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)

2007 Annual Report

CONTENTS

CORPORATE PROFILE

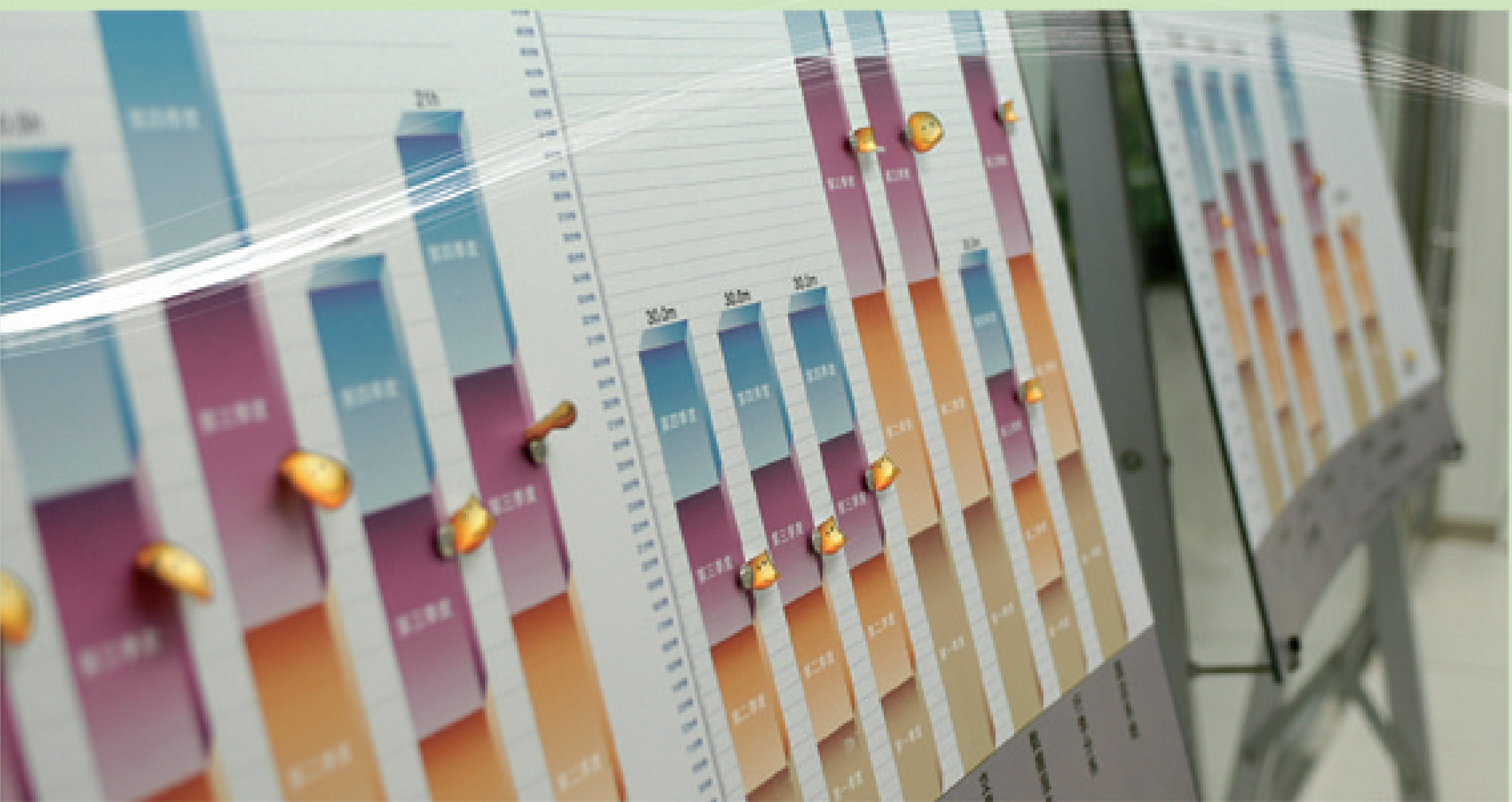
TravelSky Technology Limited (the "Company", or including its subsidiaries, the "Group") is the dominant provider of information technology solutions for China's aviation and travel industry. The Group has been devoted to developing leading products and services that satisfy the needs of all the industry 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 the demand for travel-related information. The core businesses of the Company include aviation information technology service, distribution of information technology service, etc..

The Company was incorporated in the People's Republic of China (the "PRC" or "China") on October 18, 2000 and has a controlling equity interest in each of the following subsidiaries: TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) 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. and InfoSky Technology Co., Ltd.. The Company also holds an equity interest in each of the following associated companies: Shanghai Civil Aviation East China Cares System Integration Co., Ltd., Shenyang Civil Aviation Cares of Northeast China, Ltd., Aviation Cares of Southwest Chengdu, Ltd., Heilongjiang TravelSky Airport Technology Limited, Yunnan TravelSky Airport Technology Limited, Shanghai Dongmei Aviation Tourism Online Co., Ltd , Dalian TravelSky Airport Technology Limited , Hebei TravelSky Airport Technology Limited and Guangzhou Airport AirSpan Information Technology Co. Ltd.

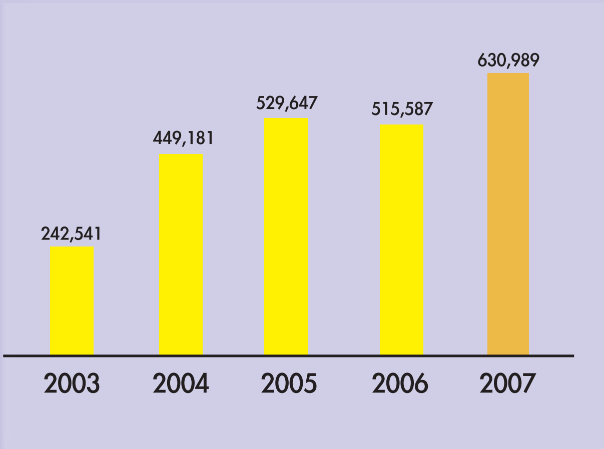
The Group had 2,629 employees as of December 31, 2007.

The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 7, 2001. The current largest shareholder of the Company is China TravelSky Holding Company ("CTHC"), which holds an equity interest of approximately 22.3% in the Company. A total of approximately 42.7% of the equity interest in the Company is held by 14 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 35.0% 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 on December 27, 2002.

