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 2012

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, 2012, it had a direct controlling equity interest in each of the following 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, Beijing TravelSky Technology Limited, Shanghai TravelSky Information Technology Limited, Guangzhou TravelSky Information Technology Limited, Hunan TravelSky Information Technology Limited, Inner Mongolia TravelSky Information Technology Limited, Henan TravelSky Information Technology Limited, Zhejiang 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., Shanghai Yeexing E-Business Limited and Beijing TravelSky HuaYi Software Technology Co., Ltd. The Company also held 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..

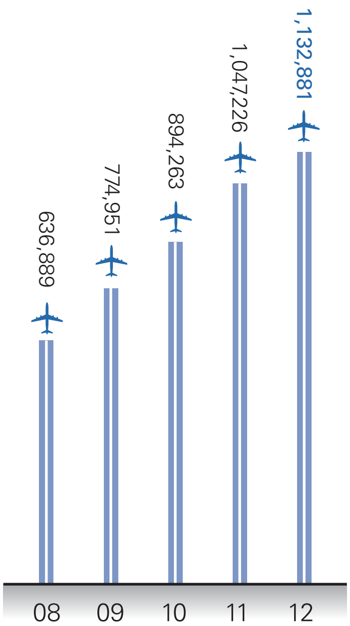
The Group had 5,291 employees as of December 31, 2012.

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.

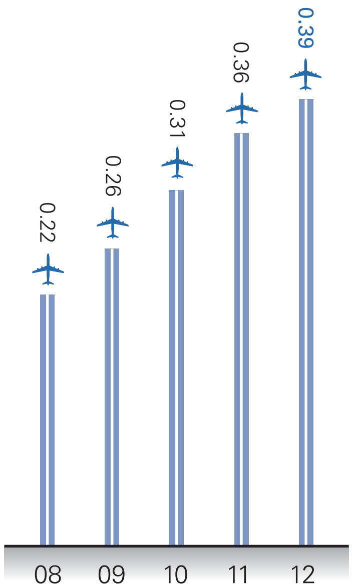
The Company established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market (OTC) on December 27, 2002.

FINANCIAL HIGHLIGHTS

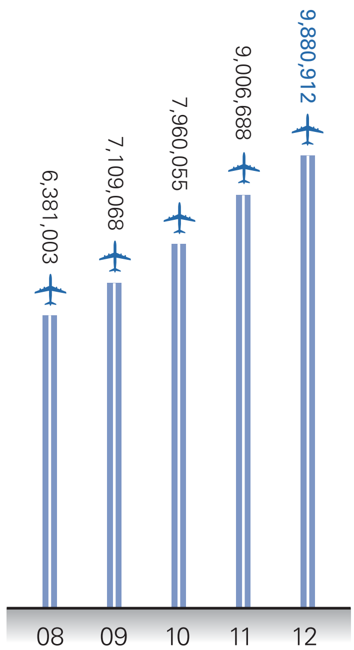
Profit Attributable to Owner of the Parent
RMB'000



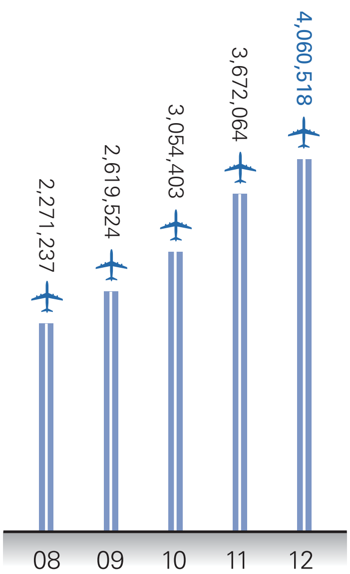
Earnings Per Share (Basic and Diluted)
RMB



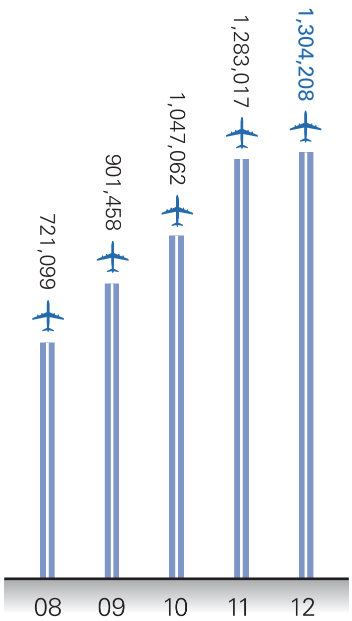
Total Assets
RMB'000



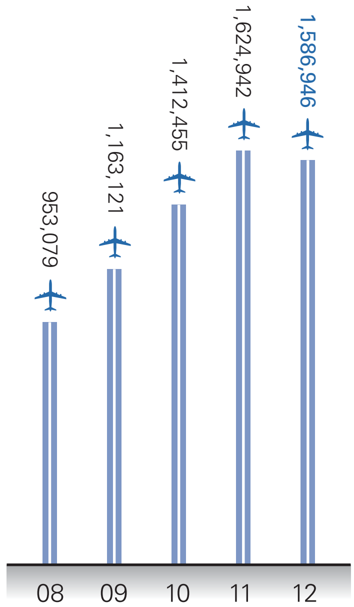
Revenues
RMB'000



Profit before Taxation
RMB'000



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



Note:
1. The financial figures for the year 2008 have been adjusted, as if ACCA had been acquired at the earliest period presented.
2. Earnings per share were calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2012.
3. The financial statements for the years from 2008 to 2010 have been adjusted due to changes in accounting policies in 2011.

CHAIRMAN'S STATEMENT

Mr. Xu Qiang
Chairman

DEAR SHAREHOLDERS,

In 2012, aiming at becoming one of the world's first-class comprehensive information service enterprises, the Group responded to the complicated and ever-changing market by focusing on management enhancement and technological innovation and by stepping up efforts in the established development strategies. With steady progress in safe production, market development, system establishment, management reform and service enhancement, the Group continued to see a growth in its operating results.

2013 is a critical year for the 12th Five-Year Plan of the Group to leverage on its past experience and prepare for future development. On the one hand, the development in China is still in a critical period of strategic opportunities. The Opinions of the State Council on Promoting the Development of the Civil Aviation Industry (《國務院關於促進民航業發展的若干意見》) further acknowledged the strategic position of the civil aviation industry. As the second largest air passenger traffic market and the third largest air freight market in the world, the aviation market in China still possesses the highest development potential in the world. All of the above has laid a solid market foundation for the development of the Group. On the other hand, with the continuous complications and possible slow-growth tendency in the global economy, China still faces the pressure of economic downturn. The continuous impact of the fluctuations in oil prices and exchange rates and the high-speed rail (HSR) network on the civil aviation industry, the change in demand for information technology solutions due to the keener competitions among commercial airlines, the opening trend of GDS market together with the ever-changing new technology and new business modes are also challenging the sustainable development of the Group.

As such, in 2013, guided by the scientific perspective on development, the Group will persist in achieving its goal of becoming one of the world's first-class comprehensive information service enterprises by following its development direction, riding on development opportunities and actively responding to challenges. The Group will strive to ensure consistent safety in production and operation, quicken its pace in technical upgrade and management transformation as well as accelerate the implementation of strategic measures to further enhance the quality of development. Firstly, the Group will strengthen its technological innovation capability and perfect the research and development management system. The Group will continue to promote the combination of industry, academy and research by establishing a sound incentive system for technological innovations and enhancing the management of scientific research achievements and intellectual properties. Secondly, the Group will accelerate the construction of major projects, such as the new operating centre in Shunyi District, Beijing, by strengthening the leadership, organisational management and project management of major projects, enhancing decision-making efficiency and developing a professional team to implement the projects. Thirdly, the Group will devote its effort to transformation and upgrading work as well as market development and set up a parent-subsidiary company system to continue to step up its market development efforts. Fourthly, the Group will enhance its management level by further standardising plan management and budget management and improve its systems on the basis of scientific management concepts. Fifthly, the Group will improve the work atmosphere by promoting a "can-do" spirit and professional dedication and emphasizing unity and collaboration.

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 devotion to work. Given the concerted endeavours of our management and staff and the sincere joint efforts from shareholders, investors, directors and supervisors, I believe the Group will develop more quickly towards the 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 27, 2013

BUSINESS REVIEW

Mr. Xiao Yinhong
Executive Director and 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 International Air Transport Association ("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, etc.. With three decades of tenacious development, the Company has built up a complete industry chain for aviation and travel information technology services, established a relatively comprehensive, competitively priced product line of aviation and travel information technology services 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 SERVICES

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") services (including Inventory Control System ("ICS") services and Computer

Reservation System ("CRS") services) and Airport Passenger Processing ("APP") services, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product services for supporting aviation alliances, solutions for developing commercial airlines' e-tickets and e-commerce, data services for supporting decision-making of commercial airlines as well as information management system for improvement of ground operational efficiency.

In 2012, affected by factors such as persistent global economic downturn, slowdown in China's economic growth and fluctuations in oil prices and exchange rates, the growth of the air transportation industry in China slowed down, in response to which the Group has taken various measures. The Group's electronic travel distribution (ETD) system processed approximately 347.0 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 8.9% over the same period in 2011. Among which, the processed flight bookings on commercial airlines in China increased by approximately 8.2%, while those on foreign and regional commercial airlines increased by approximately 27.5%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Company reached 105, with sales percentage through direct links exceeding 99.6%. In 2012, apart from the major domestic commercial airlines that already adopted our APP services, more foreign and regional commercial airlines were using the Company's APP system services, multi-host connecting program service and the Angel Cue platform connecting services, resulting in the increase of the number of such users to 85, with approximately 6.5 million of passenger departures processed in 42 airports.

In 2012, the Group further enhanced its aviation-related information technology services and its extended services and aligned the research and development focus with the industrial trend and customers' demand, with an aim to fulfill the demand of commercial airlines for the information technology solutions on traveler services, auxiliary services, e-commerce and international services. As a strategic partner of the Fast Travel project of IATA, the Company developed self-service products covering all sectors including self-service check-in, self-service baggage processing, self-service document check, self-service endorsement and itinerary printing, self-service boarding and self-service baggage enquiry. The Company supported commercial airlines to achieve the gold award level in the IATA Fast Travel project by providing travelers with full-process self-service services from the point of ticket booking to arrival. The commonly used self-service check-in system (CUSS), which conforms to IATA standards, has been launched in 86 major domestic and international airports, and the online check-in service has been applied in 145 airports at home and abroad. Together with the mobile check-in service and the newly developed SMS check-in service, the number of departing passengers processed with the above check-in services amounted to approximately 50.9 million. The Company provided sales support for auxiliary service based on the Electronic Miscellaneous Document (EMD) for 9 China-based commercial airlines, including Air China Limited, China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited and Hainan Airlines Company Limited. The Company also provided E-Build (an e-commerce supporting platform) product or relevant overall solutions to 24 domestic e-commerce websites owned by 12 China-based commercial airlines. The Company launched the international B2C and B2B websites in 12 regional or overseas markets for 4 domestic and regional commercial airlines including China Eastern Airlines Corporation Limited and Hong Kong Airlines Ltd. The Company supported the exploration of overseas market sales channel of China-based commercial airlines by completing the self-developed international shopping platform, through which customers can search the brand fare and calendar. Upon the completion of providing technological support to Shenzhen Airlines Company Limited and Xiamen Airlines Company Limited for joining aviation alliances, the Company has supported 6 China-based commercial airlines to join aviation alliances.

BUSINESS REVIEW

In 2012, based on the general principles of self-design and group innovation, the Group completed the overall planning and overall structural design of the new-generation aviation passenger service information system ("New Generation System"), which determined the direction of the research and development of functional modules of subsequent sub-systems and laid a foundation for the development and establishment stage. The Group further improved the R&D management system of the New Generation System and perfected the management system, R&D workflow and incentive mechanism to enhance the systematicness and scientificalness of project management. Besides enhancing the cooperation with major commercial airlines in China and international counterparts, the Group also focused its strengths and resources on achieving breakthroughs by launching the graphic front-end system for inventory control and overseas departure front-end system, dynamic information services for high-end travelers and sales solutions for auxiliary services for commercial airlines and establishing the sub-systems of the New Generation System in an orderly manner to address urgent problems faced by customers.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

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 2012, there were approximately 559.0 million transactions and approximately 250.4 million BSP tickets processed by the Group's accounting, settlement and clearing system, while passenger, cargo and postal revenues, miscellaneous fees as well as international and domestic clearing fees settled through our system amounted to approximately USD5.6 billion.

In 2012, the Group continued to facilitate business extension and market expansion by stepping up effort in the research and development of its accounting, settlement and clearing system and market promotion. Following the introduction of our new-generation revenue management system for international passengers in major domestic commercial airlines in 2011, the joining of Singapore Airlines Limited marked a breakthrough in the promotion of the system to the international market. The BSP data processing business in Japan has also been transferred to the Company successfully. Meanwhile, the Company has strengthened its strategic cooperation with the Settlement and Clearance Center of the Civil Aviation Administration of China (CAAC) and IATA, providing the former with technological development services for Phase II of their unified accounting and settlement platform while being appointed by the latter as the sole operator of the global New Generation BSP Data Processing System. As a working team member for IATA's Simplify Interline Settlement (SIS), the Company actively engaged in formulation of simplified interline standards and took the lead among global peers to complete SIS renovation in four major systems, namely passenger, cargo, service fees and Universal Air Travel Plan (UATP), which has helped Air China Limited to become one of the first 13 commercial airlines using SIS in the world. The new-generation Miscellaneous Charge Accounting System (MCAS), developed based on airport accounting and settlement business, has commenced operation, handling billing of service fees for all domestic airports with international business, as well as auditing of foreign airport service fees for all domestic airlines with international flights. The system involved a large number of airlines and airports and was difficult to be brought into operation. The successful commencement of operation of such businesses has enhanced the standard of the Group's airport accounting and settlement services.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

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 105 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 40 local distribution centers across China and 7 overseas distribution centers across Asia, Europe and North America. The network processed over 263.4 million transactions during 2012 with its transaction amount up to RMB296.3 billion.

In 2012, the Group continued its effort in the improvement and promotion of the product lines for distribution information technology services, establishing full process solutions ranging from flight ticket reservation to payment, and developed new functions of TravelWeb front-end business system such as itinerary printing and unified platform. In addition, BlueSky products were applied in more than 100 agents. The Group set up a key account service information platform, improved the Key Account In-House service system and provided key account service protection for 100 agencies in China. The Group also continued establishing strategic cooperation with several world renowned travel management firms, including American Express, Carlson Wagonlit Travel and Hogg Robinson Group.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2012, apart from enhancing the integrated marketing capability of airport information technology service product lines, the Group also further improved the research and development and design of its products. The maturity of products, such as the Airport Message Broker (AMB) platform, facilitated the sustainable development of the airport information technology services. Airport ground operation products, including AMB, have been promoted to 6 airports including Shijiazhuang Airport and Hangzhou Airport. TUMS Information System, which is a Type B Message Service product, has been promoted to 3 airports including Sanya Airport. Airport security check information system products have been promoted to 7 airports including Beijing Nanyuan Airport, Guiyang Airport and Shenyang Airport. Airport data service products have been promoted to 8 airports including Urumqi Airport, Chongqing Airport and Qingdao Airport. The new generation APP departure front-end system has a dominating role in large-to-medium sized airports in China. The system facilitated China's commercial airlines to launch passenger check-in, transit and connecting flight services in 99 overseas or regional airports, processing approximately 17.7 million passenger departures, and accounting for approximately 85.1% 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 3 airports including Zunyi Airport and Zhangjiakou Airport.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2012, the Group optimised the existing customer system support services while endeavouring to promote the air freight logistics information technology services to the market. The air logistics information platform covered 90 air cargo terminals, serving 15 domestic and international commercial airlines. The Group won the bidding for the cargo shipping system upgrade project from Air China Limited and the international cargo shipping project from Hainan Airlines Company Limited. The data linkage project realised mutual linkage with major medium-to-large sized air cargo terminals in China and large agents such as Sinotrans and DHL. The Group also provided data services to domestic and international commercial airlines, including China Eastern Airlines Corporation Limited, Shandong Airlines Co., Ltd. and Evergreen International Airlines. The Group obtained the IATA Cargo 2000 certification (the industrial quality management standard and process improvement project run by IATA for the worldwide air cargo industry) and became a potential regional industrial member of the Cargo 2000. In 2012, these systems processed approximately 10.2 million cargo airway bills, representing an increase of 27.5% as compared with the corresponding period of 2011.

