reputation and credit quality. The Group also performs evaluation of credit quality of the banks periodically. Approximately 53% (2010: 64%) of the total bank balances were concentrated with 4 state-owned banks as at December 31, 2011.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2011, approximately 33% of the Group's total assets are in cash and cash equivalents and short-term bank deposits (2010: 33%). Directors believe the Group has sufficient cash balances to meet its daily operations requirements and has no significant exposure to liquidity risk.

Capital risk management

The Group's objective is to maintain an optimal capital structure and reduce the cost of capital.

The Group reviews and manages its capital structure actively and regularly to ensure optimal capital structure and shareholder returns, taking into account the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

37. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value estimation

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy as defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	The Group and the Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Share appreciation rights	–	1,514	–	–

The fair value of share appreciation rights is measured using the Binomial Model. Measurement inputs include stock price on measurement date, exercise price of the investment, expected volatility, weight average expected life of the instruments, expected dividends and risk-free interest rate. Services and non-market performance conditions attached to the transactions are not taken into account in determination of the fair value.

(ii) Financial instruments carried at other than fair value

The Group's financial instruments carried at other than fair value mainly consist of cash and cash equivalents, short-term bank deposits, held-to-maturity financial assets, trade receivable, prepayments, due from associated and related parties, trade payables, and due to related parties.

The carrying amounts of the Group's financial instruments carried at other than fair value approximated their fair values as at December 31, 2011 because of the short-term maturities of these instruments.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

38. SEGMENT REPORTING

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group's chief decision maker for operation is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the statement of comprehensive income. No segment income statement has been prepared by the Group for the year ended December 31, 2011 and 2010. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

Certain customers accounted for greater than 10% of the Group's total revenues, please refer to Note 40 for details.

39. COMMITMENTS

(a) Capital commitments

At December 31, the Group had the following capital commitments:

	2011 RMB'000	2010 RMB'000
Authorised and contracted for		
– Computer System	24,372	3,974
– Building	11,524	39,182
Authorised but not contracted for		
– Computer System and others	813,198	531,228
– Land use right and building	1,075,455	518,232
Total	1,924,549	1,092,616

The above capital commitments primarily relate to the development of the new generation aviation passenger service system and the construction of new operating center in Beijing.

At December 31, 2011, approximately RMB1.4 million was denominated in US dollars (2010: nil).

39. COMMITMENTS *(continued)*

(b) Operating lease commitments

As at December 31, the Group had the following commitments under operating leases for office rental:

	2011 RMB'000	2010 RMB'000
Within one year	**94,061**	55,917
Later than one year but not later than five years	**104,413**	48,072
Total	**198,474**	103,989

(c) Equipment maintenance fee commitments

As at December 31, 2011, the Group had equipment maintenance fee commitments of approximately RMB25.4 million (2010: RMB26.6 million).

40. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised 2009), "Related Party Disclosure", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. Entities are also considered to be related if they are subject to common control or common significant influence. For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

(1) Related Parties

The major related parties of the Company and the Group are as follows:

Name	Relationship with the Company
CTHC	Shareholder of the Company, ultimate holding company
China Southern Air Holding Company	Shareholder of the Company
China Southern Airlines Company Limited	Subsidiary of a shareholder of the Company
China Eastern Air Holding Company	Shareholder of the Company
China Eastern Airlines Corporation Limited	Shareholder of the Company
China National Aviation Holding Company	Shareholder of the Company
Air China Limited	Subsidiary of a shareholder of the Company
Xiamen Airlines Company Limited	Shareholder of the Company
China Eastern Airlines Wuhan Company Limited	Shareholder of the Company
Hainan Airlines Company Limited	Shareholder of the Company
Shenzhen Airlines Company Limited	Shareholder of the Company
Shanghai Airlines Company Limited	Subsidiary of a shareholder of the Company

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

40. RELATED PARTY TRANSACTIONS *(continued)*

(2) Related party transactions

The following is a summary of significant recurring transactions carried out with the Group's related parties.

(i) Revenue for aviation information technology, data network and accounting, settlement and clearing services.

The pricing was based on either contractual arrangements or negotiated prices with these related parties with reference to the pricing standards prescribed by Civil Aviation Administration of China ("CAAC") where applicable.

Name	*Note*	**2011 RMB'000**	2010 RMB'000
China Southern Airlines Company Limited	*(a)*	**503,128**	452,246
China Eastern Airlines Corporation Limited	*(b)*	**574,573**	537,452
Air China Limited	*(c)*	**580,377**	505,491
Hainan Airlines Company Limited		**227,282**	203,896

Note:

(a) Included the transaction amount of its subsidiary, Xiamen Airlines Company Limited.

(b) Included the transaction amount of its subsidiaries, China Eastern Airlines Wuhan Company Limited and Shanghai Airlines Company Limited.

(c) Included the transaction amount of its subsidiaries, Shenzhen Airlines Company Limited and Kunpeng Airlines Company Limited.

In the directors' opinion, these transactions were carried out with related parties in the ordinary course of business and on normal commercial terms.

(ii) Lease of properties from CTHC

For the year ended December 31, 2011, operating lease rentals for lease of properties from CTHC amounted to RMB31.3 million (2010: RMB31.3 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

40. RELATED PARTY TRANSACTIONS *(continued)*

(3) Balances with related parties

Balances due from the related parties mainly comprised:

Name	Note	The Group 2011 RMB'000	The Group 2010 RMB'000	The Company 2011 RMB'000	The Company 2010 RMB'000
Trade related balances (i)					
China Southern Airlines Company Limited	*(a)*	**387,113**	322,384	**383,719**	320,456
China Eastern Airlines Corporation Limited	*(b)*	**241,012**	276,063	**236,973**	271,709
Air China Limited	*(c)*	**391,828**	262,471	**386,188**	261,416
Hainan Airlines Company Limited		**152,278**	164,084	**141,798**	154,941
Other balances (ii)					
China Southern Airlines Company Limited	*(a)*	**24,955**	27,684	**–**	–
China Eastern Airlines Corporation Limited	*(b)*	**43,629**	73,287	**–**	–
Air China Limited	*(c)*	**199,941**	141,224	**–**	–

The balances with related parties were unsecured, non-interest bearing and generally repayable within six months.