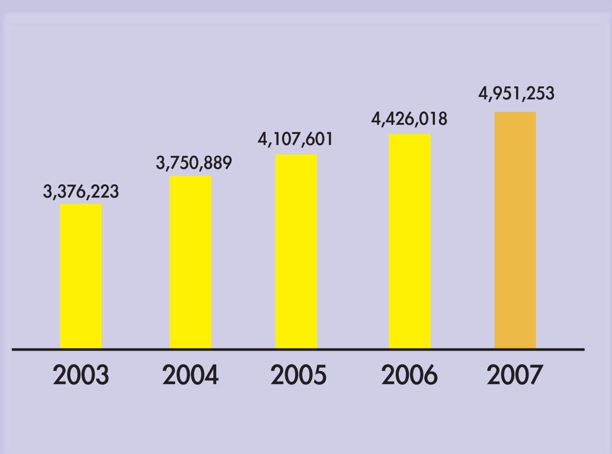


FINANCIAL HIGHLIGHTS



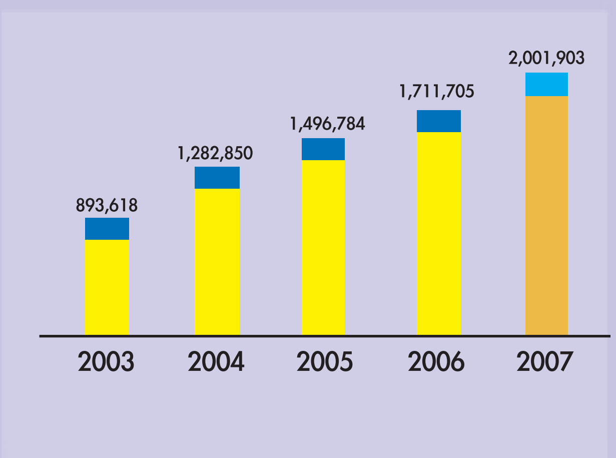
Profit Attributable to Equity Holders of the Company *(RMB'000)*

Earnings Per Share, Basic and Diluted *(RMB)*



Total Assets *(RMB'000)*

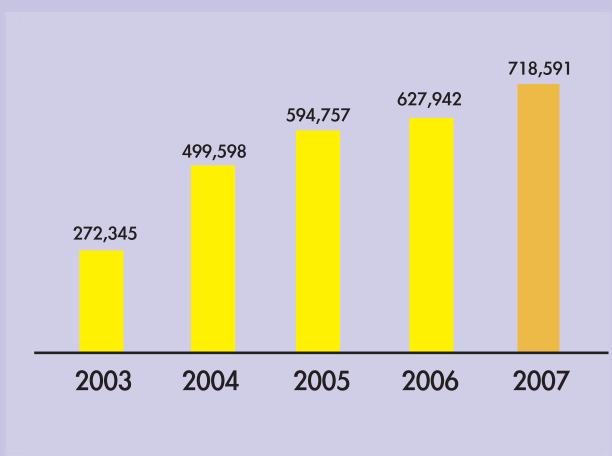
FINANCIAL HIGHLIGHTS



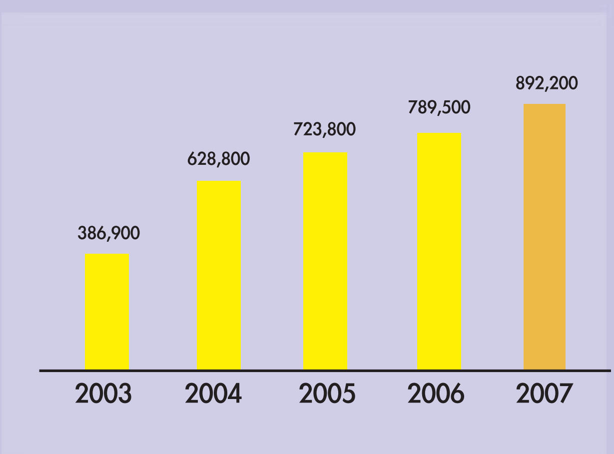
Data Network and Others

Aviation information technology service

Total Revenues *(RMB'000)*



Profit Before Taxation *(RMB'000)*



Earnings before interests and tax,
depreciation and amortization *(RMB'000)*

CHAIRMAN'S STATEMENT

Dear Shareholders,

Subsequent to the bookings processed by our electronic travel distribution ("ETD") system breaking through 100 million benchmark for the first time in 2004, the number of bookings processed by the ETD system in 2007 surpassed 200 million to 204.4 million. Having maintained such rapid momentum, the operating status and the financial performance have been satisfactory.

Looking forward, though risk factors such as global economic slowdown projected to be triggered by the US subprime crisis and domestic inflation resulting from factors such as the rise of foodstuff price will inevitably cause unfavorable impacts on investment, consumption, imports and exports, it is expected that China's economy will continue to grow rapidly. Driven by the robust development of China's economy and the stimulation on business trip and leisure travel by the forthcoming Beijing Olympic Games, I believe China's aviation industry will continue to be prosperous.

At present, amidst the progress of information and industrialization integration, information technology is becoming the driving force of optimization and upgrade of industrial structure, realization of economic growth mode transformation as well as the development of the new-type industrialization with Chinese characteristics. As the aviation and travel industry is one of the key component of the national economy, under the impetus of gradual deregulations, pro-competition industry policies and extensive application of open platform technologies and the internet, participants of the industry are more reliant on information technology to strive for more effective allocation of core resources, promote the transition in the mode of operational management and marketing, and strengthen compound competitiveness, so as to cater for the development trend of forming networks and alliances in the industry, and to cope with the increasingly fierce international and domestic competitions for sustainable development, thereby pushing ahead the rationalization and upgrades of structure of the industry.

CHAIRMAN'S STATEMENT

Originated from the vigorous information technology field and serving in the prosperous aviation and travel industry, the Group is devoting itself to be a leading information technology and business service provider with core competitiveness and a top-notch internationally competitive company in the principle of consolidating its dominant position in China and Asian markets. Heading towards this development goal, based on the core aviation passenger businesses, the Group will build its new operation centre, develop new generation aviation passenger service system, broaden its aviation cargo logistics information services as well as the e-commerce business for terminal passengers, reinforce the establishment of regional market system, and enhance the services for overseas clients to gradually execute the strategy of strengthening and expanding enterprise by going to the outside world.

For the above purposes, embarking on such crucial year of strategic adjustment and planning as 2008, the Group will place emphasis on the following: keep on increasing input into infrastructure, and also level up the security level through technology innovation and security management, in order to ensure information security of aviation passengers during the Olympic; apart from devoting further effort in improving and developing the existing systems, speed up the construction of the new generation aviation passenger service system and increase self-innovation capability with the principle of self-development, gradual improvement and openness to reach the aims of advanced system function, flexible technology structure and lower operating costs; continue to optimize technology, products, business and customer service to coordinate a unified integrated market service systems, and strengthen the service ability especially in the overseas market so as to strive to preserve and expand market share and scale of core businesses; fully capitalize on the support of capital operation to entities' businesses, actively enlarge the aviation cargo logistics information service and e-commerce services of online/offline travel products distribution including hotels, air-tickets with the target at terminal passengers, so as to create new sources of growth in income; persist in the human-oriented notion, optimize internal management system and workflow, introduce the equity incentive plan when appropriate, reinforce risk management, enhance the Company's governance, innovate the enterprise culture and increase the operation efficiency of the Group unceasingly.