TRAVEL PRODUCT DISTRIBUTION SERVICES

In 2012, the Group further enhanced the hotel informationisation platform and continued to research and develop products for a number of areas, including hotel information sources, travel agency products and trading platform, aiming to achieve flawless flow of information between upstream hotels and hotel suppliers and downstream hotel distributors and users and forge direct communication in terms of information with various domestic and overseas leading hotel groups and suppliers. Meanwhile, as competitors stepped up their promotional efforts which gave rise to keener market competition, the Group distributed 1,424,300 hotel's room-nights through its hotel distribution platform-Sohoto.com during the year, representing a decrease of approximately 23.0% as compared with the corresponding period in 2011.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2012, on the basis of in-depth research of the trends and development of the information service industry, the Group further expedited the construction of a public information technology platform and gradually improved the product service systems with a view to creating a community-wide public information service brand. The Group continued exploring customer base and service sectors with a focus on governmental authorities and central enterprises. The Group continued to undertake outsourced entrustment projects of large-scale information centers from the Ministry of Civil Affairs and SASAC Training Centre, commenced the outsourced project of information system technology for the Central Government Procurement Center and the outsourced entrustment project of the data center for China National Pharmaceutical Group Corporation, and expanded the capacity of outsourced project of the data center of China Galaxy Securities Company Limited.

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 2012, the Group had a solid safety foundation with stable operation in its ICS, CRS, APP, the core open system and the settlement and clearing mainframe systems and continual progress in the construction of Beijing Shunyi New Operating Centre. The Group expanded the capacity of its resources by expanding and optimising the mainframe system, open platform resources and network resources to meet future business development needs. The Group promoted technical innovation and continued to reduce its operational and maintenance costs by adopting the X86 platform and open-source database, increasing the self-guarantee rate of equipment, differentiating network construction and establishing a virtual value-added network. The Group explored the application of new technologies to break through resource bottleneck by devoting resources to the operation of a virtual platform and studying and establishing a privately-owned cloud platform. The Group also strengthened the safe production management system and the safe audit work, optimised various workflow regulations, and stepped up its effort in emergency skill drills. 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 during China's National Day Holiday as usual, the Group also delivered satisfactory performance in information security in respect of civil aviation passengers during the 18th National Congress of the Communist Party of China, the London Olympics and the Asia-Europe Expo.

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 IFRSs. The following discussions on the synopsis of historical results do not represent a prediction as to the future business operations of the Group.

SUMMARY

For Year 2012, profit before taxation of the Group was approximately RMB1,304.2 million, representing an increase of approximately 1.7% over that in the year ended December 31, 2011 ("Year 2011"). Earnings before interests, tax, depreciation and amortisation (EBITDA) reached approximately RMB1,586.9 million, representing a decrease of approximately 2.3% over that in Year 2011. Profit attributable to owner of the parent was approximately RMB1,132.9 million, representing an increase of approximately 8.2% over that in Year 2011.

The basic and diluted earnings per share of the Group in Year 2012 were RMB0.39.

TOTAL REVENUE

The total revenue of the Group in Year 2012 amounted to approximately RMB4,060.5 million, representing an increase of approximately RMB388.4 million, or 10.6% from approximately RMB3,672.1 million in Year 2011. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 60.0% of the Group's total revenue in Year 2012, as compared to 61.5% in Year 2011. Aviation information technology service revenue increased by 7.8% to RMB2,435.6 million in Year 2012 from RMB2,259.2 million in Year 2011. 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 services related to the above core businesses provided by the Group to commercial airlines. The increase of revenue was mainly due to the growth in the number of air travelers.

- Accounting, settlement and clearing services revenue accounted for 10.6% of the Group's total revenue in Year 2012, as compared to 10.3% for Year 2011. Accounting, settlement and clearing services revenue increased by 13.0% to RMB429.5 million in Year 2012 from RMB380.0 million for Year 2011. 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 revenue was primarily due to the increase in business volume of accounting, settlement and clearing services.

- Data network revenue and other revenue accounted for 29.4% of the Group's total revenue in Year 2012, as compared to 28.2% for Year 2011. Data network revenue and other revenue increased by 15.7% to RMB1,195.3 million in Year 2012 from RMB1,032.9 million for Year 2011. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels, air freight logistics information technology service provided to commercial airlines, airports and cargo shippers, as well as airport information technology service and other business etc. provided by the Group. The growth of revenue was mainly due to the increase in revenue from data network services and airport information technology services.

OPERATING EXPENSES

Operating expenses for Year 2012 amounted to RMB2,842.9 million, representing an increase of RMB353.0 million, or 14.2%, from RMB2,489.9 million in Year 2011. The increase in operating expenses is reflected as follows:

- Business taxes and other surcharges dropped by 22.3%, mainly due to the commencement of the pilot programme of levying value-added tax in lieu of business tax for the transportation industry and certain modern service industries in the place of registration of the Group's headquarters (i.e. Beijing);

- Operating lease payments increased by 25.2%, mainly due to increase in leased office space by the Company;

- Depreciation and amortisation decreased by 18.4%, mainly due to equipment renewals of the Group;

- Personnel expenses increased by 26.0%, primarily due to the increase in the number of staff and improvement of staff benefits for supporting the Group's business development; and

- Technical support and maintenance fees increased by 10.4%, mainly due to the continuous efforts in research and development of new products and technologies of the Group.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB35.4 million, or approximately 3.0%, to approximately RMB1,217.6 million in Year 2012 from approximately RMB1,182.2 million in Year 2011.

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% according to the CIT Law. 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. The relevant taxation authority has confirmed that, as a High and New Technology Enterprise, the Company may use a preferential tax rate of 15% in computing corporate income tax from 2011 to 2013. The Company used the tax rate of 15% in computing corporate income tax for Year 2012.

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 a "key software enterprise falling within the State's planned arrangement" for the year it can further enjoy a preferential income tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential tax rate of 10% should be recorded in the income statement during the period when an enterprise is certified as a "key software enterprise falling within the State's planned arrangement". From 2006 to 2010, the Company was certified as a "key software enterprise falling within the State's planned arrangement" and was subject to income tax at a preferential income tax rate of 10% for the corresponding years. Such impact was reflected in the corresponding financial statements.

On September 24, 2012, relevant regulatory authorities published the notice relating to the commencement of the assessment of "key software enterprises falling within the State's planned arrangement" for Year 2011 and Year 2012. The Company obtained the certificate for "key software enterprises falling within the State's planned arrangement" for Year 2011 to Year 2012 on March 21, 2013. Accordingly, the Company has calculated the income tax expense at the tax rate of 10% for Year 2012. Meanwhile, the Company will apply to relevant tax regulatory bodies for the refund of the 5% excess income tax paid in Year 2011 as soon as possible. Such effect will be reflected in the financial statements of the Company for the period during which the refund is received. (Please refer to the announcement of the Company dated March 21, 2013.)

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 8.2% to approximately RMB1,132.9 million in Year 2012 from approximately RMB1,047.2 million in Year 2011.

PROFIT AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 35 to the financial statements) from the profit attributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2012, amounted to approximately RMB1,940.6 million (2011: RMB1,504.1 million).

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2012

On March 27, 2013, the Board proposed the distribution of a final cash dividend of RMB389.2 million, which represented RMB0.133 per share (tax inclusive) for Year 2012 ("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, 2012 is approximately RMB1,551.4 million (2011: RMB1,153.0 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 enterprise shareholders holding H shares of the Company as defined by the CIT Law) are subject to an enterprise income tax for their 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 will be withheld by the Company.

Pursuant to relevant laws and regulations such as 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》) and the 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 in accordance with 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 will withhold such amounts.

The Company will submit the above dividend distribution proposal to the forthcoming annual general meeting (the "AGM"). If such proposal is approved at the AGM, the Company will publish an announcement on the matters related to dividend distribution after conclusion of the AGM, including, among other things, the amount of the dividend per share in Hong Kong dollar, book closure period, ex-date and dividend payment date.

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2012	2011
	(RMB in million)	(RMB in million)
Net cash generated from operating activities	**696.7**	1,319.2
Net cash generated from/(used) in investing activities	**514.0**	(1,009.5)
Net cash used in financing activities	**(358.4)**	(315.7)
Net increase/(decrease) in cash and cash equivalents	**852.4**	(6.0)
Effect of foreign exchange rate changes on cash and cash equivalents	**(3.3)**	(3.0)

The Group's working capital for Year 2012 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB696.7 million.

In Year 2012, the Group had no short-term or long-term bank loans, neither did the Group use any financial instruments for hedging purposes.

As at December 31, 2012, cash and cash equivalents of the Group amounted to RMB1,739.2 million, of which approximately 97.9%, 1.2% and 0.2% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

HELD-TO-MATURITY FINANCIAL ASSETS

As at December 31, 2012, the Group held commercial bank financial products in the amount of RMB800 million with a yield rate of 3.99% to 4.60%. Such products are principal-protected, fixed income financial products with a maturity of 6 months, and not redeemable prior to the maturity date.

CHARGE ON ASSETS

As at December 31, 2012, the Group had no charge on its assets.

NEW OPERATING CENTRE IN BEIJING

The general plan of the new operating centre of the Company in Shunyi District, Beijing and the construction budget plan of its Phase I work were approved at the AGM of the Company held on June 5, 2012 as follows:

The new operating centre in Beijing consists of 18 buildings with a total gross floor area of 533,000 sq. m.. The Phase I work consists of the construction of 13 buildings with a total gross floor area of 368,000 sq. m. with an investment budget of RMB3.655 billion (subject to adjustment of not more than +/- 10%). (For details, please refer to the circular of the Company dated April 13, 2012 and the announcement of the Company dated June 5, 2012.)

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB423.4 million in Year 2012, representing an increase of approximately RMB271.6 million as compared to that of approximately RMB151.8 million in Year 2011. The capital expenditure of the Group in Year 2012 consisted principally of upgrade of the existing equipment, 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 2013 will amount to approximately RMB1,760.2 million, which is mainly for the construction of the new operating centre in Beijing, 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 operating activities. The Board estimates that the sources of funding of the Group in 2013 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, 2012, the gearing ratio of the Group was approximately 14.7% (2011: 15.3%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2012.

CONTINGENT LIABILITIES

As at December 31, 2012, the Group had no material contingent liabilities.

EMPLOYEES

As at December 31, 2012, the total number of employees of the Group was 5,291. Staff costs amounted to approximately RMB854.8 million for Year 2012, representing approximately 30.1% of the total operating expenses of the Group for Year 2012.

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 2012, the annual corporate annuity of the Group amounted to approximately RMB30.0 million (2011: RMB25.2 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 receive director's fees, which is determined by reference to the prevailing market rate, and 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 are entitled to liability insurance purchased by the Company for its 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 of the Company). 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

CORPORATE GOVERNANCE PRACTICE

The Board has adopted the code provisions as stipulated in the Corporate Governance Code (the "Code Provisions") 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 compliance with the principles set out in the Corporate Governance Code, the Board is 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.

In 2012, the Company fully complied with the Code Provisions except for Code Provisions A.1.1, A.1.7, D.1.1 and D.1.2. In 2012, the Board held only two physical meetings, and thus deviated from the requirement of Code Provision A.1.1. However, the Board held another two meetings through written resolutions in which the directors have expressed their opinions in writing and matters that needed to be determined have been reviewed, considered and decided in a timely manner. The directors have therefore effectively performed their duties. In 2012, the Company slightly deviated from the requirement of A.1.7 by considering two connected transactions through written resolutions in December 2012 due to time constraint. The parties to these connected transactions were substantial shareholders of the Company and their associates and the transactions were conducted on normal commercial terms in the ordinary and usual course of business of the Company. None of the directors of the Company was materially interested in such transactions, but certain directors abstained from voting on the transactions due to holding of concurrent positions in the Company and the transaction parties. For details of the transactions, please refer to the announcements of the Company dated December 27, 2012 and January 10, 2013. The Articles of Association of the Company (the "Articles") set out the respective duties of the Board and the General Manager. However, the Company has not formulated separate 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. The Company will endeavor to improve the situations which caused the above deviations so as to comply with the Code Provisions.

SECURITIES TRANSACTIONS OF DIRECTORS

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 as a code of conduct regarding the securities transactions of the Company's directors and supervisors.

Having made specific enquiries of all directors, no director failed to comply with the relevant requirements of the Model Code in 2012.

THE BOARD

According to the provisions of the Articles, the Board comprises 9 directors (please see below for the list of directors). In 2012, the attendance of the directors is as follows:

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for Audit Committee meetings	Attendance rate for Remuneration and Evaluation Committee meetings	Attendance rate for Nomination Committee meetings	Attendance rate for Strategic Committee meetings	Attendance rate for Executive Committee meetings
Xu Qiang	Chairman, Executive Director; Chief Member of Nomination Committee; Chief Member of Strategic Committee; Chief Member of Executive Committee	100%	100%	–	–	–	100%	100%
Cui Zhixiong	Executive Director; Member of Strategic Committee; Member of Executive Committee	100%	50%	–	–	–	100%	100%
Xiao Yinhong	Executive Director, General Manager; Member of Strategic Committee; Member of Executive Committee	100%	50%	–	–	–	100%	100%
Wang Quanhua (Note 3)	Non-executive Director; Member of Remuneration and Evaluation Committee; Member of Strategic Committee	0%	0%	–	–	–	0%	–
Sun Yude	Non-executive Director; Member of Strategic Committee	100%	0%	–	–	–	100%	–
Xu Zhao (Note 4)	Non-executive Director; Member of Strategic Committee	100%	100%	–	–	–	–	–

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for Audit Committee meetings	Attendance rate for Remuneration and Evaluation Committee meetings	Attendance rate for Nomination Committee meetings	Attendance rate for Strategic Committee meetings	Attendance rate for Executive Committee meetings
Cheung Yuk Ming	Independent Non-executive Director; Chief Member of Audit Committee; Member of Remuneration and Evaluation Committee	100%	100%	100%	–	–	–	–
Zhou Deqiang	Independent Non-executive Director; Member of Audit Committee; Chief Member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	0%	100%	–	–	–	–
Pan Chongyi	Independent Non-executive Director; Member of Audit Committee; Member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	100%	100%	–	–	–	–
Luo Chaogeng	Former Non-executive Director; Former Member of Strategic Committee	100%	100%	–	–	–	100%	–

Notes:

1. Attendance rate = Number of meetings attended/number of meetings ought to be attended by the director in 2012.

2. In 2012, the Board held two physical meetings, and called one AGM and one extraordinary general meeting. The Audit Committee held three meetings. No meeting was convened for the Remuneration and Evaluation Committee or the Nomination Committee. The Strategic Committee and the Executive Committee held one and three meetings, respectively.