(i) The trade related balances with related parties primarily arose from the above related party transactions.

(ii) The other balances represented the payment made on behalf of related parties, which are part of the ACCA's settlement and clearing services business.

Note:

(a) Included the transaction balance of its subsidiary, Xiamen Airlines Company Limited.

(b) Included the transaction balances of its subsidiaries, China Eastern Airlines Wuhan Company Limited and Shanghai Airlines Limited.

(c) Included the transaction balances of its subsidiaries, Shenzhen Airlines Company Limited and Kunpeng Airlines Company Limited.

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

40. RELATED PARTY TRANSACTIONS *(continued)*

(4) Amounts due from other major state-owned enterprises

The balances with other major state-owned banks are as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank balances	**1,569,517**	1,695,895	**851,313**	969,833

The Group is a state-owned enterprise. In accordance with the IAS 24 (revised 2009), "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than entities under the Group, directly or indirectly controlled by the PRC government are also defined as related parties of the Company and its subsidiaries.

The majority of the business activities of the Company and its subsidiaries are conducted with state-owned enterprises. For the purpose of the related party transactions disclosure in accordance with IAS 24, the Company and its subsidiaries have established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that all material related party balances and transactions have been adequately disclosed.

41. ACQUISITION OF A SUBSIDIARY

On September 30, 2011, the Company has acquired 60% equity interest in Shanghai Yeexing for a consideration of RMB3.5 million from independent third parties. Shanghai Yeexing is principally engaged in the computer hardware and software development and provision of tour consulting services.

The acquisition was accounted for using the purchase method.

Net assets acquired in the transactions are as follows:

	Note	2011 Fair value RMB'000
Net assets acquired:		
Property, plant and equipment	*13*	**1,030**
Prepayments and other current assets		**1,409**
Cash and cash equivalents		**3,622**
Other payables and accrued liabilities		**(236)**
Net assets		**5,825**
Non-controlling interests		**(2,330)**
Total consideration		**3,495**
Total consideration satisfied by:		
Cash		**3,495**
Net cash inflow arising on acquisition:		
Cash consideration paid		**(3,495)**
Cash and cash equivalents acquired		**3,622**
Net cash inflow		**127**

Included in the revenue and profit for the year are approximately RMB4.2 million and approximately RMB0.6 million respectively attributable to the additional business generated by the acquired subsidiary for the period between the date of acquisition and December 31, 2011.

Had this business combination been effected on January 1, 2011, the revenue of the Group would be approximately RMB3,687 million and profit for the year of the Group would be approximately RMB1,075 million. The directors of the Group consider this 'pro-formas' an approximate measure of the performance of the combined group on an annualised basis and a reference point only for comparison in future periods.

42. ULTIMATE HOLDING COMPANY

The directors regard CTHC established in the PRC as the ultimate holding company.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on March 28, 2012.

44. COMPARATIVE FIGURES

As further explained in Note 2(a) to the consolidated financial statements, due to the change in accounting policy during the period, comparative amounts in the consolidated financial statements have been restated accordingly.

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2011

(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Year ended December 31,				
	2007 RMB'000 (restated)	2008 RMB'000 (restated)	2009 RMB'000 (restated)	2010 RMB'000 (restated)	**2011** **RMB'000**
Revenues	2,256,588	2,271,237	2,619,524	3,054,403	**3,672,064**
Profit before taxation	817,090	721,099	901,458	1,047,062	**1,283,017**
Profit attributable to owner of the parent	691,923	636,889	774,951	894,263	**1,047,226**
Earnings before interests, tax, depreciation and amortisation	995,004	953,079	1,163,121	1,412,455	**1,624,942**
Earnings per share (Basic and diluted) *(RMB)*	0.24	0.22	0.26	0.31	**0.36**

	As at December 31,				
	2007 RMB'000 (restated)	2008 RMB'000 (restated)	2009 RMB'000 (restated)	2010 RMB'000 (restated)	**2011** **RMB'000**
Total assets	9,142,934	6,381,003	7,109,068	7,960,055	**9,006,688**
Total liabilities	959,109	780,369	888,201	1,092,629	**1,379,846**
Total equity	8,183,825	5,600,634	6,220,867	6,867,426	**7,626,842**

Notes:

1. The financial statements for the years 2007 and 2008 have been adjusted, as if ACCA had been acquired at the earliest period presented.

2. Earnings per share was calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2011.

3. The financial statements for the years from 2007 to 2010 have been adjusted due to changes in accounting policies during the year.