Finally, I would like to thank every shareholders, investors, clients, directors and supervisors for their trust and support. I believe with the effort and diligence of our staffs, the Group should be able to achieve the set development goal to create value for all shareholders constantly.

Sun Yongtao
Acting Chairman

March 28, 2008

BUSINESS REVIEW

As the leading provider of information technology solutions for the 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. While the Company provides advanced aviation information technology and its extended services to the Chinese commercial airlines, it also distributes commercial airlines products and services to travel agents, travel service distributors, ticketing offices, corporate clients and individual consumers, and is taking a leading role in provision of information technology solutions. With more than two decades of continuous development, the Company has preliminarily built up relatively comprehensive product lines of information technology services with strong functionalities, to satisfy the needs of all the industry participants ranging from commercial airlines, airports, travel products and service suppliers to travel agents, travel service distributors, corporate clients, travelers and cargo shippers. Through the product lines, the Company helped these industry participants to broaden their core business, improve their service quality and enhance their operational efficiency.

AVIATION INFORMATION TECHNOLOGY SERVICE

The Company's aviation information technology ("AIT") services, which consist of series of products and solutions, are provided to Chinese commercial airlines and over 300 foreign and regional commercial airlines. The AIT services comprise electronic travel distribution ("ETD") service (including Inventory Control System ("ICS") service, Computer Reservation System ("CRS") service) and Airport Passenger Processing ("APP") service, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product service to support aviation alliance, solutions for developing commercial airlines' e-ticket and ecommerce, data service to support decisions of commercial airlines as well as information technology solutions to improve ground operational efficiency of commercial airlines and airports. Comparing with Year 2006, revenue generated from the AIT services in Year 2007 increased by approximately 14.8% to approximately RMB1,601.2 million, representing approximately 80.0% of the Group's total revenue.

As expected, China is on the way heading for the aviation market with fastest development and enormous development potential globally, amid the rapidly growing domestic economy, the accelerated mobility of productive elements, and the booming business trips and leisure travel. Thanks to the strong growth in aviation industry of the PRC, as the dominant supplier of information technology solutions in the PRC aviation and travel industry, the Company's ETD system surpassed 200 million bookings and processed approximately 204.4 million bookings on domestic and overseas commercial airlines in 2007, representing an increase of approximately 18.2% over Year 2006. Among which, bookings on Chinese commercial airlines increased by approximately 18.0%, while that on foreign and regional commercial airlines increased by approximately 22.0%.

BUSINESS REVIEW

Recently, the increasingly internationalized PRC aviation market has been spurred into intensifying competitions driven by the "Sky Opening" concept and under the deregulating and pro-competition industry policies. The Group has been focusing on product lines like seat management, distribution information technology solutions and fare solutions for commercial airlines and improving its AIT and extended services, to meet commercial airlines' needs of information technology solutions for strengthening network and hub construction, dedicating themselves to alliances and co-operation, improving electronic direct-sale ability, diversifying products and service and enhancing profitability. In 2007, the Company continued perfecting and promoting its systems of BSP (Billing and Settlement Plan) electronic ticketing, Airline Direct-sale electronic ticketing and Airline Online electronic ticketing. While meeting the needs in the Interline Electronic Ticketing (IET) between Chinese commercial airlines and major foreign and regional commercial airlines, the Company also provided technology support for 36 foreign and regional commercial airlines such as American Airlines and Deutsche Lufthansa AG to sell e-tickets. E-tickets sold by Chinese commercial airlines using the Company's electronic ticketing system amounted to approximately 152.1 million segments, representing 91.2% of flight bookings by the end of 2007. With the technology support by the Company in 2007, Air China Limited and Shanghai Airlines Company Limited and China Southern Airlines Company Limited respectively joined Star Alliance and SkyTeam smoothly, paving the way for capitalizing on alliance value and earning improvement. In 2007, the Company continued perfecting and promoting air fare solution. The domestic fares auto display, auto computation and electronic fare checking products developed by the Company have been widely used in Chinese commercial airlines, together with a progress in international fare display and calculation. With the joining of 25 additional foreign and regional commercial airlines including Lufthansa German Airlines, Air France and British Airways, the number of foreign and regional commercial airlines with direct links with the Company's CRS increased to 57 in 2007 with the direct-sale percentage over 93.1%, thus considerably increasing the Company's ability to resist market risks.

In 2007, the Company continued to provide value-added service for commercial airlines and airports and boost simplified business activity focusing on its APP system. The Company's self-developed Common Use Self Service (CUSS) system which meets the IATA standard was also installed in five airports including Guangzhou and Shenyang after the installation in airports like Kunming Airport. The self-developed online check-in products, transfer management system and airline ground operation management system were also successively used, effectively improving ground services of commercial airlines and airport. The Company installed and upgraded the new generation APP front system ("NewAPP") in top 50 airports in terms of throughput in China, thus further securing its leading position in the market. In 2007, the Company made continuous efforts in promoting the APP system and its operations in overseas or regional airports to assist Chinese commercial airlines in providing transfer and through check-in services, and passenger departures processed amounted to approximately 5.3 million. With the joining of KLM Royal Dutch Airlines and Singapore Airlines, the number of foreign and regional commercial airlines using the Company's APP system increased to 37, and passenger departures processed amounted to approximately 2.8 million.

BUSINESS REVIEW

While playing the advantages of powerful mainframe capacity, flexible research and development on open platforms and technologies, and quick response, the Group's new generation aviation passenger service system ("the system") aims to achieve smooth transition of system functions at low operation cost by focusing on passengers and adopting service-oriented architecture ("SOA"), so as to support the sustainable development of commercial airlines' businesses and in line with the development trend of aviation and travel industry. In 2007, the Group embarked on the planning and demonstration of the system with a progress in technological preparation, based on the strengthened research on the industry development and information technology trend to clarify the system's developing thoughts.

DISTRIBUTION INFORMATION TECHNOLOGY SERVICE

The Group's travel distribution network comprises approximately 52,400 sales terminals owned by more than 6,580 travel agencies or travel service distributors, with high-level networking and direct links to all Global Distribution System around the world and 57 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localised services to travel agencies and travel service distributors through more than 30 local distribution centers across China and overseas distribution centers in Hong Kong and others, the network processed over 140.7 million transactions during the year with transaction amounting to over RMB181.7 billion.

The Group continued to strengthen the product line of distribution information technology in 2007, aiming to delivering more diversified and up-to-date content to travel agencies and travel service distributors, so as to support their flexible distribution modes and convenient operation flows. Addressing travel service distributors' demands for interface products, a common front business system was developed which improved its compatibility with other business systems. In view of middle and large scale distributors' demands on back-office management software, comprehensive business platform products were designed and developed to support them in managing customer data, publishing sales policies and so on, thus improving their operational efficiency. After the strategic cooperation in 2005 with American Express, one of the largest global business travel management companies, in 2007, the Company also entered into agreement with another large business travel management company, Carlson Wagonlit, to provide comprehensive information technology solutions for its business development.