3. Director Wang Quanhua carefully reviewed the matters proposed at the two Board meetings and one Strategic Committee meeting and appointed another director to vote and opine upon such matters on his behalf through written authorisation.

4. Director Xu Zhao was appointed as a member of the Strategic Committee on August 29, 2012. The Strategic Committee did not convene any meeting again during his tenure in 2012.

In 2012, the Board held only two physical meetings, and thus deviated from the requirement of Code Provision A.1.1. To enhance time efficiency, two meetings were held through written resolutions in which the Board reviewed, opined upon and made clear decisions regarding the addition of capital contribution to wholly-owned subsidiaries, subcontracting software development contracts to subsidiaries and lease of properties in the usual course of business of the Company in a timely manner. Each director effectively performed his duties by expressing his opinion in writing in respect of the matters proposed at each of the two meetings above.

In 2012, the Company slightly deviated from the requirement of Code Provision A.1.7 by considering two connected transactions through written resolutions in December 2012 due to time constraint. The parties to these connected transactions were substantial shareholders of the Company and their associates and the transactions were conducted on normal commercial terms in the ordinary and usual course of business of the Company. None of the directors of the Company was materially interested in such transactions, but certain directors abstained from voting on the transactions due to holding of concurrent positions in the Company and the transaction parties. For details of the transactions, please refer to the announcements of the Company dated December 27, 2012 and January 10, 2013.

The Board is accountable to the general meeting in accordance with the Articles and performs the following duties: calling general meetings and reporting its work therein; implementing resolutions passed at the general meetings; determining 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 Company Law of the People's Republic of China (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.

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. The Board accepts responsibilities for the preparation of the Group's financial statements. As at the date of this report, the Board has not been aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. In 2012, the Board reviewed the effectiveness of the internal control system of the Company and its subsidiaries.

As mentioned in the announcement of the Company dated April 10, 2013, the election of a new session of the Board will take place at the forthcoming AGM.

Headed by the General Manager, the management of the Company is responsible for managing the Company's daily production and operation, coordinating the implementation of the Board resolutions, 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 and performing other duties as delegated by the Board, including authorising the General Manager by the Board at the first meeting of the fourth session of the Board held on March 16, 2010 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, and appoint, change and recommend shareholder representatives, directors, supervisors and the senior management of the non-wholly-owned subsidiaries and associated companies; 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 of 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. Matters involving the connected transactions and notifiable transactions under the Listing Rules shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company.

The management briefs the Board on the financial conditions and major operating performance of the Company every month and provides full explanations and information to the Board regarding the financial and other information submitted to the Board for review and approval.

The Board has yet to set out clear guidance on the duties of and the authority delegated to the management, which deviated from Code Provisions D.1.1 and D.1.2. After separately reviewing the authority granted to the management for specific matters based on the laws and regulations applicable to the Company, the Board is of the opinion that, currently, the arrangement of having the management team (with the General Manager being the core leader) responsible for handling daily operation and management of the Company does not prejudice the interests of the Company.

The Board includes three independent non-executive directors, representing one-third of the Board, which is in compliance with the requirements of Rules 3.10 and 3.10A of the Listing Rules. 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 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the above independent non-executive directors are independent.

In 2012, as required under Code Provision A.6.5, each director actively participated in continuous professional development to develop and refresh his knowledge and skills. This is to ensure that his contribution to the Board remains informed and relevant.

In 2012, the Company Secretary provided each director with updates and amendments on the Listing Rules and other laws and regulations from time to time and arranged training and seminars on the Listing Rules. Some directors also attended training talks organised by professional bodies on topics including legal supervision, corporate governance and financial control by themselves. In 2012, the compliance with Code Provision A.6.5 of each director according to the trainings arranged by the Company for the directors and the learning and training records provided by individual director is as follows:

Current directors	**Training** (Notes)
Executive Directors	
Mr. Xu Qiang	A
Mr. Cui Zhixiong	A, C
Mr. Xiao Yinhong	A, C
Non-executive Directors	
Mr. Wang Quanhua	A, C
Mr. Sun Yude	A
Mr. Xu Zhao	A, C
Independent Non-executive Directors	
Mr. Cheung Yuk Ming	A, B, C
Mr. Zhou Deqiang	A
Mr. Pan Chongyi	A, B, C

Notes:

A: learning and reading updates and amendments on relevant laws and regulations including the Listing Rules

B: participating in the training arranged by the Company on the Listing Rules

C: attending training talks on topics including legal supervision, corporate governance and financial control organised by professional bodies

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board (Chairman) and General Manager (Chief Executive Officer) are Mr. Xu Qiang and Mr. Xiao Yinhong, respectively.

TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date
Wang Quanhua	Non-executive Director	March 16, 2010	March 15, 2013
Sun Yude	Non-executive Director	March 16, 2010	March 15, 2013
Xu Zhao	Non-executive Director	June 5, 2012	March 15, 2013
Cheung Yuk Ming	Independent Non-executive Director	March 16, 2010	March 15, 2013
Zhou Deqiang	Independent Non-executive Director	March 16, 2010	March 15, 2013
Pan Chongyi	Independent Non-executive Director	March 16, 2010	March 15, 2013
Luo Chaogeng	Non-executive Director (former)	March 16, 2010	June 5, 2012

Note: Pursuant to the PRC Company Law and the Articles, where a director has not been timely re-elected at the expiry of the term of office or a director has resigned during the term of office as a result of which the number of members in the board of directors falls below the quorum, the original director shall perform his duties as a director, prior to the assumption by the elected-director, in accordance with the requirements of the laws and regulations and the Articles.

BOARD COMMITTEES

Corporate governance functions

The Board is responsible for corporate governance functions, including developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors and reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Board has adopted the Code Provisions as the Company's code of corporate governance and established five committees dedicated in conducting investigation and research, making analysis and giving specific advice to the Board in respect of strategic investment, nomination, remuneration, financial reporting, internal control and risk management, etc. The Company arranges suitable training on laws and regulations and operation management for the directors and senior management and, from time to time, reminds the directors and senior management to learn new rules and laws proactively and take effective management action to discharge their duties cogently. The Company has set up ten-odd basic management systems relating to legal compliance, including the "Legal Affairs Regulations of the Company" and the "Regulations on Contracts". The Board has adopted Appendix 10 to the Listing Rules as a code of conduct regarding the securities transactions of the Company's directors and supervisors and has also formulated the "Model Code for Securities Transactions by Employees".

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 holds 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 session of the 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 2012, the Audit Committee convened three meetings, which were attended by all three members. The work of the Audit Committee during the year is mainly as follows:

1. received reports on financial work from the financial officers of the Company and reviewed the half-year and annual financial statements, annual report and interim report of the Company, including any changes in accounting policies and practices, major judgmental areas, significant audit adjustments, the going concern assumptions and any qualifications, and compliance with accounting standards and legal and regulatory requirements in relation to financial reporting.

2. met with the auditor at least twice and met with the auditor at least annually in the absence of the Company's management; discussed with the auditor the nature and scope of the audit and reporting obligations; received the audit procedures and work plan for the annual audit and half-year review from the auditor; listened to the management's explanation and response to any queries raised by the external auditor during its audit and gave specific opinions and recommendations.

3. reviewed the Company's financial controls, internal control and risk management systems; discussed the internal control system with the management; received opinions and recommendations from the external consultant on the internal control and audit functions of the Company to ensure that the management has performed its duty to establish an effective internal control system and that the internal audit function is adequately resourced and has appropriate standing within the Company, e.g. the adequacy of resources, experience, training and budget of staff of the Company's accounting and financial reporting and internal audit functions.

   During the year, the Audit Committee discussed, in particular, the risk management and control of the construction project of the Company's new operating centre in Shunyi District, Beijing and gave specific recommendations and opinions on enhancing the control mechanism, ensuring the sufficiency of internal resources and avoiding risks. The committee is continuously monitoring the work progress.

4. conducted an annual review on the Company's continuing connected transactions and gave opinions and recommendations regarding the relevant internal management and control mechanism.

5. assessed the independence of the external auditor and made recommendations to the Board on the appointment and removal, terms of engagement and remuneration of the external auditor, including reviewing the Company's plan on engaging the external auditor to provide non-audit services.

Remuneration and Evaluation Committee

The role and duties of the Remuneration and Evaluation 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 their effectiveness; advising the Board on the remuneration policies and frameworks of directors and senior management of the Company, and on the standard procedure of setting up such remuneration policy; and monitoring the implementation of the Company's remuneration policies.

The Remuneration and Evaluation Committee of the Company comprises three independent non-executive directors, namely Mr. Cheung Yuk Ming, Mr. Zhou Deqiang and Mr. Pan Chongyi, and a non-executive director namely Mr. Wang Quanhua. Mr. Zhou Deqiang, an independent non-executive director, acted as the chief member of the Remuneration and Evaluation Committee (chairman). The term of each member of the Remuneration and Evaluation Committee is the same as his term as a director.

The Remuneration and Evaluation Committee did not convene any meeting in 2012.

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 director's fees of each independent non-executive director is RMB120,000 (inclusive of tax) without entitlements to bonus. The director's fees are determined with reference to the prevailing market rates. The executive directors and non-executive directors are not entitled to such director's fees and/or bonus. However, executive directors are entitled to 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) purchased by the Company for the directors, supervisors and senior management.

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, each of the three executive directors, namely Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong, was granted 495,000 H Share Appreciation Rights on August 29, 2011.

The Remuneration and Evaluation Committee will submit revised proposals (if any) to the Board regarding the above remuneration policy of directors and senior management and the remuneration packages for individual director and senior management. The Board will establish the revised remuneration proposal for the Company's senior management according to the applicable laws and regulations and determine the remuneration proposal for directors based on the authorisation given at the general meeting (if any).

Details of remuneration of the directors and senior management are set out in Note 7 to the financial statements.

Nomination Committee

The role and duties of the Nomination Committee are available at the Company's website. They mainly include: reviewing the structure, size and composition of the Board; identifying individuals suitably qualified to become directors; assessing the independence of independent directors; and making recommendations to the Board on the above matters and the appointment planning for directors.

The Nomination Committee of the Company comprises the Chairman, Mr. Xu Qiang, and two independent non-executive directors, namely Mr. Zhou Deqiang and Mr. Pan Chongyi. Mr. Xu Qiang, the Chairman, acted as the chief member of the Nomination Committee (chairman). The term of each member of the Nomination Committee is the same as his term as a director.

The nomination and recommendation procedures of the Company's directors are as follows: the major promoter shareholders nominate and recommend candidates for directors (other than independent non-executive directors) while the Nomination Committee selects suitable candidates for independent non-executive directors. Such candidates for directors (including independent non-executive directors) must at least fulfill the relevant requirements of Chapter 6 of the PRC Company Law, Chapter 3 and 13 of the Listing Rules and Chapter 14 of the Articles. Candidates for independent non-executive directors must also satisfy the independence requirement as set out in Chapter 13 of the Listing Rules. The Board is responsible for submitting the details about the candidates to the shareholders. The appointment and removal of directors shall be determined by the general meeting.

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 at the general meeting; in case more than 9 directors are approved, those who have got the highest votes shall be elected as directors. A director serves for a term of 3 years and is subject to re-election upon expiry. 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 laws and administrative rules.

A shareholder's written notice to nominate a director's candidate and a written notice given by such candidate of his willingness to be nominated shall be sent to the Company after the date of despatch of the notice of the general meeting appointed for such election and at least seven days prior to the date of such general meeting. The procedures for nominating a director by a shareholder are available at the Company's website.

The Nomination Committee was established in March 2012. In 2012, the Nomination Committee did not convene any meeting. The Nomination Committee held a meeting in March 2013 to review the structure, size, composition and election of the new session of the Board.

Strategic Committee

The Strategic Committee is responsible for studying and advising the Company on 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. Its duties are available at the Company's website.

The Strategic Committee of the Company comprises three executive directors, namely Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Wang Quanhua, Mr. Xu Zhao (Mr. Xu Zhao was appointed as a member on August 29, 2012 to replace Mr. Luo Chaogeng, who resigned on June 5, 2012) and Mr. Sun Yude. Mr. Xu Qiang, the Chairman, acted as the chief member of the Strategic Committee (chairman). The term of each member of the committee is the same as his term as a director.

In 2012, the Strategic Committee held one meeting to consider and discuss the general planning proposal of its new operating centre in Shunyi District, Beijing and the construction budget plan of its Phase I work for subsequent consideration and discussion of the Board. All members attended the meeting in person except Wang Quanhua, who voted upon the resolution by written authorisation.

Executive Committee

The Executive Committee is 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 session of the 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 session of the 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 of over RMB10,000,000 made in the same investee but representing less than 1% of the total assets of the Group (the Company and its 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. Matters involving the connected transactions and notifiable transactions under the Listing Rules shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company.

The Executive Committee held three meetings in 2012 to consider and decide certain equity investments, including the establishment of Beijing TravelSky Technology Limited according to the Board's authorisation mentioned above.

REMUNERATION OF EXTERNAL AUDITORS

The aggregate remunerations for audit services provided to the Group by 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) for Year 2012 amounted to RMB1.8 million. In Year 2012, Baker Tilly Hong Kong and Baker Tilly China did not provide any material non-audit services to the Group. The non-audit services provided only included an audit for the acquisition of Beijing TravelSky HuaYi Software Technology Co., Ltd. by the Company (see Note 1 to the financial statements), an audit of the research and development fee and an advisory fee. The aggregate remunerations for such non-audit services amounted to RMB0.13 million.

The Audit Committee recommended re-appointing Baker Tilly Hong Kong and Baker Tilly China as the Group's international and PRC auditors respectively for Year 2013.

COMPANY SECRETARY

The Company engaged Mr. Yu Xiaochun and Ms. Liu Pui Yee as joint company secretaries. Mr. Yu and Ms. Liu both completed 15 hours of professional training in 2012.

Ms. Liu ceased to be the joint company secretary of the Company with effect from March 16, 2013. Mr. Yu Xiaochun continues to serve as the company secretary of the Company after the retirement of Ms. Liu. (For details, please refer to the announcement of the Company dated March 15, 2013.)

POWER OF SHAREHOLDERS

Procedures for convening an extraordinary general meeting

Any shareholder(s) individually or collectively holding 10% or more of the Company's total issued share capital shall be entitled to request the Board in writing to convene an extraordinary general meeting. Upon receiving such request, the Board shall issue a notice of extraordinary general meeting within 30 days and hold an extraordinary general meeting within two months from the receipt of such request. Otherwise, the shareholder(s) proposing to convene an extraordinary general meeting in writing may himself (themselves) convene an extraordinary general meeting within four months from the receipt of such written request by the Board.

Procedures for shareholders to make enquiries to the Board at any time

Shareholders must prove to the Board that they really own the equity interests of the Company (e.g. by providing shareholding documents etc.). The Company suggests shareholders submitting their enquiry requests in writing (including by email, facsimile and mail) and providing sufficient contact details so that the Company can handle and take down their enquiries in a proper and timely manner.