CORPORATE INFORMATION

(as of the issue date of this annual report)

BOARD OF DIRECTORS

Xu Qiang	*Chairman, Executive Director* (appointed on March 16, 2010)
Cui Zhixiong	*Executive Director* (appointed on March 16, 2010)
Xiao Yinhong	*Executive Director, General Manager* (appointed on March 16, 2010)
Wang Quanhua	*Non-executive Director* (appointed on March 16, 2010)
Luo Chaogeng	*Non-executive Director* (appointed on March 16, 2010)
Sun Yude	*Non-executive Director* (appointed on March 16, 2010)
Zhou Deqiang	*Independent Non-executive Director* (appointed on March 16, 2010)
Pan Chongyi	*Independent Non-executive Director* (appointed on March 16, 2010)
Cheung Yuk Ming	*Independent Non-executive Director* (appointed on March 16, 2010)

AUDIT COMMITTEE

Cheung Yuk Ming	*Chief Member (Chairman)* (appointed on March 16, 2010)
Zhou Deqiang	*Member* (appointed on March 16, 2010)
Pan Chongyi	*Member* (appointed on March 16, 2010)

STRATEGIC COMMITTEE

Xu Qiang	*Chief Member (Chairman)* (appointed on March 16, 2010)
Wang Quanhua	*Member* (appointed on March 16, 2010)
Luo Chaogeng	*Member* (appointed on March 16, 2010)
Sun Yude	*Member* (appointed on March 16, 2010)
Cui Zhixiong	*Member* (appointed on March 16, 2010)
Xiao Yinhong	*Member* (appointed on March 16, 2010)

REMUNERATION AND EVALUATION COMMITTEE

Zhou Deqiang	*Chief Member (Chairman)* (appointed on March 16, 2010)
Pan Chongyi	*Member* (appointed on March 16, 2010)
Cheung Yuk Ming	*Member* (appointed on March 16, 2010)
Wang Quanhua	*Member* (appointed on March 16, 2010)
Cui Zhixiong	*Member* (appointed on March 16, 2010, resigned on August 18, 2011)

EXECUTIVE COMMITTEE

Xu Qiang	*Chief Member (Chairman)* (appointed on March 16, 2010)
Cui Zhixiong	*Member* (appointed on March 16, 2010)
Xiao Yinhong	*Member* (appointed on March 16, 2010)

SUPERVISORY COMMITTEE

Li Xiaojun	*Chairperson of Supervisory Committee, Staff Representative Supervisor* (appointed on March 16, 2010)
Zeng Yiwei	*Supervisor* (appointed on March 16, 2010)
Yu Yanbing	*Supervisor* (appointed on March 16, 2010)
Xiao Wei	*Staff Representative Supervisor* (appointed on March 16, 2010)
Rao Geping	*Independent Supervisor* (appointed on March 16, 2010)

SENIOR MANAGEMENT

Rong Gang	*Deputy General Manager* (appointed on March 16, 2010)
Wang Wei	*Deputy General Manager* (appointed on March 16, 2010)
Sun Yongtao	*Deputy General Manager and Financial Controller* (appointed on March 16, 2010)
Zhu Xiaoxing	*Deputy General Manager* (appointed on March 16, 2010)
Huang Yuanchang	*Deputy General Manager* (appointed on March 16, 2010)
Li Jinsong	*General Counsel* (appointed on March 16, 2010)

JOINT COMPANY SECRETARIES

Yu Xiaochun	(appointed on March 16, 2010)
Liu Pui Yee	(appointed on March 16, 2010)

COMPANY'S WEBSITES

Website of consolidated information of the Company:
www.travelsky.net

Website established in accordance with Rule 2.07C(6)(a) of the Listing Rules:
http://travelsky.todayir.com

CORPORATE INFORMATION

(as of the issue date of this annual report)

AUDITORS

International Auditors:

PricewaterhouseCoopers (resigned on August 26, 2011)
Certified Public Accountants, Hong Kong
22/F, Prince's Building, Central, Hong Kong

Baker Tilly Hong Kong Limited (appointed on August 26, 2011, ratified on February 22, 2012)
2nd Floor, 625 King's Road, North Point, Hong Kong

PRC Auditors:

PricewaterhouseCoopers Zhong Tian CPAs Limited Company (resigned on August 26, 2011)
11/F, PricewaterhouseCoopers Centre
202 Hu Bin Road
Shanghai (200021)
PRC

Baker Tilly China (appointed on August 26, 2011, ratified on February 22, 2012)
2/F, Building B of Huatong Mansion,
No. 19, Chegongzhuang West Road Yi, Haidian District, Beijing 100048, PRC

LEGAL ADVISERS

as to Hong Kong law:

Bird & Bird
4/F, Three Pacific Place
1 Queen's Road East
Hong Kong

as to the PRC law:

Guantao Law Firm
17/F, Tower 2, Yingtai Center, No.28, Finance Street, Xicheng District,
Beijing 100140, PRC

COMPLIANCE ADVISOR (Term of service terminated on October 20, 2011)

Shenyin Wanguo Capital (H.K.) Limited
28th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Hong Kong

LEGALLY REGISTERED ADDRESS AND CONTACT DETAILS

Registered address:
7 Yu Min Da Street
Houshayu Town
Shunyi District
Beijing 101308, PRC

Contact details for investors:
Postal address: No.157 Dongsi West Street, Dongcheng District, Beijing 100010, PRC
Telephone: (8610) 5765 0696 Secretariat of the Board
Facsimile: (8610) 5765 0695

PLACE OF BUSINESS IN HONG KONG

Room 3606, 36/F., China Resources Building
26 Harbour Road, Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 0696

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York
Shareholder
P. O. Box 11258
Church Street Station
New York, NY 10286-1258, U.S.A.