TRAVEL PRODUCT DISTRIBUTION SERVICE

The continuous booming inbound and outbound travel as well as domestic travel market of China in recent years, further fuelled by the Beijing 2008 Olympic Games which is as an important drive to China's travel industry, have provided a favourable opportunity for the Group to expand its travel product distribution services including hotel reservation, "hotel + air ticket" packages, car rental and business trip insurance products. In 2007, the Group kept perfecting the hotel distribution system to actively cooperate with the travel product providers and travel service distributors. The Company successfully distributed 429,000 hotels' room-nights, which is of 1.9 times as compared with the corresponding period last year.

BUSINESS REVIEW

INFORMATION TECHNOLOGY INTEGRATION SERVICE

In 2007, capturing opportunities arising from the demands for China's aviation information safety, the Group vigorously expanded its information technology integration service. While developing information management system APSIS (Aviation Passenger Security Information System) for terminal 3 of the Beijing Capital Airport, the Group also assisted governmental security departments of Chongqing and Shenzhen in completion of certain information technology integration projects.

INFRASTRUCTURE

The Group's infrastructure serves its business continuity for development. Its objectives are to ensure safety, satisfy the needs of business development, adjust system structure and optimize resource allocation by making full use of available technologies, business and management instruments, so as to improve operating reliability and interference resisting ability with lowered operating expenses.

To meet the needs for system operation safety and emergency assurance availability from fast growing businesses and new business development in 2007, the Group continuously carried out technological renovations on infrastructure to profit from providing aviation passenger information security service for the coming Beijing Olympic Games. System performance, processing capacity and safeguarding capability were improved with efforts to expand mainframe and open platform resources, build up mainframe and open platform backup systems, perfect NewAPP backup system, strengthen each step of business data network, and improve machine room environment and power supply. In 2007, the availability ratios of the Company's ICS, CRS and APP mainframe systems were approximately 99.9%, 99.9% and 99.9% respectively.

FINANCIAL REVIEW

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

OVERVIEW

For Year 2007, profit before taxation of the Group was approximately RMB718.6 million, representing an increase of approximately 14.4% over that in the year ended December 31, 2006 ("Year 2006"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB892.2 million, representing an increase of approximately 13.0% over that in Year 2006. Profit attributable to equity holders of the Company was approximately RMB631.0 million, an increase of approximately 22.4% over that in Year 2006 was mainly due to the increase of operating profit and the refund of income tax.

The basic and diluted earnings per share of the Group in Year 2007 was RMB0.36.

TOTAL REVENUE

The total revenue of the Group in Year 2007 amounted to approximately RMB2,001.9 million, representing an increase of approximately RMB290.2 million, or 17.0% from approximately RMB1,711.7 million in Year 2006. Such increase was mainly due to the rapid increase in the business volume of the Company's AIT services and the increase of revenue from other business such as the distribution of travel products and information technology integration in 2007. The increase in total revenue is reflected as follows:

- AIT service revenue represented 80.0% of the total revenue of the Group in Year 2007 as compared to 81.5% in Year 2006. AIT service revenue increased by approximately 14.8% to approximately RMB1,601.2 million in Year 2007 from approximately RMB1,395.2 million in Year 2006.

- Data network and other revenue represented 20.0% of the total revenue of the Group in Year 2007 as compared to 18.5% in Year 2006. Data network and other revenue increased by approximately 26.6% to approximately RMB400.7 million in Year 2007 from approximately RMB316.5 million in Year 2006.

FINANCIAL REVIEW

OPERATING EXPENSES

Operating expenses for Year 2007 amounted to RMB1,345.0 million, representing an increase of RMB197.1 million, or 17.2%, from RMB1,147.9 million in Year 2006. The increase in operating expenses reflected the following:

- Depreciation and amortization expenses increased from RMB229.2 million in Year 2006 by 6.1% to RMB243.1 million in Year 2007, mainly due to that the increase in the capital expenditure for Year 2007 led the increase of the depreciation and amortization;

- Staff costs increased by 13.3%, primarily due to an increase in the number of employees in order to support the development of the Group's business;

- Technical support and maintenance fees increased by 54.8%, mainly due to the addition of a large-scale mainframe and network facilities into the Company, which led to corresponding increase of technical support and maintenance fees;

- Commission and promotion expenses increased by 27.8%, primarily because of business development such as APP and hotel reservation and the successful execution of marketing plans; and

- Network usage increased from RMB76.5 million in Year 2006 by 9.2% to RMB83.6 million in Year 2007 mainly due to the expansion of aviation information technology services.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by RMB93.1 million, or 16.5%, to RMB656.9 million in Year 2007 from RMB563.8 million in Year 2006.

FINANCIAL REVIEW

ENTERPRISE INCOME TAX

The Company, registered as a new technology enterprise in October 2000 in Zhongguancun Haidian Science Park, has been approved by the Haidian State Tax Bureau an enterprise income tax rate of 15% was effective from January 1, 2006.

As stated in the Company's announcement issued on January 31, 2007, the Company was recognized as one of the "Important Software Enterprises under the National Planning Layout" ("Important Software Enterprises") in 2006. According to relevant regulations, recognized Important Software Enterprises which are not in their tax holiday period are entitled to an EIT preferential tax rate of 10% in the relevant year. Accordingly, the Company, recognized as one of 2006 Important Software Enterprises is entitled to enjoy the above EIT preferential tax rate in the financial year ended December 31, 2006. The Company has already paid EIT at the rate of 15% for the financial year ended December 31, 2006. According to the related regulations, the EIT paid by the Company for the financial year ended December 31, 2006 over the preferential tax rate of 10% will be refunded to the Company in the subsequent year. Its impact was accounted for in 2007 financial statements accordingly.

In Year 2007, the Company had paid the enterprise income tax for the financial year ended December, 31 2007 at a rate of 15%. As mentioned in the Company's announcement published on March,13 2008, the Company was once again recognized as one of the "Important Software Enterprises" in 2007. According to the related regulations, the difference between the enterprise income taxes levied at the rate of 15% and that at the rate of 10% in 2007 will be refunded to the Company in 2008. The refund will be accounted for in subsequent financial statements when the refund occurs.

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 22.4% to approximately RMB631.0 million in Year 2007 from approximately RMB515.6 million in Year 2006.

RESERVES AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund from the profit attributable to shareholders as reflected in the statutory financial statements prepared separately under PRC Accounting Standards and regulations, the reserves available for distribution as at December 31, 2007, as stated in Note 33 to the financial statements, amounted to RMB959.6 million.

