

CHAIRMAN'S STATEMENT



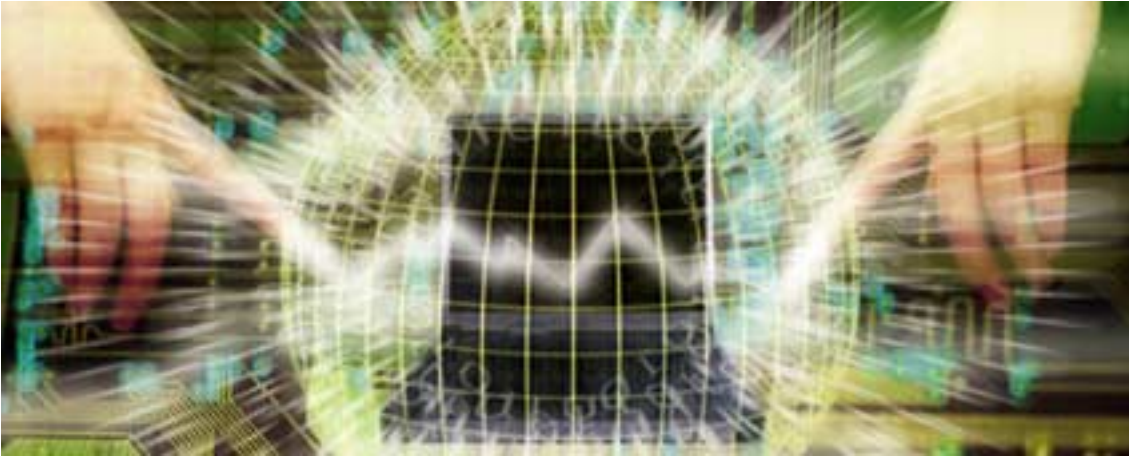
“TravelSky aims to maintain its market leadership position by managing the company’s data, infrastructure and technology networks, as well as constantly reviewing and upgrading its core services and solutions.” – Yang Jun, Chairman

Dear shareholders,

I am pleased to report the operating results of TravelSky Technology Limited (the "Company", or together with its subsidiaries, the "Group") for the financial year ended December 31, 2001 ("Year 2001").

The financial results of the Group in Year 2001 have been very encouraging. In Year 2001, the Group's total revenue amounted to RMB830.8 million, representing an increase of 12.0 per cent. over that of the year ended December 31, 2000 ("Year 2000"). Earnings before interest, tax, depreciation and amortisation ("EBITDA") in Year 2001 were RMB479.3 million, representing an increase of 5.8 per cent. over that of Year 2000. Net profit was RMB407.9 million, representing an increase of 59.0 per cent. over that of Year 2000. Increases in both revenue and earnings were mainly attributable to the growth of the business of the Group, the increase in financial income and the preferential treatment of income tax.

The Group's turnover and results were mainly derived from its operations in China. Earnings per share of the Group in Year 2001 amounted to RMB0.48.



YEAR 2001 IN RETROSPECT

Despite the adverse effects on the global air travel and tourism industries caused by the world-wide economic slowdown and the "September 11" terrorist attack in the United States, China's air travel and tourism industries grew rapidly in Year 2001, which growth was mainly attributable to the sustained economic growth in China and favourable factors such as China's accession to the World Trade Organisation, the successful holding of the University Games and the APEC meeting and Beijing winning the right to hold the 2008 Olympic Games. By capturing the opportunities arising from an increasing demand for air traffic in China, and given the continuous and simultaneous growth in the number of bookings for flights on Chinese commercial airlines through its ETD system, the Company has adopted a number of strategies, including an upward adjustment of the distribution prices of bookings for flights on foreign and regional airlines, strengthening of its market development and expansion in hotel distribution, for the purpose of increasing revenue from its ETD business. In Year 2001, the ETD system processed approximately 78.0 million bookings on Chinese commercial airlines and approximately 3.3 million bookings on foreign and regional airlines, representing an increase of approximately 10.3 per cent. and approximately 18.2 per cent., respectively, over that in Year 2000.