Shareholders can obtain a copy of this annual report through the website of the Company at http://travelsky.todayir.com.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

(as of the issue date of this annual report)

DIRECTORS

Mr Xu Qiang, aged 50, the Chairman and an executive Director of the Company. Mr Xu graduated from First Research Institute of Ministry of Aviation and Aerospace Industry (航空航天部第一研究院) and got Ph.D. Degree. From November 1990 to May 1999, Mr Xu served at the Ministry of Aero-Space Industry (航空航天部), China Aerospace Industry Corporation (中國航天工業總公司) as engineer, vice-director and director of research office as well as vice director and director of 13th Institute in succession. From May 1999 to May 2007, Mr Xu served at China Aerospace Science and Technology Corporation (中國航天科技集團公司), held the position of assistant to president and vice president of First Research Institute (第一研究院), president of 10th Research Institute (第十研究院) and general engineer of China Aerospace Science and Technology Corporation. Mr Xu served as general manager and deputy party secretary of China TravelSky Holding Company (中國民航信息集團公司) since May 2007. Mr Xu served as an executive Director and Chairman of the third Board of the Company since May 2008. From August 2008, Mr Xu served as the deputy secretary of the Communist Party Committee of the Company. Since March 2010, Mr Xu has served as an executive Director and the Chairman of the fourth Board of the Company, and the Chief Member (Chairman) of the Strategic Committee and the Executive Committee. Mr Xu is holding positions as the chairman of TravelSky Technology (Hong Kong) Limited (中國民航信息網絡股份(香港)有限公司), a subsidiary of the Company. China TravelSky Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr Xu was an employee of China TravelSky Holding Company.

Mr Cui Zhixiong, aged 51, an executive Director of the Company. Mr Cui, a postgraduate, graduated from the Party School of the Central Committee of the CPC (中央黨校) majoring in Global Economics and had an EMBA degree from Nankai University. From December 1976 to September 1989, he served as an army officer. From September 1989 to February 1993, he worked in the Government Offices Administration of the State Council (國務院機關事務管理局) and had held positions as an deputy supervisor, deputy secretary and secretary of the State Organs of the CPC. From February 1993 to April 2004, he worked in the Communist Youth League Work Committee of the State Organs of the CPC (共青團中央國家機關工作委員會) and had served as deputy secretary and secretary. In June 2000, he served as the Chairman of the State Organs Youth Federation of the CPC (中央國家機關青年聯合會). Meanwhile, from November 2001 to October 2003, he served as Deputy Secretary-General of Gansu Provincial Committee and Deputy Secretary of Municipal Committee of Jiayuguan, Gansu Province. Since April 2004, he has served as the party secretary of China TravelSky Holding Company (中國民航信息集團公司) and deputy general manager of China TravelSky Holding Company from April 2004 to June 2008. Since August 2008, he has been the Deputy Party Secretary of the Company. Since October 2008, Mr Cui served as an executive Director of the third Board of the Company. Since March 2010, Mr Cui has served as an executive Director of the fourth Board of the Company, and a member of the Strategic Committee and the Executive Committee. Mr. Cui was a member of the Remuneration and Evaluation Committee during the period from March 2010 to August 2011.

Mr Xiao Yinhong, aged 49, an executive Director and the general manager of the Company. Mr Xiao was awarded a master's degree of Beihang University (北京航空航天大學) and was a senior engineer with over 20 years of management experience in the aviation industry of the PRC. From July 1984 to October 2000, Mr Xiao had consecutively held positions such as the deputy director of Application Office (應用室), director of Information Office (信息室), assistant to general manager and deputy general manager of China Civil Aviation Computer Information Center (中國民航計算機信息中心). Mr Xiao served as an executive Director of the first Board of the Company from October 2000 to December 2003. From October 2000 to August 2008, Mr Xiao had served as a deputy general manager of the Company and has served as the general manager of the Company since August 2008. Since October 2008, Mr Xiao served as the executive Director of the third Board of the Company. Since March 2010, Mr Xiao has served as an executive Director of the fourth Board of the Company, and a member of the Strategic Committee and the Executive Committee. Mr Xiao is also the Chairman of InfoSky Technology Co., Ltd. (天信達信息技術有限公司), the chairman of Civil Aviation Cares of Qingdao Ltd. (青島民航凱亞系統集成有限公司) and the director of TravelSky Technology (Hong Kong) Limited (中國民航信息網絡股份(香港)有限公司), all of which are subsidiaries of the Company.

Mr Wang Quanhua, aged 57, a non-executive Director of the Company. Mr Wang is a university graduate and has about 30 years of management experience in China's civil aviation industry. He joined China Southern Airlines Company (中國南方航空公司) in June 1991. Since June 1998, he had served as the General Manager of the Strategic Planning and Development Department, and then as the Assistant to the President and the Vice President of Southern Air (Holding) Company (南方航空(集團)公司), a promoter of the Company. He has been the Deputy General Manager of China Southern Air Holding Company (中國南方航空集團公司) since October 2002 and a director of China Southern Airlines Company Limited (中國南方航空股份有限公司) (a company listed on the Main Board of the Stock Exchange and a subsidiary of China Southern Air Holding Company) since March 2003. Since December 2003, Mr Wang has served as a non-executive Director and a Vice Chairman of the second Board of the Company. In March 2004, Mr Wang was appointed by the Board as a member of the Strategic Committee and the Remuneration and Evaluation Committee of the second Board. Since January 2007, Mr Wang has been re-appointed as a non-executive Director of the Company's third Board and a member of the Strategic Committee and the Remuneration and Evaluation Committee. From January 2007 to March 2009, Mr Wang served as the Vice Chairman of the third Board of the Company. Since March 2010, Mr Wang has served as a non-executive Director of the fourth Board of the Company, and a member of the Remuneration and Evaluation Committee and the Strategic Committee. China Southern Air Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr Wang was an employee of China Southern Air Holding Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

(as of the issue date of this annual report)