FINANCIAL REVIEW

DIVIDEND

On March 28, 2008, the Board recommended a final cash dividend of RMB0.13 per share for Year 2007, amounting to RMB230,920,950. After the distribution of the above dividend declared, the retained earnings available for distribution as at December 31, 2007 would be approximately RMB728.6 million (2006: RMB592.5 million).

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2007	2006
	(RMB in million)	*(RMB in million)*
Net cash generated from operating activities	**720.6**	650.9
Net cash used in investing activities	**(467.12)**	(42.1)
Net cash used in financing activities	**(256.7)**	(217.3)
Effect of foreign exchange rate changes on cash and cash equivalents	**(20.8)**	(15.2)
Net increase (decrease) in cash and cash equivalents	**(24.0)**	376.3

The Group's working capital for Year 2007 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB720.6 million.

In Year 2007, the Group had no short-term and long-term bank loans, and the Group did not use any financial instruments for hedging purposes.

As at December 31, 2007, cash and cash equivalents of the Group amounted to RMB1,209.2 million, of which approximately 90.5%, 6.5% and 2.6% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

FINANCIAL REVIEW

HELD-TO-MATURITY FINANCIAL ASSETS

As at December 31, 2007, the Group held RMB100 million treasury bonds of China with an interest rate of 3% per annum. The maturity date of the treasury bonds is on December 18, 2008.

CHARGE ON ASSETS

As at December 31, 2007, the Group had no charge on its assets.

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB623.8 million in Year 2007, representing an increase of approximately RMB464.5 million as compared to that of approximately RMB159.3 million in Year 2006. The capital expenditure of the Group in Year 2007 consisted principally of purchase of hardware, software and infrastructure in accordance with the Group's business strategies.

The Board estimates that the Group's planned capital expenditure for year 2008 will amount to approximately RMB1,372.0 million, which is mainly for construction of new operating centre in Beijing and development and gradual implementation of the new generation aviation passenger service system and other new businesses. The sources of funding for the capital expenditure commitments will include internal cash flow generated from operations. The Board estimates that the sources of funding of the Group in year 2008 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. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

GEARING RATIO

As at December 31, 2007, the gearing ratio of the Group was approximately 10.8% (2006: 10.3%), which was computed by dividing the total amount of liabilities by the total assets of the Group as at December 31, 2007.

FINANCIAL REVIEW

CONTINGENT LIABILITIES

As at December 31, 2007, the Group had no material contingent liabilities.

EMPLOYEES

As at December 31, 2007, the total number of employees of the Group was 2,629. Staff costs amounted to approximately RMB271.7 million for Year 2007, representing approximately 20.2% of the total operating cost of the Group for Year 2007.

The remuneration of the employees of the Group (including Executive Directors and Staff Representative Supervisors) includes salaries, bonuses and other fringe benefits. 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. Currently, none of the Non-executive Directors receive any remuneration. Nevertheless, any reasonable expenses incurred by the Non-executive Directors during their service period will be borne by the Company. Independent Non-executive Directors do receive remuneration from the Company, which is determined by reference to the prevailing market price, and that any reasonable expenses incurred by Independent Non-executive Directors during their service period will be borne by the Company.

In Year 2007, the Group continued to provide its employees with opportunities to acquire skills in relation to the aviation and travel industry, computer technologies and business administration and provide training on the latest development in areas such as computer technologies, personal development, laws, regulations and economics.

BASIC MEDICAL INSURANCE REGULATION

On February 20, 2001, the People's Government of the Municipality of Beijing in the PRC promulgated the "Basic Medical Insurance Regulation for the Municipality of Beijing" (the "Regulation"). Given the fact that relevant regulations concerning employees' medical insurance must be applied according to the policies applicable to the place in which a company is located, the head office of the Company in Beijing implemented the Regulation from September 1, 2002 onwards. For Year 2007, the Company incurred a total amount of RMB8,972,092 (a total amount of RMB7,162,909 was incurred in Year 2006) pursuant to the Regulation. The Board believes that by implementing the Regulation, the financial position of the Company has not been materially affected.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICE

In compliance with Company Law of the People's Republic of China and the Articles, the Company has regulated its operations and provided information of the Company to all market participants and regulatory authorities on a timely, accurate, complete and true basis, aiming to enhance its transparency. The Board has adopted the code provisions as stipulated in "Code of Corporate Governance Practices" (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the Company's code of corporate governance practices from 2005.

As stated in Corporate Governance Report in 2006 Annual Report of the Company, the Company deviated from code provisions A.1.1 and C.2.1 of the Code in 2006. In 2007, the Company actively improved the situation and the Board held a total of five meetings. The Board also reviewed the Group's internal control system, which includes the functions of finance, operation and compliance control and risk management, and its effectiveness. The Board believes that the Group's internal control system was basically effective and sufficient.

In 2007, the Company has fully complied with the Code except the code provisions D.1.1 and D.1.2. The Company has set out the respective duties of the Board and the General Manager in the Articles. However, the Company has not formulated specific guidelines in respect of other duties of the management and authority delegated to the management, which deviates from code provisions D.1.1 and D.1.2 of the Code. The Board is of the opinion that the current management does not prejudice the interests of the Company. The Board is also considering to set out explicitly the duties of the management in the process of improving the Company's internal control system.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS OF DIRECTORS

Each director ("Director") of the Company has fulfilled their duties in a conscientious, diligent and honest manner. The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") as set out in Appendix 10 to the Listing Rules, requesting all Directors to carry out securities transactions in accordance with the Model Code. Having made specific enquiries of all Directors, no Director failed to comply with the relevant requirements of the Model Code in 2007.

THE BOARD

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

In 2007, the Board is responsible to prepare accounts for each financial period to ensure them to reflect the Group's business, results and cash flow during the period in accurate and fair manner. In compiling the accounts for 2007, the Board has adopted the International Financial Reporting Standard ("IFRS") and selected the appropriate accounting policy to make prudent and reasonable judgments and estimations, and prepared accounts on ongoing concern basis. The Directors accept responsibilities for the preparation of the Group's financial statements. In 2007, the Board announced annual results for 2006 and interim results for 2007 within 120 days and 60 days respectively after the end of the relevant financial periods in accordance with the requirements under the articles of association of the Company.

In 2007, the Board comprises 15 Directors (Refer to the section of "Corporate Information" for the list of members of Directors), of which 4 were Executive Directors and 11 were Non-executive Directors (including 3 Independent Non-executive Directors). Biographies of each of the current Directors are set out on pages 122 to 128. Each of the Directors has extensive experience in aviation, information technology or finance. The appointment of Independent Non-executive Directors is in compliance with the requirements as set out in Rules 3.10(1) and (2) of the Listing Rules. In 2007, Chairman of the Board (Chairman) and Chief Executive Officer (General Manager) were reassumed by Mr. Zhu Yong and Mr. Zhu Xiaoxing respectively.