Procedures for putting forward a proposal at the general meeting

Any shareholder intending to put forward a proposal at the general meeting of the Company shall provide shareholding document to prove that he is interested in 3% or more of the Company's total issued share capital and serve his proposal to the Company (addressed to the Chairman or the Company Secretary of the Company) within 30 days from the date of despatch of the notice of general meeting. The Board will arrange to put forward the proposal at the general meeting within two working days from the receipt of such proposal.

Shareholders may contact the Company via the following means:

Telephone: 8610 57650696
Facsimile: 8610 57650695
Email: ir@travelsky.com
Postal address: No.157 Dongsi West Street, Dongcheng District, Beijing 100010, PRC

INVESTOR RELATIONS

There were no amendments or changes to the Articles in 2012.

SUPERVISORY COMMITTEE

The Supervisory Committee was established in accordance with the PRC Company Law and the Articles. The 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 submitted by the directors at the general meetings from time to time such as corporate financial affairs and financial statements, and supervising the activities of the Board and other senior management in discharging 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.

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 supervisor is three years.

The list of supervisors of the fourth session of Supervisory Committee and the attendance of each supervisor at the Supervisory Committee meetings in 2012 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings	Attendance rate for general meetings	Attendance rate for Board meetings
Li Xiaojun	Chairperson of the Supervisory Committee, Staff Representative Supervisor	100%	50%	100%
Xiao Wei	Staff Representative Supervisor	100%	100%	100%
Zeng Yiwei	Supervisor	100%	0%	100%
Yu Yanbing (Note 3)	Supervisor	50%	0%	50%
Rao Geping	Independent Supervisor	100%	50%	100%

Notes:

1. Attendance rate = Number of meetings attended/number of meetings ought to be attended by the supervisor in 2012.

2. In 2012, the Supervisory Committee held two meetings, and the Board held two physical meetings, and called one AGM and one extraordinary general meeting.

3. Supervisor Yu Yanbing attended one Supervisory Committee meeting in person and appointed another supervisor to vote on his behalf through written authorisation at another Supervisory Committee meeting.

During 2012, the Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2011 and the interim results for the six months ended June 30, 2012, supervised the operation and management activities of the Board and senior management, discussed matters relating to the election of a new session of the supervisory committee, and made recommendations to the management.

After making specific enquiries with the supervisors, all supervisors of the Supervisory Committee fully complied with the requirements of the Model Code in 2012.

By Order of the Board
Yu Xiaochun
Company Secretary

March 27, 2013

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 2012.

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 2012 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, 2012 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2012, the share capital structure of the Company was as follows:

Class of shares	**Number of shares**	**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

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

As at December 31, 2012, the interests and short positions of any person (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 "SFO") 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 Ltd	113,512,791 H shares of RMB1 each (L)	Investment manager	12.17%	3.88%
GMT Capital Corp.	103,750,000 H shares of RMB1 each (L) (Note 3)	Beneficial owner	11.13%	3.55%
The Bank of New York Mellon Corporation	75,713,840 H shares of RMB1 each (L) (P) (Note 4)	Interest of controlled corporation	8.12%	2.59%
JPMorgan Chase & Co.	74,945,500 H shares of RMB1 each (L) (P) (Note 5)	Custodian-corporation/ approved lending agent	8.04%	2.56%
	9,500 H shares of RMB1 each (L) (Note 5)	Beneficial owner	0.01%	0.0003%
Platinum International Fund	43,293,433 H shares of RMB1 each (L) (Note 6)	Beneficial owner	6.96%	2.22%
Keywise Capital Management (HK) Limited	50,369,000 H shares of RMB1 each (L)	Investment manager	5.40%	1.72%
China TravelSky Holding Company	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%

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 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 7)	Interest of controlled corporation	3.30%	2.25%
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 8)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 9)	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 10)	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, 2012; 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, 2012.

(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, Thomas E. Claugus and Lyxor (such companies were 100% controlled by GMT Capital Corp.).

(4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Bank of New York Mellon Corporation on May 25, 2012, the 75,713,840 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).

(5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on May 25, 2012, JPMorgan Chase & Co. was deemed to be interested in 74,955,000 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, J.P. Morgan International Inc. and JPMorgan Chase Bank, N.A., 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 SFO.

(6) As the latest filing date of Platinum International Fund was November 12, 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 of shares and percentage of shareholding as of December 31, 2011 is uncertain.

(7) 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 SFO.

(8) 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 SFO.

(9) 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 SFO.

(10) 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 SFO.

(11) 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, to the best knowledge of the Company's directors, as at December 31, 2012, no person (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 that are required to be recorded in the register maintained by the Company under Section 336 of the SFO.

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, 2012, none of the directors, supervisors or 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 SFO) that are required to be recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange by the directors and supervisors 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 SFO) for the year ended December 31, 2012.

As at December 31, 2012, 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 SFO.

As at December 31, 2012,

(a) Mr. Xu Qiang (Chairman and an executive director of the Company) 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. Xu Zhao (a non-executive director) was an employee of China Eastern Air Holding Company; 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, 2012, none of the existing or 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 SFO.

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 three years, commencing from March 16, 2010 and ending on March 15, 2013 or on the date when the fifth session of the Board and the Supervisory Committee are 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, 2012, 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 headed "Connected Transactions" in 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 2012.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of directors, supervisors and senior management are set out in Note 7 to the financial statements.

INTEREST CAPITALISED

No interest was capitalised for the Group in Year 2012.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2012 are summarised in Note 13 to the financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2012 are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board proposed the payment of a final cash dividend amounting to RMB0.133 per share (tax inclusive) for Year 2012. For details, please refer to the section headed "Proposed Distribution of a Final Cash Dividend for 2012" in "Management Discussion and Analysis of Financial Condition and Results of Operations".

SHARE APPRECIATION RIGHTS

Please refer to Note 37 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, 2012.

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 8 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 2012 and the total network usage fees paid by the Group to SITA S.C. in Year 2012 accounted for 2.3% of the Group's total operating expenses (after deducting depreciation and amortisation expenses). During Year 2012, the total amount paid to the five largest suppliers of the Group accounted for 7.6% of the Group's total operating expenses (after deducting 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 14.4% of the Group's total revenues for Year 2012. During Year 2012, total sales to the Group's five largest customers accounted for 49.4% 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, 2012. The revenue derived from the above major customers is set out in Note 41 to the financial statements.

Save as disclosed in this report and in Note 41 to the financial statements, none of the directors, supervisors or their associates nor any shareholder (which to the knowledge of the directors held 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, 2012 are set out in Note 1 to the financial statements.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During Year 2012, 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) provided aviation information technology services and products to China Southern Airlines Company Limited and its subsidiaries ("Southern Airlines"), China Eastern Airlines Corporation Limited and its subsidiaries ("Eastern Airlines") and Sichuan Airlines Company Limited ("Sichuan Airlines") (collectively the "Airlines"). The Airlines were the associates of the substantial shareholders of the Company;

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:

(1) The "flight control system services" as mentioned in (i) above and "electronic travel distribution system services" as mentioned in (ii) above are generally referred to as the "airlines passenger booking system services". The pricing of the airlines passenger booking system services is subject to the maximum guidance prices prescribed by CAAC, being the progressive per passenger booking fee ranging from RMB4.5 to RMB6.5 for domestic flights and RMB6.5 to RMB7 for international flights (depending on the monthly booking volume). The Company may also determine the actual prices for airlines passenger booking system services through arm's length negotiation with the Airlines, having taken into account of its booking volume, as long as the prices do not exceed the above maximum guidance prices prescribed by CAAC;

(2) The pricing of the "airport passenger processing system services" as mentioned in (iii) above is also subject to the maximum guidance prices prescribed by CAAC, being (a) RMB7 per passenger for international and regional flights and RMB4 per passenger for domestic flights; and (b) RMB500 per aircraft for load balancing services. The Company may also determine the actual prices for airport passenger processing system services through arm's length negotiation with the Airlines, having taken into account of a number of factors such as the types of the flights, transportation volume, level of services and size of the aircraft, as long as the prices do not exceed the above maximum guidance prices prescribed by CAAC; and

(3) The pricing of the "civil aviation and commercial data network services" as mentioned in (iv) above (other than physical identified device ("PID") connection and maintenance services) is not governed by guideline of CAAC or the framework of any other PRC airlines regulatory body but are subject to fair and reasonable mutual negotiation between the parties with reference to the prevailing market conditions. The pricing of PID connection and maintenance services is subject to the maximum guidance price prescribed by CAAC of RMB200 per PID per year.

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 November 4, 2009, November 17, 2010 and December 14, 2011 and circulars of the Company dated November 13, 2009, December 3, 2010 and January 6, 2012.

The respective annual caps and transaction amounts of the above continuing connected transactions for the financial year ended December 31, 2012 were as follows:

Airlines (connected persons)	**Agreement date**	**Year 2012 Annual caps** (RMB'000)	**Year 2012 Transaction amounts** (RMB'000)
Southern Airlines	December 25, 2012	697,756.00	427,074.27
Sichuan Airlines	November 17, 2010	198,435.20	127,034.50
Eastern Airlines	May 7, 2012	631,336.00	472,561.57

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

The Company leases the properties in Dongsi, Beijing from China TravelSky Holding Company 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 the Listing Rules. As stated in the announcement of the Company dated December 23, 2009, 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 metre per day and is paid quarterly. The annual cap of the above continuing connected transaction for Year 2012 was RMB31,350,000.

For Year 2012, the total rental paid by the Company to China TravelSky Holding Company under the above tenancy agreements amounted to approximately RMB31,343,047.

Since the above agreement expired on December 31, 2012, on December 27, 2012 the Company and China TravelSky Holding Company re-entered into the Beijing Tenancy Agreement for a term of three years commencing on January 1, 2013.

On the same date, the Company and China TravelSky Holding Company also entered into the Shanghai Tenancy Agreement, pursuant to which, China TravelSky Holding Company has agreed to lease the Shanghai Property to the Company for a term of three years ending December 31, 2015. The Company shall pay China TravelSky Holding Company a rental of RMB3.57 per square metre per day on a quarterly basis for use of the Shanghai Property.

For details about the Beijing Tenancy Agreement and the Shanghai Tenancy Agreement, please refer to the announcement of the Company dated December 27, 2012.

(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 the 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 information 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 between the Company and the Service Companies with reference to the guidance price prescribed by regulatory authorities; (iii) if there was no prescribed pricing schedule or guidance price, or the prescribed pricing schedule or guidance price had been revoked or became inapplicable, the service fees would be determined through negotiation between the Company and the Service Companies with reference to the prevailing market prices (if any) or previously prescribed pricing schedule or guidance price or on a cost basis.

On November 4, 2009, a service framework agreement was entered into between the Company and its 25 subsidiaries and associated companies (including the aforesaid Service Companies) with a term of three years commencing on January 1, 2010. Since the service framework agreement expired on December 31, 2012, on August 31, 2012, the Company and Hainan Cares, Shenzhen Cares, Xiamen Cares, Xinjiang Cares, Dongbei Cares, Xi'an Cares, Hubei Cares, Yunan Cares, Qingdao Cares or Huadong Cares re-entered into certain service framework agreements for a term of three years ending December 31, 2015. Meanwhile, the annual cap with Hainan Cares for 2012 has also been increased based on the actual operating conditions. For details, please refer to the announcement of the Company dated August 31, 2012.

During Year 2012, the aggregated amounts of the transactions between the Company and the Service Companies were as follows:

Service Companies	Year 2012 Annual caps (RMB'000)	Year 2012 Transaction amounts (RMB'000)
Hainan Cares	7,000	3,201.98
Shenzhen Cares	21,970	11,206.59
Xiamen Cares	5,475	3,164.60
Xinjiang Cares	6,094	4,609.70
Hubei Cares	8,970	5,344.53
Yunnan Cares	6,064	2,608.29
Xi'an Cares	6,651	5,109.30
Qingdao Cares	6,970	4,636.30
Huadong Cares	53,479	22,682.04
Dongbei Cares	9,520	4,405.30
Guangzhou Konggang	1,440	–
Dongmei Online	403	–

(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 may from time to time enter into specific agreements to subcontract certain works regarding the security check information system for different projects to Xiamen Cares. The services include but not limited to 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.

As stated in the announcement of the Company dated August 31, 2012, the annual cap of the continuing connected transaction under the Agreement for Year 2012 was RMB25,000,000. The cumulative contract amount under the Agreement for Year 2012 was approximately RMB9,960,780.

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

The provision of services by ACCA, a wholly-owned subsidiary of the Company, 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 the Airlines. The services provided by ACCA include:

(1) 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 and international and domestic clearing and settlement system; 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) 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; 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 collected monthly;

(3) commercial analysis and management products application services; the pricing schedule is not subject to any regulatory pricing guidelines but shall be determined after fair negotiation between ACCA and the Airlines; the service fees generally consist of a fixed monthly fee for usage and operation maintenance for the system analysis and management products, a one-off system implementation fee of RMB100,000 and a commercial development fee of RMB3,000 per person per day.

In Year 2012, 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 2012 Annual caps** (RMB'000)	**Year 2012 Transaction amounts** (RMB'000)
Southern Airlines	December 25, 2012	55,591.0	50,034.95
Sichuan Airlines	December 31, 2011	5,017.0	4,126.32
Eastern Airlines	March 29, 2011	124,366.0	71,843.00

(For details, please refer to the announcements of the Company dated November 4, 2009 and December 14, 2011, and the circulars of the Company dated November 13, 2009 and January 6, 2012.)

(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 IATA's agencies and certain airline companies 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 States 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 2012 for this continuing connected transaction between ACCA and the connected persons (as defined under the Listing Rules) of the Company (comprising Southern Airlines, Sichuan Airlines and Eastern Airlines) was RMB47,442,000. In 2012, the transaction amount of such continuing connected transaction was approximately RMB26,960,227.

(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 such 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 was 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 and 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 were 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 2012 for this continuing connected transaction was RMB60.3 million. The transaction amount in 2012 was approximately RMB45,393,733.

In the opinion of the independent non-executive directors of the Company, the continuing connected transactions as mentioned in (a) to (e) above:

(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 agreements 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, 2012.

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 Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

One-off connected transactions

The Company and certain Services Companies entered into subcontracting contracts in respect of the relevant projects in Year 2012:

Services Companies	Date of Agreement and Announcement	Contract	Contract Sum (RMB)
Huadong Cares	March 29	The Company subcontracts to Huadong Cares the overall construction of the departure system and security information system at the terminal of Suzhong Airport	7,805,355
	August 31	The Company purchases certain computer network system equipment for the overall construction of the departure system and security information system at the terminal of Hangzhou Xiaoshan Airport from Huadong Cares	14,883,786
Xiamen Cares	March 29	The Company subcontracts to Xiamen Cares the overall construction of the departure system and the security system – sub-project at the terminal of Quanzhou Airport	9,475,890
Qingdao Cares	June 5	The Company procures the relevant equipment of the departure control system for the terminals of Anhui Airport from Qingdao Cares whereas Qingdao Cares provides technical support and service in relation to the departure control system for the terminals of Anhui Airport to the Company	9,011,360
Yunnan Cares	August 30	The Company engages Yunnan Cares to provide certain technical support and service in relation to the overall building of the informationisation platform of the Yuxi Prison in Yunnan Province	4,103,801
Dongbei Cares	November 20	The Company subcontracts to Dongbei Cares the installation and implementation of the departure system and a two-year quality warranty for the departure system and security inspection information system for Terminal 3 of Shenyang Airport	14,146,393

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 41(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, 2012, 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, 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

AUDIT COMMITTEE AND COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Audit Committee of the Company has reviewed the accounting policies and practices 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 Year 2012. Details of the Company's compliance with the requirements of the code provisions in the Corporate Governance Code set out in Appendix 14 to the Listing Rules for Year 2012 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 or the PRC laws.