Mr Luo Chaogeng, aged 61, a non-executive Director of the Company. Mr Luo joined the civil aviation industry in 1970. Mr Luo has obtained first class competency in flight mechanics. Mr Luo was a flight mechanic of the instructing team of the Lanzhou Civil Aviation Administration Bureau (民航蘭州管理局) from August 1970 to August 1972. From September 1972 to March 1989, he was the flight mechanic of the 8th Civil Aviation Flight Team (中國民航第八飛行大隊). From March 1989 to August 1994, he was the deputy commissar, commissar and party secretary of the Xian Flight Team of China Northwest Airlines Co., Ltd. (中國西北航空公司). From August 1994 to October 1996, he was the party secretary of the aircraft maintenance plant of China Northwest Airlines Co., Ltd. From October 1996 to March 1997, he was the party secretary and deputy general manager of the aircraft maintenance base of China Northwest Airlines Co., Ltd. From March 1997 to December 2000, he was the deputy director of the Civil Aviation Administration Bureau of Xibei (民航西北管理局). From December 2000 to November 2001, he was the general manager of Yunnan Airlines Co., Ltd. (雲南航空公司) and a director and the deputy party secretary of Civil Aviation Administration Bureau of Yunnan (民航雲南省管理局). From November 2001 to September 2002, he was the general manager and deputy party secretary of Yunnan Airlines Co., Ltd. From September 2002 to September 2004, he has also been serving concurrently as the general manager of China Eastern Airlines, Yunnan Branch (中國東方航空雲南公司). From September 2004 to October 2006, Mr Luo was a director, the General Manager and the deputy party secretary of China Eastern Airlines Corporation Limited (中國東方航空股份有限公司), a company listed on the Main Board of the Stock Exchange and a subsidiary of China Eastern Air Holding Company (中國東方航空集團公司) which is a promoter and a substantial shareholder of the Company. From September 2002 to May 2011, Mr Luo has been the Vice President and a party constitution member of China Eastern Air Holding Company. He ceased to hold any position in China Eastern Air Holding Company for the reason of age. From June 2007 to March 2009, Mr Luo served as a Vice Chairman of the Company's third Board and the Chief Member (Chairman) of the Strategic Committee. From June 2007 to March 2010, Mr Luo served as a non-executive Director of the third Board of the Company and the Chief Member of the Strategic Committee. Since March 2010, Mr Luo has served as a non-executive Director of the fourth Board of the Company, and a member of the Strategic Committee.

Mr Sun Yude, aged 58, a non-executive Director of the Company, graduated from Civil Aviation Institute of Chin (中國民航學院) (currently known as Civil Aviation University of China (中國民航大學)) majoring in economic management. He started his career in China's civil aviation industry in 1972 and served as the Deputy Head of CAAC Taiyuan Terminal (民航太原航站) and Head of Ningbo Terminal (寧波航站), as well as General Manager of CNAC Zhejiang Airlines (中航浙江航空公司). In October 2002, Mr Sun joined Air China International Corporation (中國國際航空公司) as Vice President and General Manager of Zhejiang branch, and has been serving as Vice President of Air China Limited (中國國際航空股份有限公司) (a company listed on the Main Board of the Stock Exchange and a subsidiary of China National Aviation Holding Company (中國航空集團公司) (a promoter and a substantial shareholder of the Company); stock code: 0753 (HKSE); 601111 (Shanghai Stock Exchange); AIRC (London Stock Exchange)) since September 2004. Mr Sun has been serving as Chairman of Shandong Aviation Group (山東航空集團有限公司) since November 2004, as well as President and the deputy party secretary since December 2005. Mr Sun served as a director, the president and party secretary of China National Aviation Corporation (Group) Limited since March 2007. He was appointed as deputy General Manager and a party constitution member of China National Aviation Holding Company, a director and the president of China National Aviation Corporation (Group) Limited in May 2009 and served as the chairperson of the supervisory committee of Air China Limited during the period from October 2007 to October 2010. Mr Sun served as a director of Air China Limited since October 2010. Since March 2010, Mr Sun has served as a non-executive Director of the fourth Board of the Company, and a member of the Strategic Committee. China National Aviation Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr Sun was an employee of China National Aviation Holding Company.

Mr Cheung Yuk Ming, aged 59, an independent non-executive Director of the Company, is a certified public accountant registered in Hong Kong and a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會), a member of the Hong Kong Institute of Bankers (香港銀行學會), a member of the Institute of Internal Auditors of the United States, a member of the Alliance of Merger and Acquisition Advisors (Chicago, the United States), an associate of The Institute of Chartered Accountants in England and Wales, an associate of Chartered Institute of Arbitrators and a member of the Hong Kong Securities Institute (香港證券專業學會). He obtained a master's degree in business administration from the University of East Asia, Macau (澳門東亞大學) in 1987. Prior to June 2009, Mr Cheung had served as assistant auditor and senior accountant at PriceWaterhouse, and was a partner of Lau, Cheung, Fung & Chan. Since January 2005, he has been an executive director of Lawrence CPA Limited. Mr Cheung was appointed as an independent non-executive Director of Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司) (HKSE stock code:1618) in June 2009. Since June 2011, Mr Cheung has been an independent non-executive director of EPI (Holdings) Limited (HKEx Stock code: 0689). Since March 2010, Mr Cheung has served as an independent non-executive Director of the fourth Board of the Company, the Chief Member (Chairman) of the Audit Committee and a member of the Remuneration and Evaluation Committee.

Mr Zhou Deqiang, aged 70, an independent non-executive Director of the Company, is a professor-level Senior Engineer. He graduated from Nanjing Institute of Posts and Telecommunications (南京郵電學院) and was engaged in telecommunications technology and management for a long time. Mr Zhou served as Director General of Anhui Post and Telecommunications Administration (安徽省郵電管理局) from September 1984 to October 1994, and Vice Minister of the Ministry of Posts and Telecommunications (郵電部) and the Ministry of Information Industry (信息產業部) from October 1994 to April 2000. He served as President of China Telecommunications Corporation (中國電信集團公司) from April 2000 to November 2004, and Chairman of the Board of Directors and CEO of China Telecom Corporation Limited (中國電信股份有限公司) (HKSE stock code: 0728) from September 2002 to December 2004. Mr Zhou was a member of CPPCC (全國政協) and the Economics Committee of CPPCC (全國政協經濟委員會) from March 2003 to March 2008. He is now Chairman of China Institute of Communications (中國通信學會), Honorary Chairman of Association of Communications Across Taiwan Straits (海峽兩岸通信交流協會), an external director of China Shenhua Group (中國神華集團公司) and an independent director of China PTAC Communications Services Co., Ltd. (中郵普泰通信服務股份有限公司). Since March 2010, Mr Zhou has served as an independent non-executive Director of the fourth Board of the Company, a member of the Audit Committee and the Chief Member (Chairman) of the Remuneration and Evaluation Committee.