CORPORATE GOVERNANCE REPORT

The third Board was elected at the extraordinary general meeting of the Company held on January 9, 2007 with the term of office of three years for each Director. Following the approval by Annual General Meeting held on June 5, 2007, Mr. Cao Jianxiong and Mr. Chow Kwok Wah, James resigned from their respective office of a non-executive Director due to arrangement of his other work and an independent non-executive Director for personal reason. Meanwhile, Mr. Luo Chaogeng and Mr. Chua Keng Kim were respectively appointed as a non-executive Director and an independent non-executive Director for a term ending on the expiry date of the term of the third Board.

The three Independent Non-executive Directors, Mr. Yick Wing Fat, Simon, Mr. Yuan Yaohui, Mr. Chua Keng Kim and Mr. Chow Kwok Wah, James (resigned on June 5, 2007), have submitted their annual confirmations of independence for 2007 in accordance with Rule 3.13 of the Listing Rules. The Company is in the opinion that all the said Independent Non-executive Directors are in compliance with the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. The Independent Non-executive Directors consistently performed their duties in active and prudent manner. Based on the overall interests of the Company, the Independent Non-executive Directors, with their valuable professional experience, have provided guidance for operation management of the Company. Moreover, being the members of the Audit Committee and the Remuneration and Evaluation Committee ("Remuneration Committee"), they have performed their duties in supervising financial reporting procedures and reviewing internal control.

In 2007, the Board held a total of five meetings, with attendance of the meeting of the Board as follows:

Name	Position in the Third Board In 2007	Number of meeting attended *(Times)*	Number of meeting to be attended *(Times)*	Attendance rate
Zhu Yong	Chairman	5	5	100%
Wang Quanhua	Vice-Chairman, Non-executive Director	5 (with 1 attended by other authorised Director on his behalf)	5	100%
Luo Chaogeng	Vice-Chairman, Non-executive Director	3	3	100%
Gong Guokui	Vice-Chairman, Non-executive Director	5	5	100%
Rong Gang	Non-executive Director	5	5	100%
Sun Yongtao	Non-executive Director	5	5	100%
Zhu Xiaoxing	Executive Director, General Manager	5 (with 1 attended by other authorised Director on his behalf)	5	100%

CORPORATE GOVERNANCE REPORT

Name	Position in the Third Board In 2007	Number of meeting attended *(Times)*	Number of meeting to be attended *(Times)*	Attendance rate
Ding Weiping	Executive Director	5	5	100%
Song Jinxiang	Executive Director	5	5	100%
Liu Dejun	Non-executive Director	5	5	100%
Xia Yi	Non-executive Director	5	5	100%
Song Jian	Non-executive Director	5	5	100%
Yick Wing Fat, Simon	Independent Non-executive Director	5	5	100%
Yuan Yaohui	Independent Non-executive Director	5	5	100%
Chua Keng Kim	Independent Non-executive Director	3	3	100%
Cao Jianxiong	Resigned as a Non-executive Director in June 2007	2 (with 2 attended by other authorised Director on his behalf)	2	100%
Chow Kwok Wah, James	Resigned as an Independent Non-executive Director in June 2007	2	2	100%

Despite the explicit regulations on the duties of and the authority delegated to the Board and the General Manager under the Articles, the Board has yet to set out clear guidance on the duties of and the authority delegated to the management, which is partly deviated from code provisions D.1.1 and D.1.2. The Board is of the opinion that the management, where the General Manager being the core leader, when assigned the tasks of handling daily operation and management of the Company, shall not prejudice the interests of the Company. The Board is also considering to set out explicitly the duties of the management in the process of improving the Company's internal control system.

CORPORATE GOVERNANCE REPORT

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

According to the Articles, the Board delegates the following duties to the General Manager: to manage the Company's daily production and operation; to coordinate the implementation of the resolutions passed by the Board; to coordinate the implementation of the annual business plans and investment plans; to formulate plans for the internal management framework; to formulate framework plans for the branches of the Company; to establish the basic management system; to formulate the basic constitution; to propose the appointment or dismissal of the Deputy General Manager and Financial Controller of the Company; to appoint or dismiss officers other than those to be appointed or dismissed by the Board; to perform other duties as delegated by the Company's articles of association and the Board.

In addition, the Board authorized the General Manager to approve investments related to the Company's principal business made by institutions in which the Company has invested less than RMB5 million (for instance, the Company's regional distribution centers). Such authority was given to the Board in the general meeting in 2002 and was then delegated to the General Manager for the purpose of enhancing management efficiency of its daily business operation.

The Board reviewed the Company's internal control system. The management is responsible to implement and maintain the Group's existing internal control system and its effectiveness, and in turn the activities of the management and the effectiveness of the internal control system shall be monitored by the Board and its Audit Committee. The review on the Group's internal control system was completed at the end of 2006. For the insufficiency found during the review, the Group will gradually improve it in accordance with the Internal Control Manual. The Board believes that in 2007, the Group's internal control system was basically effective and sufficient, and reviews the effectiveness of the Group's internal control system every year at least.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yick Wing Fat, Mr. Yuan Yaohui, and Mr. Chow Kwok Wah, James and Mr. Yick Wing Fat was elected as the chief member of the Audit Committee. Each member of the committee has same term with the corresponding Director. In June 2007, as Mr. Chow Kwok Wah, James resigned from the office as an Independent Non-executive Director, following the consideration and approval of the Board, Mr. Chua Keng Kim was appointed as a member of the Audit Committee. Attendance rate of all members in the meetings was as follows:

Name	Number of meeting attended *(Times)*	Number of meeting to be attended *(Times)*	Attendance rate
Yick Wing Fat, Simon (Chief member/Chairman of the committee)	2	2	100%
Yuan Yaohui	2	2	100%
Chua Keng Kim (appointed in June 2007)	1	1	100%
Chow Kwok Wah, James (resigned in June 2007)	1	1	100%

In 2007, the Audit Committee has convened two meetings, the minutes of which were submitted to the Board. The Audit Committee has sufficient resources to discharge its duties. Its work during the year is briefly described as follows:

- review of financial reports for the year ended December 31, 2006 and the six months ended June 30, 2007. Upon discussion with the management, the Company's financial department and external auditors, it was agreed on the accounting treatment policy adopted by the Group, Group has tried its best to ensure the disclosure of financial information is in compliance appropriate accounting standards and the requirements of the Listing Rules;

- review of auditing arrangements of external auditors and their status report, and examination of issues raised by auditors to the management and the management's response to the same;

CORPORATE GOVERNANCE REPORT

- review of reports from the Company and external auditors in relation to connected transactions;

- review of the independency of external auditors and effectiveness of auditing procedures and discussion with auditors about the nature and scope of auditing and reporting obligation;

- consideration and approval of remuneration for auditing services and terms of employment of external auditors for 2007, supervision if any non-auditing services has been provided by external auditors and giving of advice to the Board on employment of auditors;

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

- discussion with the management on the Company's internal control and the appointment of professional consultant, review on the internal control system in accordance with the Listing Rules, and provision of advice and recommendations to the Board.