MATERIAL LITIGATION

The Group was not involved in any material litigation or dispute in Year 2012.

DONATION

In October 2012, the Company donated RMB3 million to fund charities, such as the construction of a township health clinic and a kindergarten, in Fengning Manchu Autonomous County, Hebei Province.

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 Public Accountants in Hong Kong) and Baker Tilly China (Certified Public 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.

Pursuant to the resolutions passed at the AGM held on June 5, 2012, Baker Tilly Hong Kong Limited (Certified Public Accountants in Hong Kong) and Baker Tilly China (Certified Public Accountants in the PRC) were engaged as the Company's international and PRC auditors respectively for Year 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, 2013 respectively will be proposed at the forthcoming AGM of the Company.

By order of the Board
Xu Qiang
Chairman

March 27, 2013

REPORT OF SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2012, members of the fourth session of 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 and other relevant rules and regulations to protect the interests of the Company and its shareholders.

According to the Articles, the Supervisory Committee of the Company comprises five supervisors with a term of three years. The number of staff representative supervisors is more than one-third of the number of members of the Supervisory Committee and there is one independent supervisor. The list of supervisors is set out in the section headed "Corporate Information" and the biographies of supervisors are set out on pages 136 to 144 of this annual report.

The fourth session of Supervisory Committee of the Company convened two meetings in Year 2012. The fourth session of Supervisory Committee reviewed the Company's annual financial statements for Year 2011 and interim financial statements for Year 2012, 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 laws and regulations of the PRC and the Articles, and whether they were in the 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 27, 2013, the fourth session of Supervisory Committee of the Company reviewed the Company's financial statements for Year 2012, and considered that the financial statements gave a true and fair view of the financial position and operation results of the Company and that they were in compliance with the regulations applicable to the Company. The fourth session of 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 2012.

The fourth session of 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 2012, 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, 2012 reflected the actual operational circumstances of the Company. The Supervisory Committee has great confidence in the future prospects and development of the Company.

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

March 27, 2013

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG | 天職香港

Independent auditor's report to the shareholders of TravelSky Technology Limited

(A Joint Stock Limited Company 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 53 to 131, which comprise the consolidated and company statements of financial position as at December 31, 2012 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.

INDEPENDENT AUDITOR'S REPORT

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, 2012, 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 27, 2013

Choi Kwong Yu
Practising Certificate number P05071

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2012
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	2012 RMB'000	2011 RMB'000
Revenue			
Aviation information technology services		**2,435,644**	2,259,151
Accounting, settlement and clearing services		**429,534**	380,027
Data network and others		**1,195,340**	1,032,886
Total revenues	5	**4,060,518**	3,672,064
Operating expenses			
Business taxes and other surcharges		**(104,176)**	(134,134)
Depreciation and amortisation		**(331,387)**	(406,267)
Network usage fees		**(55,891)**	(54,536)
Personnel expenses		**(854,778)**	(678,338)
Operating lease payments		**(122,217)**	(97,600)
Technical support and maintenance fees		**(211,920)**	(191,965)
Commission and promotion expenses		**(491,398)**	(452,115)
Other operating expenses		**(671,116)**	(474,957)
Total operating expenses		**(2,842,883)**	(2,489,912)
Operating profit		**1,217,635**	1,182,152
Financial income, net		**58,070**	73,595
Share of results of associated companies		**28,503**	27,270
Profit before taxation	6	**1,304,208**	1,283,017
Taxation	10	**(141,615)**	(207,649)
Profit after taxation		**1,162,593**	1,075,368
Other comprehensive income			
Currency translation differences		**126**	(2,471)
Other comprehensive income, net of tax		**126**	(2,471)
Total comprehensive income		**1,162,719**	1,072,897

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2012
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	2012 RMB'000	2011 RMB'000
Profit after taxation attributable to			
Owner of the parent		**1,132,881**	1,047,226
Non-controlling interests		**29,712**	28,142
		1,162,593	1,075,368
Total comprehensive income attributable to			
Owner of the parent		**1,133,007**	1,044,755
Non-controlling interests		**29,712**	28,142
		1,162,719	1,072,897
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	12	**0.39**	0.36
Cash Dividends	11	**389,186**	351,145

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 STATEMENT OF FINANCIAL POSITION

as at December 31, 2012
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	13	**896,951**	950,126
Lease prepayment for land use right, net	14	**1,966,772**	2,019,504
Intangible assets, net	15	**62,613**	50,938
Goodwill	17	**4,166**	–
Investments in associated companies	18	**163,140**	153,835
Deferred income tax assets	20	**24,588**	11,774
Other long-term assets	21	**191,585**	11,312
		3,309,815	3,197,489
Current assets			
Inventories	22	**29,323**	3,548
Trade receivables, net	23	**590,791**	431,788
Due from related parties, net	24, 41(3)	**1,910,716**	1,609,733
Due from associated companies	26	**41,483**	17,750
Income tax recoverable		**74,491**	1,221
Prepayments and other current assets	27	**353,699**	261,911
Held-to-maturity financial assets	28	**800,000**	500,000
Short-term bank deposits	29	**1,031,362**	2,093,074
Cash and cash equivalents	30	**1,739,232**	890,174
		6,571,097	5,809,199
Total assets		**9,880,912**	9,006,688
Equity			
Capital and reserves attributable to Owner of the parent			
Paid-In capital	33	**2,926,209**	2,926,209
Reserves	34	**2,891,879**	2,705,429
Retained earnings	35		
– Proposed final cash dividend	11	**389,186**	351,145
– Others		**2,055,944**	1,498,573
		8,263,218	7,481,356
Non-controlling interests		**168,430**	145,486
Total equity		**8,431,648**	7,626,842

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2012
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities	20	**16,961**	18,252
Current liabilities			
Trade payables and accrued liabilities	31	**1,226,449**	1,168,713
Due to related parties	32	**181,607**	152,758
Income tax payable		**13,853**	33,940
Deferred revenue		**10,394**	6,183
		1,432,303	1,361,594
Total liabilities		**1,449,264**	1,379,846
Total equity and liabilities		**9,880,912**	9,006,688
Net current assets		**5,138,794**	4,447,605
Total assets less current liabilities		**8,448,609**	7,645,094

Approved by the Board of Directors on March 27, 2013.

Xu Qiang
Chairman

Xiao Yinhong
Director

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

STATEMENT OF FINANCIAL POSITION

as at December 31, 2012
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	13	**725,312**	765,618
Lease prepayment for land use right, net	14	**1,911,406**	1,962,875
Intangible assets, net	15	**58,817**	47,240
Investments in subsidiaries	16	**1,023,784**	545,024
Investments in associated companies	18	**26,540**	26,540
Deferred income tax assets	20	**23,758**	10,949
Other long-term assets	21	**164,934**	10,463
		3,934,551	3,368,709
Current assets			
Inventories	22	**14,319**	–
Trade receivables, net	23	**395,106**	337,207
Due from related parties, net	24, 41(3)	**1,634,160**	1,306,654
Due from subsidiaries, net	25a	**60,026**	54,787
Due from associated companies	26	**36,657**	10,287
Income tax recoverable		**74,161**	–
Prepayments and other current assets	27	**76,840**	63,378
Held-to-maturity financial assets	28	**800,000**	500,000
Short-term bank deposits	29	**309,000**	1,516,114
Cash and cash equivalents	30	**633,082**	197,196
		4,033,351	3,985,623
Total assets		**7,967,902**	7,354,332
Equity			
Capital and reserves attributable to Owner of the parent			
Paid-In capital	33	**2,926,209**	2,926,209
Reserves	34	**2,461,687**	2,275,363
Retained earnings	35		
– Proposed final cash dividend	11	**389,186**	351,145
– Others		**1,192,298**	793,805
Total equity		**6,969,380**	6,346,522

STATEMENT OF FINANCIAL POSITION

as at December 31, 2012
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2012 RMB'000	2011 RMB'000
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	31	**742,330**	766,719
Due to related parties	32	**176,467**	143,037
Due to subsidiaries	25b	**79,725**	78,797
Income tax payable		**–**	19,257
		998,522	1,007,810
Total equity and liabilities		**7,967,902**	7,354,332
Net current assets		**3,034,829**	2,977,813
Total assets less current liabilities		**6,969,380**	6,346,522

Approved by the Board of Directors on March 27, 2013.

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, 2012
(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, 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	34	–	(2,471)	–	–	(2,471)
Total comprehensive income		–	(2,471)	1,047,226	28,142	1,072,897
Acquisition of a subsidiary	42	–	–	–	2,330	2,330
Bonus issue	33	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	34,35	–	166,790	(166,790)	–	–
Balance at December 31, 2011		2,926,209	2,705,429	1,849,718	145,486	7,626,842
Balance at January 1, 2012		**2,926,209**	**2,705,429**	**1,849,718**	**145,486**	**7,626,842**
Profit for the year		**–**	**–**	**1,132,881**	**29,712**	**1,162,593**
Other comprehensive income:						
Currency translation differences	34	**–**	**126**	**–**	**–**	**126**
Total comprehensive income		**–**	**126**	**1,132,881**	**29,712**	**1,162,719**
Acquisition of a subsidiary	42	**–**	**–**	**–**	**450**	**450**
Dividend relating to 2011	11	**–**	**–**	**(351,145)**	**(7,218)**	**(358,363)**
Appropriation to reserves	34,35	**–**	**186,324**	**(186,324)**	**–**	**–**
Balance at December 31, 2012		**2,926,209**	**2,891,879**	**2,445,130**	**168,430**	**8,431,648**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2012
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	**945,811**	1,453,870
Refund of enterprise income tax		**–**	52,602
Enterprise income tax paid		**(249,077)**	(187,230)
Net cash generated from operating activities		**696,734**	1,319,242
Cash flows from investing activities			
Purchases of property, plant, equipment, intangible assets and land use right		**(362,933)**	(211,768)
Maturities of short-term bank deposits		**2,457,224**	1,738,834
Placement of short-term bank deposits		**(1,395,512)**	(2,093,074)
Interest received		**112,739**	52,469
Net cash (paid)/received from acquisition of a subsidiary	42	**(4,089)**	127
Dividends received from associated companies		**6,018**	3,540
Increase in held-to-maturity financial assets		**(300,000)**	(500,000)
Deregistration of a subsidiary		**–**	(76)
Proceeds from disposal of property, plant and equipment		**551**	393
Net cash generated from/(used in) investing activities		**513,998**	(1,009,555)
Cash flows from financing activities			
Dividend paid to the Group shareholders		**(351,145)**	(306,277)
Dividend paid to non-controlling shareholders of subsidiaries		**(7,218)**	(9,458)
Net cash used in financing activities		**(358,363)**	(315,735)
Net increase/(decrease) in cash and cash equivalents		**852,369**	(6,048)
Cash and cash equivalents at beginning of the year		**890,174**	899,144
Effect of foreign exchange rate changes on cash and cash equivalents		**(3,311)**	(2,922)
Cash and cash equivalents at end of the year	30	**1,739,232**	890,174

The accompanying notes are an integral part of these 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, 2012, 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
		2012		2011			
		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%	15,000,000	Provisions of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems

(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
		2012		2011			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
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
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%	90%	10%	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%	–	15,000,000	Computer hardware and software development and data network services

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2012		2011			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
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%	–	1,986,177	Computer hardware and software development and data network services
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%	–	400,000,000	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

(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
		2012		2011			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
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%	–	9,738,500	Technology services and technology support
Beijing TravelSky Travel Service Limited ("BTTSL")	January 11, 2011	**100%**	**–**	100%	–	2,000,000	Provision of meetings and exhibition services, tour consulting services and technology promotion services
TravelSky Technology (Taiwan) Limited ("TravelSky Taiwan")	April 4, 2011	**100%**	**–**	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%**	**–**	100%	–	5,000,000	Computer and related equipment, development on network systems, sales, provision of rental, maintenance, computer system and tour consulting services

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2012		2011			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
Hunan TravelSky Information Technology Limited ("TravelSky Hunan")	June 13, 2011	**100%**	**–**	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%**	**–**	100%	–	50,000,000	Provision of Internet Data Center services, computer system services, aggregated application services and disaster recovery services
Shanghai Yeexing E-Business Limited ("Shanghai Yeexing")	January 22, 2007	**60%**	**–**	60%	–	8,800,000	Computer hardware and software development and provision of tour consulting services
Henan TravelSky Information Technology Limited * ("TravelSky Henan")	August 27, 2012	**100%**	**–**	–	–	10,000,000	Not yet commence business
Zhejiang TravelSky Information Technology Limited * ("TravelSky Zhejiang")	September 25, 2012	**100%**	**–**	–	–	10,000,000	Not yet commence business
Beijing TravelSky Technology Limited * ("TravelSky Beijing")	December 5, 2012	**100%**	**–**	–	–	50,010,000	Not yet commence business
Beijing TravelSky HuaYi Software Technology Co.,Ltd # ("TravelSky HY-Software")	October 16, 2009	**60%**	**–**	–	–	300,000	Software and computer system services, conference and consulting services, trading of hardware and software

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 2012.

On September 28, 2012, the Company acquired 60% equity interest in TravelSky HY-Software. Please refer to Note 42 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
		2012		2011			
		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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2012		2011			
		Direct	Indirect	Direct	Indirect	RMB	
Associated Companies (continued)							
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:

- Amendments to IFRS 7, Financial instruments: Disclosures – Transfers of Financial Assets

- Amendments to IAS 12, Income tax – Deferred tax: Recovery of underlying assets

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

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

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

The impacts of these developments are discussed below:

- The amendments to IFRS 7 increase the disclosure requirements for transactions involving the transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

- The amendments to IAS 12 titled "Deferred tax: Recovery of underlying assets" provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

These amendments do not have material impact on the Group's financial statements.

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

(b) New standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning January 1, 2012 and have not been early adopted

- IAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The Group is yet to assess IAS 1 Amendments' full impact and intends to adopt IAS 1 Amendments no later than the accounting period beginning on or after January 1, 2013.

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning January 1, 2012 and have not been early adopted (continued)

- 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 end of the reporting period 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 statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3(h)). 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iv) Associated companies (continued)

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

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

(b) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(c) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Foreign currencies (continued)

(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.

(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 statement of financial position presented are translated at the closing rate at the date of that financial position;

- 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Foreign currencies (continued)

(iii) Group companies (continued)

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.

(d) Property, plant and equipment

Property, plant and equipment are 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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each of the end of the reporting period.

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(h)).

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Intangible assets (other than goodwill)

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.

(f) 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.

(g) 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, 2012, no development costs were capitalised as they did not meet all the criteria listed above (2011: nil).

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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 end of the reporting period. 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.

(j) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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 end of the reporting period 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)

(o) 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 end of the reporting period 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.

(p) 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)

(p) 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 of the end of the reporting period 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 37.