Mr Pan Chongyi, aged 66, an independent non-executive Director of the Company, is a professor-level Senior Engineer. Mr Pan graduated from University of Shanghai for Science and Technology (上海理工大學). Mr Pan served as vice factory director of Harbin Turbine Company (哈爾濱汽輪機廠), Director of the Light Industry Bureau of Harbin (哈爾濱市輕工業局) and deputy general manager of HPEGC (哈爾濱電站設備集團公司) from December 1968 to October 1994. He served as vice chairman and general manager of Harbin Power Equipment Company Limited (哈爾濱動力設備股份有限公司) (HKSE stock code:1133) from October 1994 to April 1997. Mr Pan served as deputy general manager of China National Machinery Industry Corporation (中國機械工業集團公司) and general manager of China National Electric Equipment Corporation (中國電工設備總公司) from April 1997 to August 2005. From 2005 to October 2010, Mr Pan has taken the positions as the Chairman of China Perfect Machinery Industry Corp., Ltd. (中國浦發機械工業股份有限公司), an external director of China Railway Communication Co. Ltd. (中國鐵通集團公司) and an external director of China National Real Estate Group Corporation (中國房地產集團公司) in chronological order. Since March 2010, Mr Pan has served as an external director of China Coal Technology & Engineering Group Corporation. Since January 2011, he has served as an external director of China Machinery Engineering Corporation. Since March 2010, Mr. Pan has been an independent non-executive Director of the fourth Board of the Company, a member of the Audit Committee and the Remuneration and Evaluation Committee.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

(as of the issue date of this annual report)

SUPERVISORS

Ms Li Xiaojun, aged 56, Chairperson of the Supervisory Committee of the Company, is a senior economist who graduated from People's University of China (中國人民大學) and has over 20 years of management experience in China's civil aviation industry. From March 1983 to May 1988, Ms Li worked in the Planning Department of the Beijing Bureau of General Administration of Civil Aviation of China (中國民用航空總局北京管理局計劃處). From May 1988 to December 1997, she held the positions of the Deputy Head and then the Head of the Planning Department of Air China International Corporation (中國國際航空公司). Ms Li was the Head of Enterprise & Institute Personnel Division of Personnel and Education Department of General Administration of Civil Aviation of China (中國民用航空總局人事教育司企事業人事處) from December 1997 to August 2000. From October 2000 to August 2004, she had been a Director, the Deputy General Manager and Deputy Party Secretary of the Company. She has also been the Deputy Party Secretary and Secretary of the Disciplinary Committee of China TravelSky Holding Company (中國民航信息集團公司), a promoter of the Company, since September 2002. Since August 2008, she has served as the Deputy Party Secretary of the Company and Secretary of the Disciplinary Committee. She was an executive Director of the first Board. Since December 2003, Ms Li has served as a Supervisor and the Chairperson of the second Supervisory Committee, and was re-appointed as a Supervisor and the Chairperson of the third Supervisory Committee in January 2007. Since March 2010, she was re-appointed as a staff representative Supervisor and the Chairperson of the fourth Supervisory Committee of the Company.

Ms Zeng Yiwei, aged 40, a Supervisor of the Company, graduated from Xiamen University with a master's degree and is a senior accountant. Since 1993, Ms Zeng has been working as the deputy manager, manager and deputy general manager of the Finance Division of the Finance and Accounting Department of Xiamen Airlines (廈門航空有限公司), and he was promoted to the general manager of the Finance and Accounting Department of Xiamen Airlines since September 2010. Since March 2010, Ms Zeng has served as a Supervisor of the fourth Supervisory Committee of the Company.

Mr Yu Yanbing, aged 35, a Supervisor of the Company, graduated from Civil Aviation Institute of China (中國民航學院) (currently known as Civil Aviation University of China (中國民航大學)), majoring in computer science. In 1998, Mr Yu joined the Computer Centre of Hainan Airlines Company Limited (海南航空股份有限公司), a promoter of the Company, immediately after graduation. Since May 2000, he has worked in HNA Systems Company Limited (海南海航航空信息系統有限公司). From July 2004 to September 2007, Mr Yu was the deputy general manager of HNA Systems Company Limited. From September 2007 to January 2010, Mr Yu has served as the General Manager of the IT Strategy & Management of HNA Group Company Limited (海航集團有限公司) as well as the Chairman and CEO of HNA Systems Company Limited. Starting from October 2007, Mr Yu has also served as the Chairman of Hainan Baicheng Systems Company Limited (海南百成信息系統有限公司). From January 2008 to January 2010, Mr Yu has worked as the assistant to Chief Executive Officer of HNA Group Company Limited. Since January 2010, Mr Yu has worked as the Chief Information Officer of HNA Tourism Holding (Group) Company Limited (海航旅業控股(集團)有限公司) and was the Vice President of the same company since December 2011. Since March 2010, Mr Yu has been the chairman of Hainan E King Technology Company Limited (海南易建科技股份有限公司) and has been the chief executive officer of Beijing Oriental Face Technology Co. Ltd (北京東方慧思信息科技有限公司) since April 2011. Since January 2007, Mr Yu has served as a Supervisor of the third Supervisory Committee. Mr Yu was re-appointed as a Supervisor of the fourth Supervisory Committee of the Company since March 2010.