The Audit Committee also advised to appoint PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Limited Company (Certified Public Accountants in the PRC) as the Group's international and PRC external auditors respectively for Year 2008.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND EVALUATION COMMITTEE ("REMUNERATION COMMITTEE")

The Remuneration Committee comprises three Independent Non-executive Directors and two Non-executive Directors. One Independent Non-executive Director was elected as the chief member of the Remuneration Committee. The role and duties of the Remuneration Committee are available at the Company's website. They mainly include: study of appraisal criteria for Directors and senior management and give advice and carry out appraisal according to the Company's actual operation; study and review of remuneration policies and proposals of Directors and senior management, and evaluating its effectiveness; advising the Board on the overall remuneration policies and frameworks of Directors and senior management of the Company, and on the remuneration policy for setting up formal and transparent procedures; monitor the implementation of the Company's remuneration policies; determine specific remuneration of all Executive Directors and senior management and advising the Board on the remuneration of Non-executive Directors; review and approval of performance-linked remuneration in accordance with the corporate goals as from time to time approved by the Board; review and approval of the payment of compensation for loss or termination of office or appointment to Executive Directors and senior management to ensure such compensation is determined in accordance with contract terms; review and approval of the compensation arrangement for dismissal or removal of Directors for their misconducts to ensure such arrangement is made in accordance with contract terms; ensure no Director or its associates could determine their own remuneration. The Remuneration Committee shall report to the Board its decisions or recommendations. The remuneration plan of the Company's Directors made by the Remuneration Committee is subject to the approval of the Board, and consideration and approval at the general meeting. The remuneration plan of the Company's senior management should also be approved by the Board.

The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Yuan Yaohui, Mr. Yick Wing Fat and Mr. Chow Kwok Wah, James and two non-executive Directors, namely Mr. Wang Quanhua and Mr. Sun Yongtao, and the Independent Non-executive Director, Mr. Yuan Yaohui was elected as the chief member of the Remuneration Committee. Each member of the committee has same term with the corresponding Director. In June 2007, as Mr. Chow Kwok Wah, James resigned from the office as an Independent Non-executive Director, following the consideration and approval of the Board, Mr. Chua Keng Kim was appointed as a member of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

The remuneration committee held a meeting in March 2007 to consider and investigate the existing remuneration and examination system and the actual implementation situation of the Company and discuss on how to gradually normalise and improve the remuneration and examination work of the directors and senior management members. Attendance rate of all members of the Remuneration Committee in the meeting was as follows:

Name	Number of meeting attended *(Times)*	Number of meeting to be attended *(Times)*	Attendance rate
Yuan Yaohui (Chief member/Chairman of the committee)	1	1	100%
Yick Wing Fat, Simon	1	1	100%
Wang Quanhua	1	1	100%
Sun Yongtao	1	1	100%
Chua Keng Kim (appointed in June 2007)	0	0	—
Chow Kwok Wah, James (resigned in June 2007)	1	1	100%

REMUNERATION POLICY OF DIRECTORS

The Board has entered into a service contract with the Directors on behalf of the Company under the authorization given at the general meeting. Pursuant to the contract, the annual fees of each of the Independent Non-executive Directors from 2007 will be RMB120,000 (RMB90,000 for 2006), but the Independent Non-executive Directors are not entitled to bonus. The fees are determined with reference to the prevailing market price and their respective working experience. The other Executive Directors and Non-executive Directors are not entitled to such fees and/or bonus. However, Executive Directors are entitled to the compensation for their full-time service as a full-time employee, which include salaries, benefits, subsidies and retirement benefit scheme contribution as required by the laws and regulations of the PRC, determined with reference to 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 acquired by the Company for the Directors, Supervisors and senior management. The revised proposal for Directors' remuneration is determined by the Board and the Remuneration Committee according to the authorization given at the general meeting and the applicable laws and regulations. Details of remuneration of each of the Directors are set out in Note 7 in pages 78 to 80 to the financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

The Company has not yet set up a nomination committee. Nomination and election of Directors are currently carried out in accordance with the Articles. At present, the nomination and election procedure of the Directors is as follows: the promoter shareholders and the Board nominate and recommend candidates of Directors (other than Independent Non-executive Directors) and Independent Non-executive Directors respectively. Following the nomination of candidates of Directors (including Independent Non-executive Directors) by the Board in accordance with the relevant requirement of Company Law of the PRC, the Listing Rules, Chapter 14 of the Articles "Eligibility and obligations of Directors, Supervisors, Managers and other senior management of the Company", the Company will put forward for election in the general meeting. The Director serves a term of 3 years and is subject to re-election upon expiry. Written notices of intention of nominations of Director's candidate and of candidate's acceptance for nomination shall be sent to the Company after the date that the notice on the general meeting for the purpose of Directors' election is issued and at least 7 days prior to the date of the meeting. Each of the Board comprises of 15 Directors, of which at least one-half of the Directors are external Directors (including at least three Independent Non-executive Directors). Directors shall be elected by way of ordinary resolution in the general meeting. In case more than 15 Directors are approved, those who have got the highest vote shall be elected as Directors. Any Director who has unexpired terms of office may be removed by way of ordinary resolution at the general meeting provided that the general meeting is in compliance with the relevant provisions of laws and administrative rules.

Members of professional committees under the Board shall be nominated by either the Chairman, more than half of the Independent Non-executive Directors or one-third of all the members of the Directors, and subsequently elected by the Board. Chief members of all committees shall be appointed by the Board. Eligibility of all committee members shall comply with related stipulations of working rules of the committees.

REMUNERATION OF EXTERNAL AUDITORS

Aggregate remunerations for auditing services provided by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company the Company's international and PRC auditors respectively, to the Company for Year 2007 amounted to RMB1,500,000. In addition, PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. provided the capital verification services for the Company in respect of the Company's capital increase in 2007 and received service fees of RMB50,000.

CORPORATE GOVERNANCE REPORT

STRATEGIC COMMITTEE

The Strategic Committee comprises six directors. It is responsible to study and advise 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. Their duties are available at the Company's website.

On January 9, 2007, the Board decided to appoint Directors Cao Jianxiong, Zhu Yong, Wang Quanhua, Gong Guokui, Rong Gang and Ding Weiping to form the Strategic Committee, and Director Cao Jianxiong as the chief member of the committee. Each member of the committee has same term with the corresponding Director. In June 2007, as Mr. Cao Jianxiong resigned from the office as a Non-executive Director, following the consideration and approval of the Board, Mr. Luo Chaogeng was appointed as a member of the Remuneration Committee and appointed as the chief member.