(q) 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)

(r) 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.

(s) 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)

(t) 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.

(u) 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.

(v) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(v) Related parties (continued)

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.

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(d) 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 end of the reporting period, 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.

(f) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Details of impairment loss review are set out in Note 17.

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.

6. PROFIT BEFORE TAXATION

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

	2012 RMB'000	2011 RMB'000
After charging:		
Depreciation	**228,168**	281,659
Amortisation of intangible assets	**43,813**	66,065
Amortisation of leasehold improvements	**6,674**	5,806
Amortisation of lease prepayment for land use right	**52,732**	52,737
Loss on disposal of property, plant and equipment	**2,839**	–
Provision for impairment of receivables	**11,728**	13,276
Cost of equipment sold	**434,616**	163,041
Retirement benefits	**92,644**	78,280
Auditors' remuneration	**1,800**	1,950
Contribution to housing benefits	**58,163**	48,940
Research and development expenses	**586,148**	383,282
Staff costs arising from share appreciation rights	**3,954**	1,514
After crediting:		
Interest income	**(109,113)**	(64,342)
Exchange gain, net	**(9,421)**	(9,253)
Gain on disposal of property, plant and equipment	**–**	(24)

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

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, 2012 (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)	–	–	289	494	65	140	988
Mr. Cui Zhixiong	–	–	289	494	65	140	988
Mr. Xiao Yinhong	–	–	289	494	65	140	988
Non-executive directors							
Mr. Wang Quanhua*	–	–	–	–	–	–	–
Mr. Xu Zhao* (i)	–	–	–	–	–	–	–
Mr. Sun Yude*	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Cheung Yuk Ming	120	–	–	–	–	–	120
Mr. Zhou Deqiang	120	–	–	–	–	–	120
Mr. Pan Chongyi	120	–	–	–	–	–	120
Supervisors							
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor)	–	–	256	430	28	95	809
Mr. Yu Yanbin*	–	–	–	–	–	–	–
Mr. Rao Geping (Independent Supervisor)	60	–	–	–	–	–	60
Mr. Zeng Yiwei*	–	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor)	–	–	279	208	49	60	596
	420	–	1,402	2,120	272	575	4,789

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, 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* (ii)	–	–	–	–	–	–	–
Mr. Sun Yude*	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Cheung Yuk Ming	120	–	–	–	–	–	120
Mr. Zhou Deqiang	120	–	–	–	–	–	120
Mr. Pan Chongyi	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*	–	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor)	–	–	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)

* 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 June 5, 2012

(ii) Resigned on June 5, 2012

(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(p)(iii).

The details of these benefits, including the principal terms and number of share appreciation rights granted, are disclosed in Note 37.

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) individuals during the year are as follows:

	2012 **RMB'000**	2011 RMB'000
Basic salaries and allowances	**709**	514
Bonuses	**870**	853
Retirement benefits	**125**	101
	1,704	1,468

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

(ii) Five highest paid individuals (continued)

Their emoluments paid by the Group are within the following bands:

	Number of the five highest paid individuals	
	2012	2011
Nil – HKD1,000,000 (equivalent to RMB810,800)	**–**	2
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,216,200)	**5**	3
	5	5

During the year ended December 31, 2012, no director and the five highest paid employees had waived or agreed to waive any emolument (2011: 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 (2011: nil).

(iii) Emoluments of senior management

Other than the emoluments of directors and supervisors disclosed in Note 7(i), the emoluments of the senior management whose profiles are included in Biographies of Directors, Supervisors, Senior Management and Joint Company Secretaries section of this report fell within the following bands:

	Number of individuals	
	2012	2011
Emolument band		
Nil – HKD1,000,000 (equivalent to RMB810,800)	**5**	8
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,216,200)	**3**	–
	8	8

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, 2012 (2011: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2012 amounted to approximately RMB62.6 million (2011: RMB53.1 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, 2012 amounted to approximately RMB30.0 million (2011: RMB25.2 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, 2012, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2011: 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, 2012 amounted to approximately RMB42.7 million (2011: RMB34.6 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.

9. HOUSING BENEFITS (continued)

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, 2012 amounted to approximately RMB15.5 million (2011: RMB14.3 million).

As of December 31, 2012, the total number of employees of the Group was 5,291 (2011: 4,727).

10. TAXATION

Income tax

	2012 **RMB'000**	2011 RMB'000
Current tax:		
PRC enterprise income tax expenses	**155,707**	209,133
Overseas income tax expenses	**13**	29
Deferred tax	**(14,105)**	(1,513)
	141,615	207,649

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.

In general, the applicable corporate income tax rate of enterprises in China is 25% under the New Corporate Income Tax Law of the PRC ("new CIT Law") enacted from January 1, 2008. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprise" are entitled to a favorable corporate income tax rate of 15%. In September 2011, the Company applied and was approved in principle by relevant authorities as a "High and New Technology Enterprise" and eventually obtained the High and New Technology Enterprise certification in July 2012, and continues to be entitled to the preferential tax rate of 15% from 2011 to 2013.

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

10. TAXATION (continued)

Income tax (continued)

In addition to the recognised "High and New Technology Enterprise" status, enterprises being approved and certified by relevant tax authorities as "Important Software Enterprise" can further enjoy a preferential corporate income tax rate of 10%. According to the relevant regulations, the differences that resulted from the corporate income tax paid at the rate of 15% over this preferential income tax rate of 10% should be returned to the relevant enterprises subsequently. The "Important Software Enterprise" certification is subject to an annual assessment and approval by the relevant authorities in China. The Company applied for and obtained its "Important Software Enterprise" approval from 2006 to 2010.

On September 24, 2012, the relevant authorities have issued the notice for the application of the assessment of the "Important Software Enterprise" for both 2011 and 2012. On March 21, 2013, the Company has obtained its "Important Software Enterprise" approval certification for year 2011 and 2012, and accordingly, the income tax rate be reduced to 10% for 2012. Furthermore, the Company will immediately apply for the refund of overpayment of 5% income tax in 2011 from relevant tax authorities. Its impact will be reflected in the Company's financial statements for the year when the tax refund has been actually received.

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

In 2012 and 2011, 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:

	2012 **RMB'000**	2011 RMB'000
Profit before taxation	**1,304,208**	1,283,017
Weighted average statutory tax rate	**25%**	25%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**330,219**	321,765
Share of profits of associated companies	**(7,126)**	(6,817)
Effect of tax exemption/reduction	**14,184**	21,487
Effect of preferential tax rates	**(195,662)**	(128,786)
Tax charge	**141,615**	207,649

10. TAXATION (continued)

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%

Pursuant to the notice of regarding the pilot programme for the transformation of transportation and certain modern service industries in 8 provinces including Beijing from Business Tax to Value Added Tax ("VAT") (Cai Shui Fa [2012] No. 71) issued by Ministry of Finance and the State Administration of Taxation, all of the Group's aviation information technology services and accounting and settlement and clearing services revenue generated in Beijing will be subjected to VAT levied at rates of 6% from September 1, 2012; while the other revenue generated in other locations of China will continue to be subject to business tax at rates of 3% or 5%, whichever is applicable.

Value-Added Tax

The Group's sales of equipment and software in PRC are subject to 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 RMB351.1 million (RMB0.12 per share) for Year 2011 in the annual general meeting of the Company held on June 5, 2012. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2012.

As at March 27, 2013, the Board recommended the distribution of a final cash dividend of RMB389.2 million for Year 2012 (RMB0.133 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, 2013.

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.

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

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:

	2012	2011
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**1,132,881**	1,047,226
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	**0.39**	0.36

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 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, 2012 and 2011.

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 improvements RMB'000	Total RMB'000
Cost								
As at January 1, 2011		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	42	–	–	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
Purchases		1,307	95,875	12,495	23,469	46,888	5,745	185,779
Disposals/write off		–	(108,411)	(4,902)	(4,937)	–	(130)	(118,380)
Transfer from assets under construction to intangible	15	–	–	–	–	(800)	–	(800)
Acquisition of a subsidiary through business combination	42	–	–	22	56	–	–	78
As at December 31, 2012		**461,017**	**2,668,594**	**72,017**	**147,591**	**70,538**	**49,383**	**3,469,140**
Accumulated depreciation								
As at January 1, 2011		(68,952)	(1,935,602)	(38,386)	(77,730)	–	(26,161)	(2,146,831)
Charge for the year		(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)
Charge for the year		(23,690)	(187,557)	(6,795)	(10,126)	–	(6,674)	(234,842)
Disposals/write off		–	105,481	4,809	4,700	–	–	114,990
As at December 31, 2012		**(115,865)**	**(2,245,463)**	**(45,090)**	**(106,382)**	**–**	**(38,641)**	**(2,551,441)**
Provision								
As at January 1, 2011, December 31, 2011 and December 31, 2012		**–**	**(20,748)**	**–**	**–**	**–**	**–**	**(20,748)**
Net book value								
As at December 31, 2011		367,535	496,995	21,298	28,047	24,450	11,801	950,126
As at December 31, 2012		**345,152**	**402,383**	**26,927**	**41,209**	**70,538**	**10,742**	**896,951**

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

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 improvements RMB'000	Total RMB'000
Cost							
As at January 1, 2011	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
Purchases	–	84,480	6,862	15,585	52,668	4,268	163,863
Disposals/write off	–	(106,877)	(3,107)	(3,472)	–	–	(113,456)
As at December 31, 2012	**273,739**	**2,551,769**	**42,408**	**109,927**	**82,545**	**44,781**	**3,105,169**
Accumulated depreciation							
As at January 1, 2011	(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)
Charge for the year	(13,637)	(171,135)	(3,846)	(6,379)	–	(6,171)	(201,168)
Disposals/write off	–	103,988	3,018	3,449	–	–	110,455
As at December 31, 2012	**(57,588)**	**(2,153,802)**	**(27,402)**	**(84,387)**	**–**	**(35,930)**	**(2,359,109)**
Provision							
As at January 1, 2011, December 31, 2011 and December 31, 2012	**–**	**(20,748)**	**–**	**–**	**–**	**–**	**(20,748)**
Net book value							
As at December 31, 2011	229,788	466,763	12,079	16,357	29,877	10,754	765,618
As at December 31, 2012	**216,151**	**377,219**	**15,006**	**25,540**	**82,545**	**8,851**	**725,312**

14. LEASE PREPAYMENT FOR LAND USE RIGHT, NET

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost				
As at January 1 and December 31	**2,121,934**	2,121,934	**2,059,727**	2,059,727
Accumulated amortisation				
As at January 1	**(102,430)**	(49,693)	**(96,852)**	(45,378)
Additions	**(52,732)**	(52,737)	**(51,469)**	(51,474)
As at December 31	**(155,162)**	(102,430)	**(148,321)**	(96,852)
Net Book Value				
As at December 31	**1,966,772**	2,019,504	**1,911,406**	1,962,875

Lease prepayment for land use right, net, mainly 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 are held on lease with a term of 40 to 50 years.

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

15. INTANGIBLE ASSETS, NET

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost				
As at January 1	**277,226**	264,673	**255,923**	246,829
Additions	**54,688**	12,553	**52,879**	9,094
Transfer from assets under construction (Note 13)	**800**	–	**–**	–
As at December 31	**332,714**	277,226	**308,802**	255,923
Accumulated amortisation				
As at January 1	**(226,288)**	(160,223)	**(208,683)**	(145,156)
Additions	**(43,813)**	(66,065)	**(41,302)**	(63,527)
As at December 31	**(270,101)**	(226,288)	**(249,985)**	(208,683)
Net book value				
As at December 31	**62,613**	50,938	**58,817**	47,240

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

16. INVESTMENTS IN SUBSIDIARIES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Investments, at cost	**–**	–	**1,023,784**	545,024

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

17. GOODWILL

	The Group	
	2012	2011
	RMB'000	RMB'000
Cost and carrying value		
At 1 January	**–**	–
Arising from acquisition ofa subsidiary (note 42)	**4,166**	–
At 31 December	**4,166**	–

The carrying amount of goodwill primarily arises from the acquisition of a subsidiary, TravelSky HY-Software.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units ("CUGs") for impairment testing.

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumption for the value-in-use calculations of the above CGUs are those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the most recent financial budgets of 3 years and extrapolates cash flows for the following five years with growth rate in revenue of 16% to 32%. Cash flows beyond the five-year period are extrapolated using zero growth rates. The discount rate is 16.1% per annum.

As at 31 December 2012, management of the Group was of the view that there was no impairment of goodwill.

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

18. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**153,835**	130,855	**26,540**	27,290
Share of profit	**28,503**	27,270	**–**	–
Dividend receivable from associated companies	**(19,198)**	(4,290)	**–**	(750)
End of the year	**163,140**	153,835	**26,540**	26,540

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	**Total liabilities**	**Revenues**	**Profit attributable to equity holders**
	RMB'000	RMB'000	RMB'000	RMB'000
2011	224,471	70,636	626,215	27,270
2012	**229,511**	**66,371**	**756,718**	**28,503**

19. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets as per financial position:				
Trade receivables, net (Note 23)	**590,791**	431,788	**395,106**	337,207
Due from related parties, net (Note 24)	**1,910,716**	1,609,733	**1,634,160**	1,306,654
Due from subsidiaries, net (Note 25a)	**–**	–	**60,026**	54,787
Due from associated companies (Note 26)	**41,483**	17,750	**36,657**	10,287
Interest received and other current assets (Note 27)	**303,532**	233,584	**32,423**	39,944
Held-to-maturity financial assets (Note 28)	**800,000**	500,000	**800,000**	500,000
Short-term bank deposits (Note 29)	**1,031,362**	2,093,074	**309,000**	1,516,114
Cash and cash equivalents (Note 30)	**1,739,232**	890,174	**633,082**	197,196
Total	**6,417,116**	5,776,103	**3,900,454**	3,962,189

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Liabilities as per financial position:				
Trade payables and other liabilities (Note 31)	**1,200,958**	1,131,596	**722,677**	738,369
Due to related parties (Note 32)	**181,607**	152,758	**176,467**	143,037
Due to subsidiaries (Note 25b)	**–**	–	**79,725**	78,797
Total	**1,382,565**	1,284,354	**978,869**	960,203

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

20. DEFERRED INCOME TAX

	The Group		The Company	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	**14,049**	8,283	**14,011**	8,556
Deferred tax assets to be recovered within 12 months	**10,539**	3,491	**9,747**	2,393
	24,588	11,774	**23,758**	10,949
Deferred tax liabilities:				
Deferred tax liabilities to be settled over 12 months	**(16,961)**	(18,252)	**–**	–
	(16,961)	(18,252)	**–**	–

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, 2011	(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)
As at January 1, 2012	**(9,969)**	**3,491**	**(6,478)**
Recognised in the statement of comprehensive income	**7,057**	**7,048**	**14,105**
As at December 31, 2012	**(2,912)**	**10,539**	**7,627**

20. DEFERRED INCOME TAX (continued)

The Company:

	Depreciation and Amortisation RMB'000	Accrual, Provision and Others RMB'000	Total RMB'000
As at January 1, 2011	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
Recognised in the statement of comprehensive income	5,761	7,048	12,809
As at December 31, 2012	**14,011**	**9,747**	**23,758**

21. OTHER LONG-TERM ASSETS

At December 31, other long-term assets of the Group mainly comprised deposits paid for acquisition of property, plant and equipment.