Mr Xiao Wei, aged 42, a staff representative Supervisor of the Company, graduated from Beihang University (北京航空航天大學) with a master's degree in engineering. Mr Xiao joined China Civil Aviation Computer Information Center (中國民航計算機信息中心), the predecessor of China TravelSky Holding Company, a promoter of the Company, in April 1995. From October 2000 (when the Company was established) to October 2008, Mr Xiao served as an engineer of the Networking Department and Deputy Director and Director of the Community Union Working Department of the Company, and general manager of Shenyang Civil Aviation Cares of Northeast China Ltd. (瀋陽民航東北凱亞有限公司), subsidiary of the Company. Mr Xiao has been working as Office Manager to Discipline Committee of the Company since October 2008. Since March 2010, Mr Xiao has served as a staff representative Supervisor of the fourth Supervisory Committee of the Company. Mr Xiao is also a supervisor of TravelSky Technology Huadong Data Center Limited, a subsidiary of the Company.

Mr Rao Geping, aged 64, an independent Supervisor of the Company, is a professor and doctorate tutor of the Law School of Peking University (北京大學), the head of the Hong Kong and Macau Research Center and the head of Hong Kong, Macau and Taiwan Law Research Center in Peking University, Executive Vice President of Chinese Society of International Law and a member of the Committee for the Basic Law of Hong Kong Special Administrative Region of the Standing Committee of the National People's Congress of the PRC. He is also a part-time professor in a number of universities in China, such as Wuhan University (武漢大學), China Foreign Affairs University (外交學院) and East China University of Politics and Law (華東政法大學). Mr Rao specializes in areas such as laws of Hong Kong, Macau and Taiwan as well as international law, etc. Mr Rao also served as an independent director of CITIC Securities Co., Ltd., which is listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and PolyCulture Group Co., Ltd. Since December 2003, Mr Rao has served as an independent Supervisor of the second Supervisory Committee, and was re-appointed an independent Supervisor of the third Supervisory Committee in January 2007. Since March 2010, Mr Rao was re-appointed as an independent Supervisor of the fourth Supervisory Committee of the Company.

SENIOR MANAGEMENT

Mr Rong Gang, aged 49, a deputy general manager of the Company, is a senior engineer. He holds a master's degree in business administration from Guanghua School of Management, Peking University. He has over 20 years of management experience in China's civil aviation industry. From August 1983 to May 1996, Mr Rong worked in Civil Aviation Computer Information Centre (民航計算機信息中心). From May 1996 to May 1999, he worked in General Administration of Civil Aviation of China (中國民用航空總局). From May 1999 to September 2002, Mr Rong served as the Vice President of Civil Aviation Computer Information Centre (currently known as China TravelSky Holding Company). He has been the Deputy General Manager of China TravelSky Holding Company, a promoter and shareholder of the Company, from September 2002 to June 2008. From October 2000 to March 2009, Mr Rong acted as a non-executive Director of the Company. He also served as a member of the Company's Strategic Committee from March 2004 to March 2009. Mr Rong has been a Deputy General Manager of the Company since December 2008. Currently, Mr Rong is also an executive director of TravelSky Technology (Beijing) Real Estate Limited (中航信凱亞(北京)置業有限公司).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

(as of the issue date of this annual report)

Mr Wang Wei, aged 51, a deputy general manager of the Company, is a senior engineer. He holds a master's degree in business administration from the China Europe International Business School. From July 1993 to April 2002, he served as the Deputy General Manager of the Beijing branch of China Aviation Supplies Import and Export Corporation (中國航空器材進出口總公司北京分公司). He was the assistant to the General Manager of China Aviation Supplies Import and Export Corporation from April 2002 to September 2002. From September 2002 to March 2008, Mr Wang served as the Deputy General Manager of China Aviation Supplies Import and Export Group Corporation (中國航空器材進出口集團公司). From March 2008 to June 2008, he served as the Deputy General Manager of China TravelSky Holding Company, a promoter of the Company. Mr Wang has been a Deputy General Manager of the Company since December 2008.

Mr Sun Yongtao, aged 54, a deputy general manager and the financial controller of the Company, holds a master's degree in economics and is a senior accountant. From May 1988 to July 1990, Mr Sun served as manager of Finance Department of Shenzhen Huamei Steel and Iron Company Limited (深圳華美鋼鐵公司). From July 1990 to July 1993, he was the Chief Accountant of Shenzhen Century Plaza Hotel Company Limited (深圳新都酒店股份有限公司), a company listed on the Shenzhen Stock Exchange. From July 1993 to January 1996, he was a director and General Manager of Finance Department of Shum Yip Holdings Company Limited (深業控股有限公司) (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, now known as Shenzhen Holding Company Limited (深圳控股有限公司)). From January 1996 to March 2001, he served as the Financial Controller, the Deputy General Manager (General Affairs) and a director of Hengli Weaving (Holdings) Limited (香港亙力紡織(集團)有限公司). From March 2001 to February 2002, Mr Sun served as the Deputy General Manager and the Financial Controller of Guiming Investment Limited (香港貴明投資有限公司). He was the Deputy General Manager and the Financial Controller of Daya Bay Nuclear Power Finance Corporation, Ltd. (大亞灣核電財務有限責任公司) from February 2002 to November 2004. Mr Sun has been the Chief Accountant of China TravelSky Holding Company, a promoter of the Company, from November 2004 to June 2008. From March 2008 to May 2008, Mr Sun served as the acting chairman of the Company. From January 2007 to March 2009, Mr Sun served as a non-executive Director of the Company and a member of the Remuneration and Evaluation Committee. Mr Sun has been a Deputy General Manager of the Company since December 2008. Mr Sun has been the Financial Controller of the Company since March 2010. Mr Sun currently also serves as a supervisor of Travelsky Cares (Beijing) Real Estate Co. Limited (中航信凱亞(北京)置業有限公司), a subsidiary of the Company.