In Year 2001, the Company stepped up the promotion activities for its new ETD products while continuing to improve the functions of existing ETD products. The Billing Settlement Plan ("BSP") system was launched in Hong Kong and Singapore, which facilitates the sale of ATB2 neutral tickets by tour operators in Hong Kong, Macau and Singapore through the Company's ETD system. Shenzhen Airlines Ltd. became the first airline to use the electronic ticketing technology of the Company, providing air travellers with "paperless travel". Moreover, United Airlines began to use the Company's Net Fare Display system for notifying travel agencies of its selling prices for each new season.



In Year 2001, apart from improving and upgrading the functions of the APP system and encouraging more commercial airlines to increase their usage of the APP system at airports already installed with the system, the Company successfully installed the system at other domestic and foreign airports including Guilin, Hangzhou and Jakarta. As a result, there is currently a total of 43 domestic and foreign airports using the APP system of the Company. In Year 2001, the APP system of the Company processed a total of approximately 46.7 million passenger departures, which is equivalent to approximately 59.9 per cent. of the total passenger departures handled by domestic airports in China, representing an increase of approximately 39.4 per cent. over that in Year 2000.

In Year 2001, the Company continued to implement technological reforms for the purpose of upgrading the nodes of its existing network infrastructure onto a TCP/IP platform, further improving the network structure and work flow and enhancing the Company's supervisory ability over the whole network, so as to improve the transmission capability of its data network and its ability to maintain its network operation. In addition, the Company continued to set up new local distribution centres ("LDCs") in Hangzhou, Lanzhou, Xiamen, Beijing and Hong Kong to provide better services to local users in those cities.

InfoSky Technology Co., Ltd. ("InfoSky"), a Sino-foreign joint venture engaged in air cargo business which was jointly established by the Company and a subsidiary of the Société Internationale de Télécommunications Aéronautiques group of companies ("SITA"), commenced operations on January 1, 2001. Since commencement of its operations, InfoSky has been devoted to introducing and developing technologies suitable for the air cargo market of China. A software system for SITA containers and dangerous goods management was introduced and various products such as ULD Control System were developed. InfoSky has also been committed to expanding market share, with both the Beijing Capital International Airport and Guangzhou Baiyun International Airport becoming new users of its ACS in Year 2001. In Year 2001, InfoSky's ACS processed a total of approximately 3.8 million cargo airway bills, representing an increase of approximately 69.8 per cent. over that

processed in Year 2000.



In 2001, the Company's Internet-based travel platform, which was developed by leveraging its core ETD system, APP system, data network and ACS, achieved significant progress. In Year 2001, the number of on-line air ticket bookings made by individual consumers through travelsky.com represented approximately 2 per cent. of all the bookings made under the ETD system of the Company. Together with improving and upgrading the functions of its Internet-based travel platform and enriching the travel information it provides, the Company has also introduced on-line services such as electronic ticketing, aircraft seat reservations, hotel reservations and car rentals as well as weather forecasts, short messages service ("SMS") and arrival time information at destinations. The Company also began to provide Chinese commercial airlines and travel agencies with application services provider ("ASP") services, web-hosting solutions and on-line booking engine services.

Given the direct participation by domestic and foreign commercial airlines in the Company's ETD plan and close co-operation with international advanced information technology providers and industry players, the Company has essentially completed construction of the framework of the new-generation ETD plan and achieved a number of remarkable results and significant progress in Year 2001. In the past two years during which the new-generation ETD plan was being implemented, the Company developed and improved the functional modules of its new-generation ETD system, and enriched its contents so as to satisfy the needs of airlines and travel agencies for information technology solutions in relation to their business development. By using the data collected from different segments during the process of transmitting sales information of air traffic to travellers, the Company has developed a data services system which provides participants of the air travel and tourism industries with all-round, comprehensive and quality data information services. The advanced OPEN/ENV technology adopted by the Company allows data exchange between traditional mainframes and open platforms, so that the integration of related information systems in the air travel and tourism industries has become possible. I believe that with the

wide application of such results and developments, the position of the Company as the dominant provider of information technology solutions for China's air travel and tourism industries will be further strengthened.