22. INVENTORIES

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Equipment for sale	**29,334**	3,576	**14,319**	–
Spare parts	**25**	78	**–**	–
Others	**70**	–	**–**	–
Total	**29,429**	3,654	**14,319**	–
Provision for impairment of inventories (Equipment for sale)	**(106)**	(106)	**–**	–
	29,323	3,548	**14,319**	–

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)

23. TRADE RECEIVABLES, NET

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**638,176**	467,986	**429,793**	363,934
Provision for impairment of receivables	**(47,385)**	(36,198)	**(34,687)**	(26,727)
Trade receivables, net	**590,791**	431,788	**395,106**	337,207

The carrying amounts of the Group's trade receivables approximated its fair value as at December 31, 2012 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.

The Group has a policy of allowing its customers credit periods normally ranging from 10 to 90 days.

As of December 31, 2012 and 2011, the ageing analysis of the trade receivables was as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**547,816**	392,194	**363,790**	312,191
Over 6 months but within 1 year	**34,632**	36,059	**27,888**	27,775
Over 1 year but within 2 years	**26,493**	16,165	**20,799**	8,371
Over 2 years but within 3 years	**8,960**	4,423	**3,736**	2,164
Over 3 years	**20,275**	19,145	**13,580**	13,433
Trade receivables	**638,176**	467,986	**429,793**	363,934
Provision for impairment of receivables	**(47,385)**	(36,198)	**(34,687)**	(26,727)
Trade receivables, net	**590,791**	431,788	**395,106**	337,207

23. TRADE RECEIVABLES, NET (continued)

As of December 31, 2012, trade receivables of RMB8.1 million (2011: RMB11.9 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Over 6 months but within 1 year	**3,976**	7,526	**–**	–
Over 1 year but within 2 years	**2,792**	3,466	**–**	–
Over 2 years but within 3 years	**644**	870	**–**	–
Over 3 years	**720**	–	**–**	–
	8,132	11,862	**–**	–

As of December 31, 2012, trade receivables of RMB82.2 million (2011: RMB63.9 million) were impaired. The amount of the provision was RMB47.4 million as of December 31, 2012 (2011: RMB36.2 million). The management has assessed that a portion of these receivables is expected to be recovered. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Over 6 months but within 1 year	**30,656**	28,533	**27,888**	27,775
Over 1 year but within 2 years	**23,701**	12,699	**20,799**	8,371
Over 2 years but within 3 years	**8,316**	3,553	**3,736**	2,164
Over 3 years	**19,555**	19,145	**13,580**	13,433
	82,228	63,930	**66,003**	51,743

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

23. TRADE RECEIVABLES, NET (continued)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year	**36,198**	35,955	**26,727**	33,467
Provision	**11,728**	13,276	**8,389**	6,293
Write-off	**(541)**	(13,033)	**(429)**	(13,033)
Balance at end of year	**47,385**	36,198	**34,687**	26,727

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**472,965**	357,583	**270,590**	257,753
HKD denominated	**47,800**	3,967	**44,944**	2,943
USD denominated	**85,796**	92,276	**84,560**	91,259
Others	**31,615**	14,160	**29,699**	11,979
	638,176	467,986	**429,793**	363,934

24. DUE FROM RELATED PARTIES, NET

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**1,358,720**	1,204,094	**1,097,038**	918,225
Over 6 months but within 1 year	**466,756**	370,349	**463,634**	364,841
Over 1 year but within 2 years	**69,575**	31,909	**69,418**	20,354
Over 2 years but within 3 years	**14,817**	3,288	**3,368**	3,234
Over 3 years	**848**	93	**702**	–
Due from related parties	**1,910,716**	1,609,733	**1,634,160**	1,306,654
Provision for impairment of receivables	**–**	–	**–**	–
Due from related parties, net	**1,910,716**	1,609,733	**1,634,160**	1,306,654

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

As of December 31, 2011, notes receivable of RMB61.2 million was included in the above balances. The notes have been collected in 2012.

As of December 31, 2012, notes receivable of RMB110.0 million was included in the above balances.

As of December 31, 2012, due from related parties of RMB552.0 million (2011: RMB405.6 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Over 6 months but within 1 year	**466,756**	370,349	**463,634**	364,841
Over 1 year but within 2 years	**69,575**	31,909	**69,418**	20,354
Over 2 years but within 3 years	**14,817**	3,288	**3,368**	3,234
Over 3 years	**848**	93	**702**	–
	551,996	405,639	**537,122**	388,429

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

25. DUE FROM/(TO) SUBSIDIARIES, NET

(a) Due from subsidiaries

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Trade related balances, net (i)	**–**	–	**54,026**	54,787
Loan receivable (ii)	**–**	–	**6,000**	–
Total	**–**	–	**60,026**	54,787

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

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Within 6 months	**–**	–	**18,619**	29,574
Over 6 months but within 1 year	**–**	–	**5,671**	5,639
Over 1 year but within 2 years	**–**	–	**11,493**	15,462
Over 2 years but within 3 years	**–**	–	**14,586**	848
Over 3 years	**–**	–	**11,468**	11,075
Total	**–**	–	**61,837**	62,598
Provision for impairment of receivables	**–**	–	**(7,811)**	(7,811)
Due from subsidiaries, net	**–**	–	**54,026**	54,787

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

(ii) The loan receivable is unsecured, bears interest at 5.6% per annum and is repayable within 6 months.

25. DUE FROM/(TO) SUBSIDIARIES, NET (continued)

(b) Due to subsidiaries

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

26. DUE FROM ASSOCIATED COMPANIES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade related balances (i)	**31,983**	17,750	**27,157**	10,287
Loan receivable (ii)	**9,500**	–	**9,500**	–
Total	**41,483**	17,750	**36,657**	10,287

(i) These balances are trade related, interest free, unsecured and generally repayable on within one year.

(ii) The loan receivable is unsecured, bears interest at 6% per annum and is repayable within 6 months.

27. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance payments	**50,167**	28,327	**44,417**	23,434
Interest receivable	**13,761**	17,387	**13,472**	17,204
Prepaid expenses	**8,756**	6,255	**8,756**	6,255
Other receivables (i)	**245,705**	180,883	**–**	–
Other current assets	**35,310**	29,059	**10,195**	16,485
Total	**353,699**	261,911	**76,840**	63,378

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

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

28. HELD-TO-MATURITY FINANCIAL ASSETS

	The Group		The Company	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
At amortised cost:				
Certificates of deposits held	**800,000**	500,000	**800,000**	500,000

The annual interest rate on certificates of deposit held by the Group and the Company ranges from 3.99% to 4.60% (2011: 5.00% to 5.80%) and these deposits have a maturity period of 6 months and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate their fair values.

29. SHORT-TERM BANK DEPOSITS

	The Group		The Company	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
RMB	**1,029,640**	2,091,315	**309,000**	1,516,114
Others	**1,722**	1,759	**–**	–
	1,031,362	2,093,074	**309,000**	1,516,114

The annual interest rate on short-term bank deposits ranges from 2.85% to 3.50% (2011: 2.25% to 3.50%) and these deposits have a maturity period ranging from 6 to 12 months (2011: 6 to 12 months).

30. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash				
RMB	314	400	214	281
Others	45	20	–	–
	359	420	214	281
Demand deposits				
RMB	1,702,225	868,692	632,124	196,752
USD denominated	21,456	5,398	709	163
HKD denominated	3,410	4,281	35	–
Others	11,782	11,383	–	–
	1,738,873	889,754	632,868	196,915
Total cash and cash equivalents	1,739,232	890,174	633,082	197,196

31. TRADE PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade payables	174,778	134,385	56,852	87,997
Accrued departure technology support fees	375,207	407,550	375,207	407,550
Accrued technical support fees	50,629	51,297	50,629	51,297
Accrued network usage fees	12,416	10,473	12,416	10,473
Accrued bonuses and staff cost	213,642	153,967	195,160	149,849
Other taxes payable (i)	25,491	37,117	19,653	28,350
Other payables (ii)	306,714	292,343	–	–
Other liabilities	67,572	81,581	32,413	31,203
Total	1,226,449	1,168,713	742,330	766,719

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

31. TRADE PAYABLES AND ACCRUED LIABILITIES (continued)

At December 31, 2012, approximately RMB34.1 million of the above balances was denominated in US dollars (2011: RMB39.5 million).

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**127,826**	104,785	**30,087**	64,201
Over 6 months but within 1 year	**14,300**	1,939	**5,141**	659
Over 1 year but within 2 years	**11,447**	17,195	**3,640**	13,922
Over 2 years but within 3 years	**12,325**	1,036	**9,188**	108
Over 3 years	**8,880**	9,430	**8,796**	9,107
Total trade payables	**174,778**	134,385	**56,852**	87,997
Accrued liabilities and other liabilities	**1,051,671**	1,034,328	**685,478**	678,722
Total	**1,226,449**	1,168,713	**742,330**	766,719

(i) Other taxes payables

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Business tax payable	**1,020**	15,721	**–**	11,430
VAT payable	**14,436**	11,139	**11,855**	10,488
Other	**10,035**	10,257	**7,798**	6,432
Total	**25,491**	37,117	**19,653**	28,350

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

32. DUE TO RELATED PARTIES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**43,856**	30,558	**39,232**	20,865
Over 6 months but within 1 year	**110,821**	89,732	**110,821**	89,723
Over 1 year but within 2 years	**516**	18,247	**–**	18,228
Over 2 years but within 3 years	**12,215**	9,849	**12,215**	9,849
Over 3 years	**14,199**	4,372	**14,199**	4,372
Total	**181,607**	152,758	**176,467**	143,037

These balances comprised mainly dividend payables and service fee payable.

33. PAID-IN CAPITAL

As of December 31, 2012, all issued shares are registered and fully paid, divided into 2,926,209,589 shares (2011: 2,926,209,589 shares) of RMB1.00 each, comprised of 1,993,647,589 Domestic Shares and 932,562,000 H Shares (2011: 1,993,647,589 Domestic Shares and 932,562,000 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.

	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 December 31, 2011, January 1, 2012, and December 31, 2012	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

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

33. 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
Issued and fully paid:					
Registered shares of RMB1.0 each					
As at December 31, 2011, January 1, 2012, and December 31, 2012	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

34. 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, 2011	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
Balance at January 1, 2012	**658,842**	**812,662**	**369,313**	**420,959**	**451,675**	**(8,022)**	**2,705,429**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**126**	**126**
Appropriation to reserves	**–**	**99,411**	**–**	**86,913**	**–**	**–**	**186,324**
Balance as at December 31, 2012	**658,842**	**912,073**	**369,313**	**507,872**	**451,675**	**(7,896)**	**2,891,879**

34. RESERVES (continued)

(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.

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, 2011	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
Balance as at January 1, 2012	**661,932**	**806,462**	**419,879**	**387,090**	**2,275,363**
Transfer from retained earnings	**–**	**98,331**	**87,993**	**–**	**186,324**
Balance as at December 31, 2012	**661,932**	**904,793**	**507,872**	**387,090**	**2,461,687**

35. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2012, 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.

The 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 was approved in the annual general meeting held on June 5, 2012. The amount was accounted for in shareholder's equity as a distribution of retained earnings in the year ended December 31, 2012.

The proposed appropriation of 10% of its net profit amount to RMB97.4 million to the discretionary surplus reserve fund for the year ended December 31, 2012 is subject to shareholders' approval at the forthcoming annual general meeting in 2013. Therefore, the amount upon approval will be recorded in the Group's financial statements for year ending December 31, 2013.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2012 was approximately RMB1,940.6 million (2011: RMB1,504.1 million).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB974.0 million (2011: RMB879.9 million) for the year ended December 31, 2012.

36. CASH GENERATED FROM OPERATING ACTIVITIES

	2012 RMB'000	2011 RMB'000
Profit before taxation	**1,304,208**	1,283,017
Adjustments for:		
Depreciation and amortisation	**331,387**	406,267
Loss/(gain) on disposal of property, plant and equipment	**2,839**	(24)
Interest income	**(109,113)**	(64,342)
Provision for impairment of receivables	**11,728**	13,276
Staff costs arising from share appreciation rights	**3,954**	1,514
Share of results from associated companies	**(28,503)**	(27,270)
Foreign exchange (gain)/loss	**(490)**	10,241
Decrease/(increase) in current assets:		
Trade receivables	**(170,731)**	(215,949)
Inventories	**(25,775)**	4,400
Prepayments and other current assets	**(131,883)**	(30,380)
Due from related parties/associated companies	**(311,536)**	(225,577)
Increase/(decrease) in current liabilities:		
Trade payables and accrued liabilities	**36,666**	294,473
Deferred revenue	**4,211**	(27,469)
Due to related parties	**28,849**	31,693
Cash generated from operations	**945,811**	1,453,870

37. 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.

37. SHARE APPRECIATION RIGHTS SCHEMES (continued)

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, 2012, and no rights granted was exercised or expired during the year.

For the year ended December 31, 2012 and 2011, the Group has recorded liabilities and expenses of approximately RMB4.0 and RMB1.5 million respectively in relation 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 as at December 31, 2012 determined using the Binomial Model was HKD1.08 per each right. The significant inputs into the model were fair value per share price of HKD4.14 at December 31, 2012, exercise price shown above, volatility of 50.64%, dividend yield of 0%, share appreciation rights life of 5.7 years, and an annual risk-free interest rate of 0.36%. 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.

38. 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 23, 29, 30, and 31 respectively.

As at December 31, 2012, 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 RMB7.2 million lower/higher, mainly as a result of foreign exchange differences on translation of balances of denominated in USD and HKD 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 RMB109.1 million (2011: RMB64.3 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 28 and 29 respectively.

The Group has no significant borrowings or non-current liabilities at December 31, 2012 and therefore do not have significant exposure to changes in interest rates.

38. 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 66% (2011: 63%) 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 54% (2011: 53%) of the total bank balances were concentrated with 4 state-owned banks as at December 31, 2012.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2012, approximately 28% of the Group's total assets are in cash and cash equivalents and short-term bank deposits (2011: 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.

38. 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 end of the reporting period 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 following table presents the Group's assets that are measured at fair value at the end of the reporting periods:

2012	The Group and the Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Share appreciation rights	**–**	**5,468**	**–**	**5,468**

2011	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	–	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.

38. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

(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, 2012 because of the short-term maturities of these instruments.

39. 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, 2012 and 2011. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are broadly 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 41 for details.

40. COMMITMENTS

(a) Capital commitments

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

	2012 RMB'000	2011 RMB'000
Authorised and contracted for		
– Computer System	**10,538**	24,372
– Building	**9,428**	11,524
Authorised but not contracted for		
– Computer System and others	**651,765**	813,198
– Land use right and building	**1,088,483**	1,075,455
Total	**1,760,214**	1,924,549

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, 2012, approximately RMB5.9 million was denominated in US dollars (2011: RMB1.4 million).

(b) Operating lease commitments

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

	2012 RMB'000	2011 RMB'000
Within one year	**53,995**	94,061
Later than one year but not later than five years	**65,788**	104,413
Total	**119,783**	198,474

(c) Equipment maintenance fee commitments

As at December 31, 2012, the Group had equipment maintenance fee commitments of approximately RMB74.3 million (2011: RMB25.4 million).