Mr Zhu Xiaoxing, aged 47, a deputy general manager of the Company, graduated from Jilin University majoring in computer software and graduated from Tsinghua University (清華大學) with a master's degree in business administration. Mr Zhu has nearly 20 years of experience in management and technological support in China's civil aviation industry. Mr Zhu held the positions such as the Head of the Operation Department and the Customer Service Department of China Civil Aviation Computer Information Center (中國民航計算機信息中心) from August 1987 to October 2000. Since the establishment of the Company in October 2000, Mr Zhu had been the General Manager of the Operation Department, the Customer Service Department and the Technical Management Department of the Company. From August 2004 to August 2008, Mr Zhu has served as the General Manager of the Company. From October 2004 to March 2009, he has served as an executive Director of the Company. Mr Zhu has been a Deputy General Manager of the Company since August 2008.

Mr Huang Yuanchang, aged 49, a deputy general manager of the Company, graduated from Nanjing Institute of Technology (南京工業學院), and holds a master's degree of administration from Beijing University of Aeronautics and Astronautics (北京航空航天大學). Mr Huang is currently a senior engineer and has more than twenty years of management and technical support experience in China's aviation industry. From May 1989 to October 2000, Mr Huang served as the Deputy Head and the Head of Operation Room, the Head of Production Management Department, assistant to the General Manager and Deputy General Manager of the Production Management Department of China Civil Aviation Computer Center (中國民航計算機中心). Mr Huang served as the executive director of the first Board of the Company from October 2000 to December 2003. Mr Huang served as the Deputy General Manager of the Company from October 2000 to November 2006. From August 2007 to August 2008, Mr Huang was the General Manager of the Marketing and Research & Development Department of China TravelSky Holding Company. Mr Huang has been a Deputy General Manager of the Company since September 2008. Mr Huang also serves as the chairman of each of Cares Hubei Co., Ltd. (湖北民航凱亞有限公司), Civil Aviation Cares Technology of Xi'an Ltd. (西安民航凱亞科技有限公司) and Shanghai TravelSky Information Technology Limited (上海民航信息科技有限公司), all of which are subsidiaries of the Company.

Mr Li Jinsong, aged 42, the General Counsel of the Company, is a senior engineer, certified public accountant and lawyer. He holds a bachelor's degree of engineering, master's degree of business administration and a doctor of philosophy degree in law from Tsinghua University, and he is an arbitrator of the Beijing Arbitration Commission. Mr Li served as Business Manager of the Investment Management Department of China Huaqing Industrial Corporation (中國華輕實業公司) from August 1990 to September 1995, the General Manager of Liaoning Huaqing Inc. (遼寧華輕實業有限責任公司) from September 1995 to September 2000, and the Assistant to General Manager of China Huaqing Industrial Corporation from September 2000 to March 2002. He resigned from work to study at the Law School of Tsinghua University from March 2001 to February 2004, and served as Associate Professor and a member of the Academic Committee of Beijing National Accounting Institute from February 2004 to March 2007 (during this period, he was also a research scholar at the Faculty of Law of London School of Economics and Political Science). In March 2007, he held the position of general counsel of China TravelSky Holding Company. From August 2007 to December 2008, he also served as the General Manager of Department of Corporate Audit Monitoring and Law Affairs (公司審計監察與法律事務部) of China TravelSky Holding Company. From December 2008 up to now, Mr Li has been the general counsel of the Company. Mr Li currently also serves as a supervisor of Shanghai TravelSky Information Technology Limited (上海民航信息科技有限公司), a subsidiary of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARIES

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JOINT COMPANY SECRETARIES

Mr Yu Xiaochun, aged 44, the company secretary of the Company (Secretary to the Board), graduated from the Department of Systems Engineering of Beihang University (北京航空航天大學) in July 1989, majoring in Management Engineering. He obtained a master's degree in management from Beihang University in March 2002. Since Mr Yu joined China Civil Aviation Computer Information Center (中國民航計算機信息中心), the predecessor of China TravelSky Holding Company, a promoter of the Company, in July 1989, Mr Yu has worked in the China civil aviation information industry (in which the Company carries its activities) for more than 20 years and has extensive management experience. Mr Yu was the deputy director of the marketing department of China Civil Aviation Computer Information Center from July 1999 to October 2000. From October 2000 (when the Company was established) to December 2002, he held various positions in the Company such as deputy director of the marketing department, the general manager of the DCS department (離港部) and the deputy general manager of the marketing department. From December 2002 to July 2009, Mr Yu was the general manager of the planning and development department of China TravelSky Holding Company. He is the head of the Planning and Development Department of the Company since July 2009. Mr Yu is also currently a director of subsidiaries of the Company, namely InfoSky Technology Co., Ltd. (天信達信息技術有限公司), Guangzhou TravelSky Information Technology Limited (廣州民航信息技術有限公司) and Civil Aviation Cares Technology of Xi'an Ltd (西安民航凱亞科技有限公司). Mr Yu has served as the joint company secretary and secretary to the Board of the Company since March 2010.

Ms Liu Pui Yee, aged 34, the joint company secretary of the Company, is a Hong Kong qualified solicitor. She obtained a bachelor's degree in laws and Postgraduate Certificates in Laws from the University of Hong Kong. Ms Liu also obtained a second degree in Chinese laws from the Tsinghua University. Ms Liu has accumulated extensive experiences from handling compliance issues of listed companies and corporate merger and acquisitions transactions. Since March 2010, Ms Liu has served as the joint company secretary of the Company.