



LEADING EDGE TECHNOLOGY



Our Total Revenues in Year 2002 amounted to

R M B **977.4**
million

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report the operating results of TravelSky Technology Limited (the "Company" or, including its subsidiaries, the "Group") for the financial year ended December 31, 2002 ("Year 2002").

The operating conditions and financial results of the Group in Year 2002 were very encouraging. Despite the adverse effects on the air travel and tourism industries in Europe and the United States ("US") caused by the global economic downturn, the Company seized the opportunities arising from the rapid growth in the PRC's air travel and tourism industries, which were attributable to favourable factors such as the sustained economic growth in the PRC and China's accession to the World Trade Organisation. By implementing effective marketing activities, the Company maintained rapid growth in its ETD and APP systems and achieved

certain progress in businesses including electronic sale of air-travel personal injury insurance, hotel reservations and on-line distributions. In the meantime, the Company achieved initial success in the Group's three major areas: marketing of its services, product development and system operation security. The progress of key development projects, such as the plan for building the new-generation ETD and APP systems, installation of the APP system in the top 100 domestic airports in terms of passenger volume, electronic ticketing and e-commerce, have all met expectations. The Company has continuously refined the safety operation control mechanism based on the safety operation responsibility system, strengthened the efforts in the implementation and execution of operation security system and enhanced the provision of its advance maintenance of equipment. In addition, the Group continued to maintain stable growth in

The Company will strive to be the dominant provider of

INFORMATION TECHNOLOGY

solutions for China's air travel and tourism industries

its revenue, earnings before interest, tax, depreciation and amortization (EBITDA), net profit and earnings per share, and the operating efficiency has improved continuously.

To speed up the development of the China's civil aviation industry, another phase of the phase-by-phase strategic restructuring of China's civil aviation industry was completed in October 2002. The Accounting Centre of China Aviation was entirely consolidated into the Civil Aviation Computer Information Centre and became China TravelSky Holding Company. The nine Chinese commercial airlines of the Civil Aviation Administration of China (the "CAAC") also underwent restructuring and were consolidated into three new airline holding companies. By establishing these holding companies, the separation of the government from enterprises was achieved so that the CAAC will no longer exercise its supervisory function over the state-owned assets of these holding companies. We believe that this will strengthen the competitiveness of China's civil aviation industry in the international market and facilitate the long-term development of the PRC's air travel industry.

There is a strong need for information technology solutions during internal restructuring of the three airline holding groups. In particular, there will be a special need for information technology which provides high quality information for decision-making, so that accurate, timely and reliable reaction to the market can be made, and management capability of the commercial airlines can be improved — all these will bring forth new development opportunities for the Group. The Group will fully utilize the competitive advantage of China TravelSky Holding Company by integrating the Group's existing principal businesses of the inventory control management system, distributions, check-in and aircraft load planning for commercial airlines with the clearing and settlement business of the Accounting Centre of China Aviation (a member of China TravelSky Holding Company) and will co-operate with business partners such as travel suppliers, distributors, information technology suppliers and commercial banks in order to widen the scope of the Group's services and distribution channels, for the purposes of not only satisfying the need of air travel industry participants (such as China's commercial airlines and airports) for enhancing their value chains, improving their service



quality and strengthening their core competitiveness through further reliance upon information technology solutions, but also for the Company to provide more convenient, prompt and "one-stop" services for air travellers.

For year 2003, although it is expected that factors such as the US anti-terrorism campaign and significant fluctuation in oil prices in the international market will continue to adversely affect the global air travel and tourism industries, we believe that the PRC's air travel and tourism industries will continue to grow given favourable factors such as the rapid economic growth in the PRC, the reorganisation of air travel and tourism industries in 2002, Beijing's right to hold the 2008 Olympic Games and Shanghai's right to hold the 2010 World Exhibition Conference. The Group will seize the opportunities arising from the continued growth in the air travel and tourism industries and the information technology industry of the PRC and strive to provide customers with information technology solutions and services which are competitive in price relative to function by building on its competitive advantages in the existing market, technologies, expertise and resources; keeping abreast of the needs of users; expanding the scope of business; enhancing service quality; and strengthening technological innovation and resources integration. The Company will strive to become a first class information technology provider for air travel and tourism industries in both China and Asia, as well as to become an integral part of the system for global air travel and tourism information services.

At the same time, the Group will continue to: enhance efficiency in decision-making by strengthening its corporate governance and establishing a horizontal organisational structure; enhance operation efficiency by improving the operation flow and establishing an incentive and control mechanism which unifies responsibility, authority and interest; improve the reward system so that it will be run preliminarily based on operating results; and enhance its competitiveness by carrying out staff training and creating a superior environment for developing talents on a continuous basis. In addition, the Company will strive to increase the transparency of the Company and enhance investor relations.