41. 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

41. 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	2012 RMB'000	2011 RMB'000
China Southern Airlines Company Limited	(a)	**508,502**	503,128
China Eastern Airlines Corporation Limited	(a)	**574,487**	574,573
Air China Limited	(a)	**585,883**	580,377
Hainan Airlines Company Limited	(a)	**202,727**	227,282

Note:

(a) Included their respective subsidiaries.

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, 2012, operating lease rentals for lease of properties from CTHC amounted to RMB31.3 million (2011: RMB31.3 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

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

41. RELATED PARTY TRANSACTIONS (continued)

(3) Balances with related parties

Balances due from the related parties mainly comprised:

Name	Note	The Group 2012 RMB'000	The Group 2011 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
Trade related balances (i)					
China Southern Airlines Company Limited	(a)	**439,090**	387,113	**432,028**	383,719
China Eastern Airlines Corporation Limited	(b)	**368,255**	241,012	**364,037**	236,973
Air China Limited	(c)	**452,547**	391,828	**448,475**	386,188
Hainan Airlines Company Limited		**259,023**	152,278	**250,863**	141,798
Other balances (ii)					
China Southern Airlines Company Limited	(a)	**59,582**	24,955	**–**	–
China Eastern Airlines Corporation Limited	(b)	**51,180**	43,629	**–**	–
Air China Limited	(c)	**129,682**	199,941	**–**	–

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, China United Airlines Company Limited and Shanghai Airlines Limited.

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

41. 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank balances	**1,497,130**	1,569,517	**259,203**	851,313

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.

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

42. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of a subsidiary in the current year

On September 28, 2012, the Company has acquired 60% equity interest in TravelSky HY-Software for a consideration of RMB4.8 million from independent third parties. TravelSky HY-Software is principally engaged in the computer hardware and software development and provision of tour consulting services. Acquisition is aimed at strengthening the development of the existing business of the Group.

The acquisition was accounted for using the purchase method.

Net assets acquired in the transactions are as follows:

	Note	2012 Fair value RMB'000
Net assets acquired:		
Property, plant and equipment	13	78
Prepayments and other current assets		662
Cash and cash equivalents		753
Other payables and accrued liabilities		(367)
Net assets		1,126
Non-controlling interests		(450)
Net assets attributable to the equity interest acquired by the Group		**676**

42. ACQUISITION OF SUBSIDIARIES (continued)

(i) Acquisition of a subsidiary in the current year (continued)

Goodwill arising on acquisition

	2012 RMB'000
Total consideration satisfied by:	
Cash	4,842
Net assets attributable to the equity interest acquired by the Group	(676)
Goodwill	4,166
Net cash inflow arising on acquisition:	
Cash consideration paid	(4,842)
Cash and cash equivalents acquired	753
Net cash inflow	4,089

The goodwill arose from a number of factors. Most significant amongst these is synergies expected to arise after the acquisition of TravelSky HY-Software on the equity interests of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the revenue and profit for the year are approximately RMB3.1 million and approximately RMB1.2 million respectively attributable to the additional business generated by the acquired subsidiary for the period between the date of acquisition and December 31, 2012.

Had this business combination been effected on January 1, 2012, the revenue of the Group would be approximately RMB4,068 million and profit for the year of the Group would be approximately RMB1,164 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.

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

42. ACQUISITION OF SUBSIDIARIES (continued)

(ii) Acquisition of a subsidiary in the previous year

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)
Net assets attributable to the equity interest acquired by the Group		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.

42. ACQUISITION OF SUBSIDIARIES (continued)

(ii) Acquisition of a subsidiary in the previous year (continued)

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.

43. ULTIMATE HOLDING COMPANY

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

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on March 27, 2013.

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2012

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

	Year ended December 31,				
	2008 RMB'000 (restated)	2009 RMB'000 (restated)	2010 RMB'000 (restated)	2011 RMB'000	**2012** **RMB'000**
Revenues	2,271,237	2,619,524	3,054,403	3,672,064	**4,060,518**
Profit before taxation	721,099	901,458	1,047,062	1,283,017	**1,304,208**
Profit attributable to owner of the parent	636,889	774,951	894,263	1,047,226	**1,132,881**
Earnings before interests, tax, depreciation and amortisation	953,079	1,163,121	1,412,455	1,624,942	**1,586,946**
Earnings per share (Basic and diluted) *(RMB)*	0.22	0.26	0.31	0.36	**0.39**

	As at December 31,				
	2008 RMB'000 (restated)	2009 RMB'000 (restated)	2010 RMB'000 (restated)	2011 RMB'000	**2012** **RMB'000**
Total assets	6,381,003	7,109,068	7,960,055	9,006,688	**9,880,912**
Total liabilities	780,369	888,201	1,092,629	1,379,846	**1,449,264**
Total equity	5,600,634	6,220,867	6,867,426	7,626,842	**8,431,648**

Notes:

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

2. Earnings per share were calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2012.

3. The financial statements for the years from 2008 to 2010 have been adjusted due to changes in accounting policies in 2011.

CORPORATE INFORMATION

(as of the issue date of this annual report)

BOARD

Xu Qiang	*Chairman and Executive Director* (appointed on March 16, 2010)
Cui Zhixiong	*Executive Director* (appointed on March 16, 2010)
Xiao Yinhong	*Executive Director and General Manager* (appointed on March 16, 2010)
Wang Quanhua	*Non-executive Director* (appointed on March 16, 2010)
Sun Yude	*Non-executive Director* (appointed on March 16, 2010)
Xu Zhao	*Non-executive Director* (appointed on June 5, 2012)
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)
Luo Chaogeng	*Non-executive Director* (appointed on March 16, 2010 and resigned on June 5, 2012)

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)
Cui Zhixiong	*Member* (appointed on March 16, 2010)
Xiao Yinhong	*Member* (appointed on March 16, 2010)
Wang Quanhua	*Member* (appointed on March 16, 2010)
Sun Yude	*Member* (appointed on March 16, 2010)
Xu Zhao	*Member* (appointed on August 29, 2012)
Luo Chaogeng	*Member* (appointed on March 16, 2010 and resigned on June 5, 2012)

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)

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)

CORPORATE INFORMATION

(as of the issue date of this annual report)

SUPERVISORY COMMITTEE

Li Xiaojun	*Chairperson of Supervisory Committee and 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 and retired on March 15, 2013)

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:
www.travelskyir.com

AUDITORS

International Auditors:
Baker Tilly Hong Kong Limited
2nd Floor, 625 King's Road, North Point, Hong Kong

PRC Auditors:
Baker Tilly China
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:
Baker & McKenzie
23rd Floor, One Pacific Place, 88 Queensway, Central, 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

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 www.travelskyir.com.

DIRECTORS

Mr. Xu Qiang, aged 51, 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 since May 2007. Mr. Xu served as an executive director and Chairman of the third session of the 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 session of the 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, 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 52, 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 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 session of the Board of the Company. Since March 2010, Mr. Cui has served as an executive director of the fourth session of the 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 from March 2010 to August 2011.

Mr. Xiao Yinhong, aged 50, 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 professor-level 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 session of the 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 session of the Board of the Company. Since March 2010, Mr. Xiao has served as an executive director of the fourth session of the 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., the chairman of Civil Aviation Cares of Qingdao Ltd. and the director of TravelSky Technology (Hong Kong) Limited, all of which are subsidiaries of the Company.

Mr. Wang Quanhua, aged 58, 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 since October 2002 and a director of China Southern Airlines Company Limited (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 served as a non-executive director and a Vice Chairman of the second session of the 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 session of the Board. Since January 2007, Mr. Wang has been re-appointed as a non-executive director of the Company's third session of the 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 session of the Board of the Company. Since March 2010, Mr. Wang has served as a non-executive director of the fourth session of the 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.

Mr. Xu Zhao, aged 44, a non-executive director of the Company, graduated from Chongqing University, majoring in moulding, and the Chinese University of Hong Kong, majoring in accounting. He also holds a master's degree. Mr. Xu is qualified as an engineer and an accountant, and is a certified public accountant in the PRC. Mr. Xu served as an engineer and an accountant in Dongfeng Motor Group Company Limited (東風汽車公司), manager in finance department of Shanghai Yanhua High Technology Limited Company (上海延華高科技有限公司) and the chief financial officer of Shaanxi Heavy Duty Automobile Co. Limited (陝西重型汽車有限公司). Since November 2006, Mr. Xu has served as the chief accountant in China Eastern Air Holding Company. From June 2007 to November 2011, Mr. Xu served as a supervisor of China Eastern Airlines Corporation Limited (a company listed on the Main Board of the Stock Exchange and a subsidiary of China Eastern Air Holding Company (a promoter and a substantial shareholder of the Company); stock code: 0670 (Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)). Mr. Xu has served as a director of the China Eastern Airlines Corporation Limited since June 2012. From September 2009 till now, Mr. Xu has served as an independent non-executive director of Yingde Gases Group Company Limited (a company listed on the Stock Exchange; stock code: 2168). Mr. Xu has served as a non-executive director of the fourth session of the Board of the Company since June 2012, and as a member of the Strategic Committee since August 2012. China Eastern 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. Xu was an employee of China Eastern Air Holding Company.

Mr. Sun Yude, aged 59, a non-executive director 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 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 (a company listed on the Main Board of the Stock Exchange and a subsidiary of China National Aviation Holding Company (a promoter and a substantial shareholder of the Company); stock code: 0753 (Stock Exchange); 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, 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 session of the 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 60, an independent non-executive director of the Company, is a certified public accountant registered in Hong Kong and a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Bankers, the Institute of Internal Auditors of the United States, the Alliance of Merger and Acquisition Advisors (Chicago, the United States), the Institute of Chartered Accountants in England and Wales, the Chartered Institute of Arbitrators (UK), the Hong Kong Securities Institute, the Construction Management Association of America and the Canadian Institute of Mining, Metallurgy and Petroleum. He obtained a master's degree in business administration from the University of East Asia, Macau (澳門東亞大學) in 1987 and completed courses on construction management, development and financing of mining industry, petroleum economies and petroleum risk management conducted by the China University of Geosciences, the Institution of Civil Engineering Surveyors and other associations. Prior to June 2009, Mr. Cheung had worked at PriceWaterhouse, Lau, Cheung, Fung & Chan, the Hong Kong Government and other organisations. Since January 2005, Mr. Cheung acts as an executive director of Lawrence CPA Limited. Mr. Cheung was appointed as an independent non-executive director of Metallurgical Corporation of China Ltd. (Stock Exchange stock code: 1618) in June 2009. Since June 2011, Mr. Cheung is an independent non-executive director of EPI (Holdings) Limited (Stock Exchange stock code: 0689). Since March 2010, Mr. Cheung serves as an independent non-executive director of the fourth session of the 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 71, 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 (Stock Exchange 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 was an external director of China Shenhua Group (中國神華集團公司) from November 2005 to April 2012, an independent director of China PTAC Communications Services Co., Ltd. (中郵普泰通信服務股份有限公司) from July 2007 to February 2012, and Chairman of China Institute of Communications (中國通信學會) from April 2007 to October 2012. He is now Honorary Chairman of China Institute of Communications, Honorary Chairman of Association of Communications Across Taiwan Straits (海峽兩岸通信交流協會), Honorary Chairman of the China Telecom Science and Technology Committee (中國電信科學技術委員會) and a member of the Strategic Committee of China National Postal and Telecommunications Appliances Corp. (中國郵電器材集團公司). Since March 2010, Mr. Zhou has served as an independent non-executive director of the fourth session of the 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 67, 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) (Stock Exchange 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 session of the Board of the Company, a member of the Audit Committee and the Remuneration and Evaluation Committee.

SUPERVISORS

Ms. Li Xiaojun, aged 57, 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. 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, 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, 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 session of the Board. Since December 2003, Ms. Li has served as a supervisor and the Chairperson of the second session of the Supervisory Committee, and was re-appointed as a supervisor and the Chairperson of the third session of the Supervisory Committee in January 2007. Since March 2010, she has been re-appointed as a staff representative supervisor and the Chairperson of the fourth session of the Supervisory Committee of the Company.

Ms. Zeng Yiwei, aged 41, 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 she was promoted to be 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 session of the Supervisory Committee of the Company.

Mr. Yu Yanbing, aged 36, a supervisor of the Company, graduated from Civil Aviation Institute of China (currently known as Civil Aviation University of China), majoring in computer science. In 1998, Mr. Yu joined the Computer Centre of Hainan Airlines Company Limited, a promoter of the Company, immediately after graduation. Since May 2000, he 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 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 worked as the assistant to Chief Executive Officer of HNA Group Company Limited. Since January 2010, Mr. Yu 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 has been 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 session of the Supervisory Committee. Mr. Yu has been re-appointed as a supervisor of the fourth session of the Supervisory Committee of the Company since March 2010.

Mr. Xiao Wei, aged 43, 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, 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., a 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 session of the 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 65, an independent supervisor of the Company, is a professor and doctorate tutor of the Law School of Peking University, 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 specialises in areas such as laws of Hong Kong, Macau and Taiwan as well as international law, etc. Mr. Rao serves as an independent director of CITIC Securities Co., Ltd., which is listed on the Shanghai Stock Exchange and the Stock Exchange, and PolyCulture Group Co., Ltd. He has also served as an independent director of China National Biotec Group since August 2012. Since December 2003, Mr. Rao has served as an independent supervisor of the second session of the Supervisory Committee, and was re-appointed as an independent supervisor of the third session of the Supervisory Committee in January 2007. Since March 2010, Mr. Rao has been re-appointed as an independent supervisor of the fourth session of the Supervisory Committee of the Company.

SENIOR MANAGEMENT

Mr. Rong Gang, aged 50, 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 CARES (Beijing) Real Estate Limited.

Mr. Wang Wei, aged 52, 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 55, 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 Investment Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, now known as Shenzhen Investment Limited). 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 (香港恒力紡織（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 and the Financial Controller of the Company since March 2010. Mr. Sun currently also serves as a supervisor of TravelSky CARES (Beijing) Real Estate Limited, a subsidiary of the Company.

Mr. Zhu Xiaoxing, aged 48, a deputy general manager of the Company, graduated from Jilin University majoring in computer software and graduated from Tsinghua University 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 positions including the Head of the Operation Department and the Customer Service Department of China Civil Aviation Computer Information Center 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 served as the General Manager of the Company. From October 2004 to March 2009, he 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 50, 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. Mr. Huang is currently a senior engineer and has more than 20 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 session of the Board of the Company from October 2000 to December 2003. Mr. Huang served as a 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. Currently, Mr. Huang also serves as the chairman of each of Cares Hubei Co., Ltd., Civil Aviation Cares Technology of Xi'an Ltd. and Shanghai TravelSky Information Technology Limited, all of which are subsidiaries of the Company.

Mr. Li Jinsong, aged 43, 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 studied as a Phd fellow in the School of Law of Tsinghua University, majoring in civil and commercial law, 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 the 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 till 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, a subsidiary of the Company.

JOINT COMPANY SECRETARIES

Mr. Yu Xiaochun, aged 45, the company secretary of the Company (Secretary to the Board), graduated from the Department of Systems Engineering of Beihang University in July 1989, majoring in Management Engineering. He obtained a master's degree in management from Beihang University in March 2002. Since joining China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company, a promoter of the Company, in July 1989, Mr. Yu has worked in China's 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., Guangzhou TravelSky Information Technology Limited and Civil Aviation Cares Technology of Xi'an Ltd.. 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 35, 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. Ms. Liu served as the joint company secretary of the Company from March 2010 to March 2013.