The Group has maintained the system reliability of its various business divisions. The Group is proud to report that the utilisation ratios of the Group's ICS, CRS, APP and ACS mainframe systems in Year 2001 were 99.99 per cent., 99.99 per cent., 99.98 per cent. and 99.99 per cent., respectively. At the same time, the Company has completed the construction and upgrading of an ETD mainframe platform and has expanded the capacity of the APP mainframe system, thereby significantly increasing the processing capacity of the ETD and APP systems and improving their performance and operating efficiency.

In Year 2001, with the assistance of professional management advisers, the Company commenced a corporate restructuring which is aimed at establishing a flexible market feedback mechanism, maximising resources allocation, increasing its research and development capabilities, streamlining operations and improving its customer service. By undergoing such corporate restructuring, the Company took a number of actions which include implementing a reorganisation of its work flow, completing its internal accountability system and enhancing its incentive and control mechanism, pioneering a horizontal organisation structure which resulted in a more efficient flow of internal information, enhancing sharing of connection and information among its internal divisions and improving its performance evaluation system. By virtue of the above actions, the Company has significantly boosted the initiatives of its staff and thereby enhancing its operating efficiency.



LOOKING AHEAD FOR YEAR 2002

For year 2002, although the global economic recession has already affected, and shall inevitably continue to affect or even have a significant impact on, the speed of growth of the Chinese economy, the national economy is expected to continue to have an ongoing healthy development, given China's accession to the World Trade Organisation and the fact that the State is devoted to various plans such as implementing a positive fiscal policy and a steady monetary policy, stimulating domestic demand, speeding up the adjustment of China's economic structure, steadily implementing various reforms and a series of material measures including adjustment and rationalisation of market regulation. I expect that the continuous growth of the Chinese economy and other factors including the strategic reorganisation of China's civil aviation industry will continue to support the growth of China's air travel and tourism industries. In order to face new opportunities and challenges, the Company will place emphasis on the following:

- * to continue the implementation of the five-year capital expenditure programme, integrate Internet and open-platform technologies, draw on advanced international technological standards, develop information technology solutions for China's air travel and tourism industries, provide participants in each segment of the value chain in the air travel and tourism sales process with product and service support, in an effort to address the needs of advanced information technology arising from the rapid development of China's air travel and tourism industries;
- * to vigorously expand the Company's core businesses and to maintain and increase the market share of such business by continuing the search for new business models which will promote sales in air travel and tourism jointly with users, so as to provide industry providers with more convenient and economic ways for the sale and provision of services. The Company also aims to capture new growth opportunities by increasing its investment in the research and development of information technology solutions for participants in China's air travel and tourism industries and

related industries, in order to step up the construction of a digitalised infrastructure;

- * to devote efforts in further reducing operating costs through the use of advanced technical measures and further increasing the efficiency of capital utilisation through a variety of measures; and
- * to seek strategic acquisition and other investment opportunities relating to the core businesses of the Company through the use of the Group's capital resources, both during the strategic reorganisation of China's civil aviation industry and throughout the development of the information technology industry in China.

WORK OF THE BOARD OF DIRECTORS

Mr. Yang Jun was appointed as the President of CACI by the Civil Aviation Administration of China on April 18, 2001. In compliance with the requirement of the relevant policy in China, the Company held a Board of Directors meeting on April 25, 2001. It was agreed that Mr. Yang Jun would resign from the position of General Manager of the Company and Mr. Zhu Yong was appointed as the General Manager of the Company.

At the Annual General Meeting held on May 28, 2001, it was agreed that Mr. Liu Chunchi would cease to be a Director and Mr. Zhu Yong was elected to replace him as a Director.

On August 30, 2001 the Board of Directors accepted the resignation of Mr. Li Man Kit from his position as one of the joint company secretaries of the Company.

On November 15, 2001, it was agreed at a Board of Directors meeting that the Company will establish a Level I American depository receipts program. The establishment of such program is currently under progress.

On behalf of the Board of Directors, I would like to extend my sincere thanks to the shareholders and investors for their trust and support, as well as to the management and employees of the Company for their diligence last year.



Chairman

Beijing, the PRC
March 21, 2002