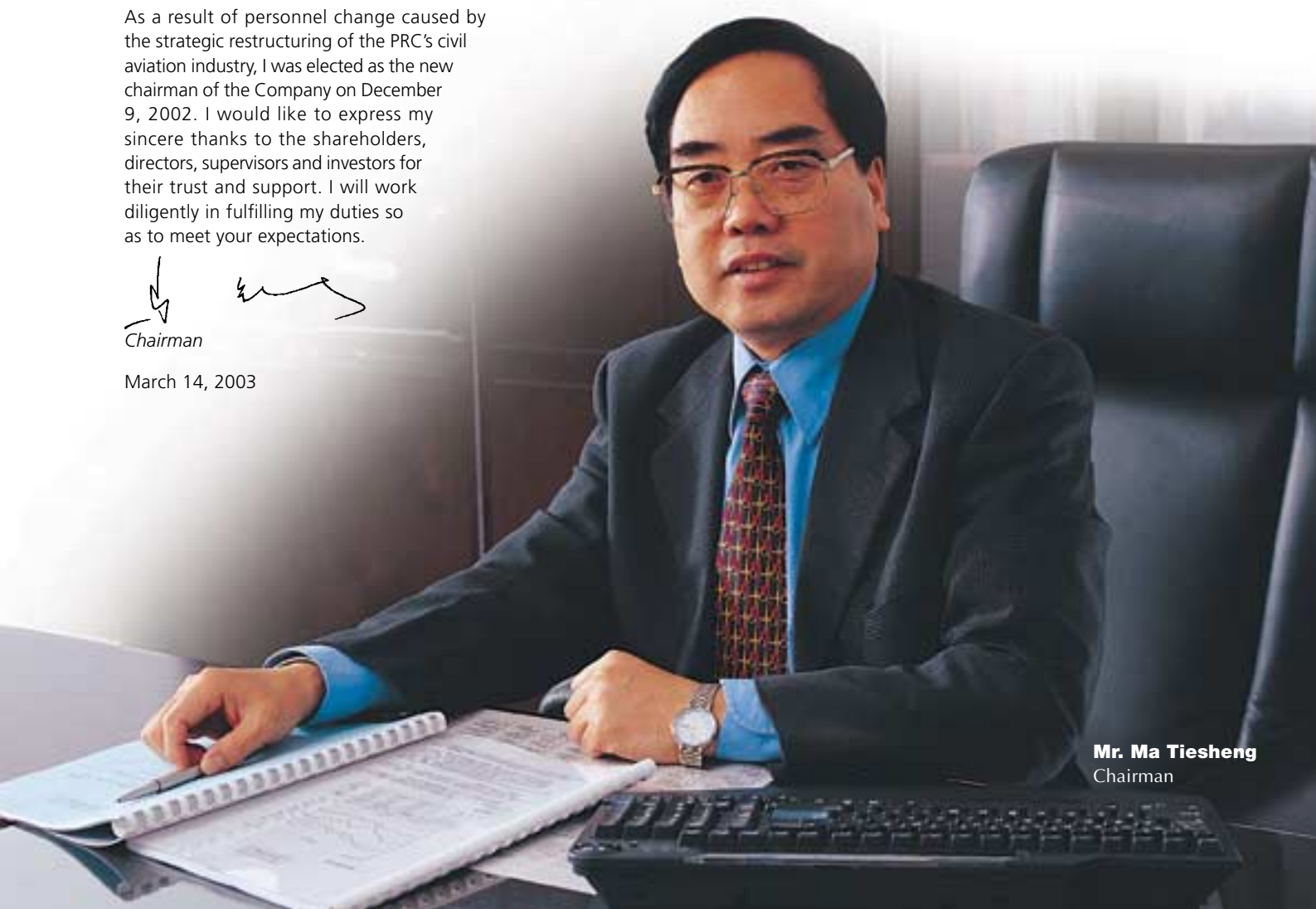
Based on the results of the Company since the listing of its shares, the market has recognised the competence and technical expertise of the Company's young management team as led by Mr. Zhu Yong, together with a team of high-calibre personnel, in implementing and realising its business plans. The personnel of the Company have always been regarded as the most valuable asset for investors.

As a result of personnel change caused by the strategic restructuring of the PRC's civil aviation industry, I was elected as the new chairman of the Company on December 9, 2002. I would like to express my sincere thanks to the shareholders, directors, supervisors and investors for their trust and support. I will work diligently in fulfilling my duties so as to meet your expectations.



Chairman

March 14, 2003



Mr. Ma Tiesheng
Chairman