In January 2007, the Strategic Committee convened a meeting to discuss the Company's strategic cooperation projects and reported to the Board. Attendance rate of each member at the Strategic Committee meetings was as follows:

Name	Number of meeting attended *(Times)*	Number of meeting to be attended *(Times)*	Attendance rate
Luo Chaogeng (Chief member/Chairman of the committee)	0	0	—
Zhu Yong	1	1	100%
Wang Quanhua	1	1	100%
Gong Guokui	1	1	100%
Rong Gang	1	1	100%
Ding Weiping	1	1	100%
Cao Jianxiong (former chief member, resigned in June 2007)	1	1	100%

CORPORATE GOVERNANCE REPORT

SUPERVISORY COMMITTEE

In accordance with the Company Law of the PRC and Articles of Association of the Company, the Supervisory Committee comprises nine Supervisors, including five Shareholder Representative Supervisors, one Independent Supervisor and three Staff Representative Supervisors. Other supervisors are all elected and appointed by Shareholders' General Meeting of the Company, except Staff Supervisors are elected, appointed or removed at the meeting of the staff representative of the Company. The term of each of the Supervisors of the third Supervisory Committee of the Company commenced from January 9, 2007. Biographies of each of the Supervisors are set out in pages 128 to 130.

Supervisory Committee reviews the Company's financial position in accordance with the Company's Articles and supervises the operation management activities of the Board and senior management. The Supervisory Committee is responsible to attend board meetings, review financial information proposed by the Directors at the general meeting from time to time such as corporate financial affairs and financial statements, and supervise activities of the Board and other senior management for their discharge of 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. Any resolution proposed in any meeting of the Supervisory Committee shall be adopted with approval granted by two-thirds or more of the Supervisors.

CORPORATE GOVERNANCE REPORT

During 2007, the Supervisory Committee held three meetings. It reviewed financial information relating to the 2006 annual results and 2007 interim results, supervised over operation and management activities of the Board and senior management and made recommendations to the management. Attendance of the nine supervisors of the Supervisory Committee was as follows:

Name	Position in the third Supervisory Committee	Number of meeting attended *(Times)*	Number of meeting to be attended *(Times)*	Attendance rate
Li Xiaojun	Chairperson of the Supervisory Committee	3	3	100%
Du Hongying	Vice Chairperson of the Supervisory Committee	2	3	66.7%
Jing Gongbin	Shareholder Representative Supervisor	3 (with 1 attended by other authorised Supervisor on his behalf)	3	100%
Zhang Yakun	Shareholder Representative Supervisor	3	3	100%
Yu Yanbing	Shareholder Representative Supervisor	3	3	100%
Gao Jingping	Staff Representative Supervisor	3	3	100%
Wang Xiaomin	Staff Representative Supervisor	3	3	100%
Zhang Xin	Staff Representative Supervisor	3	3	100%
Rao Geping	Independent Supervisor	3	3	100%

All Supervisors of the Supervisory Committee fully complied with the requirements of Model Code as set out in Appendix 10 to the Model Code.

By Order of the Board
Ding Weiping
Company Secretary

March 28, 2008

REPORT OF DIRECTORS

The Board of Directors (the "Board") of the Company is pleased to present its report together with the audited financial statements of the Group for Year 2007.

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, etc..

The analysis of the Group's financial performance is set out under the section "Financial Review".

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 2007 were principally derived from the operations of the Group in the PRC.

SHARE CAPITAL STRUCTURE

At the annual general meeting and class meetings of the Company held on June 5, 2007, a resolution was passed for the bonus issue of 888,157,500 new ordinary shares at par value of RMB1 per share to the equity holders of the Company on basis of one bonus share for one existing share ("Bonus Issue").

The issued share capital of the Company as at December 31, 2007 amounted to 1,776,315,000 shares, with a par value of RMB1.00 each. As at December 31, 2007, the share capital structure of the Company was as follows:

Shares	Number of shares as at December 31, 2007	Percentage to the total number of shares in issue as at December 31, 2007 *(%)*
Domestic Shares	1,154,607,000	65.00
H Shares	621,708,000	35.00

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2007, pursuant to the register required to be maintained under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "Ordinance"), the following substantial shareholders held an interest of 5% or more in their respective class of share capital of the Company:

Name of shareholder	Class and no. of Securities *(Note 1)*	Capacity	Percentage of respective class of share capital	Percentage of total share capital *(Note 2)*
OppenheimerFunds, Inc.	93,994,000 H shares at par value of RMB1 each (L)	Investment Manager	15.12%	5.29%
Platinum Investment Management Limited (Formerly known as Platinum Asset Management Limited)	5,656,276 H shares at par value of RMB1 each (L)	Investment Manager	1.82% *(Notes 3 and 10)*	0.32%
	22,820,650 H shares at par value of RMB1 each (L)	Investment Manager/ Trustee (Other than a bare trustee)	7.34% *(Notes 3 and 10)*	1.28%
Matthews International Capital Management, LLC	28,239,000 H shares at par value of RMB1 each (L)	Investment Manager	9.08% *(Notes 4 and 10)*	1.59%
J.P. Morgan Fleming Asset Management (Asia) Inc.	22,199,000 H shares at par value of RMB1 each (L)	Investment Manager	7.14% *(Notes 5 and 10)*	1.25%
J.P. Morgan Fleming Asset Management Holdings Inc.	22,199,000 H shares at par value of RMB1 each (L)	Investment Manager	7.14% *(Notes 5 and 10)*	1.25%
JF Asset Management Limited	22,199,000 H shares at par value of RMB1 each (L)	Investment Manager	7.14% *(Notes 5 and 10)*	1.25%

REPORT OF DIRECTORS

Name of shareholder	Class and no. of Securities *(Note 1)*	Capacity	Percentage of respective class of share capital	Percentage of total share capital *(Note 2)*
Templeton Asset Management Limited	48,835,000 H shares at par value of RMB1 each (L)	Investment Manager	7.85%	2.75%
Plantinum International Fund	15,809,650 H shares at par value of RMB1 each (L)	Beneficial owner	5.09% *(Notes 6 and 10)*	0.89%
Oppenheimer International Small Company Fund	24,888,000 H shares at par value of RMB1 each (L)	Investment Manager	8.01% *(Notes 7 and 10)*	1.40%
China TravelSky Holding Company	396,993,000 Domestic Shares at par value of RMB1 each (L) *(Note 8)*	Beneficial owner	34.38%	22.35%
China Southern Air Holding Company	232,921,000 Domestic Shares at par value of RMB1 each (L) *(Note 8)*	Beneficial owner	20.17%	13.11%
	43,849,000 Domestic Shares at par value of RMB1 each (L) *(Note 11)*	Interest of a controlled corporation	3.80%	2.47%

REPORT OF DIRECTORS

Name of shareholder	Class and no. of Securities *(Note 1)*	Capacity	Percentage of respective class of share capital	Percentage of total share capital *(Note 2)*
China Eastern Air Holding Company	218,829,000 Domestic Shares at par value of RMB1 each (L) *(Note 8)*	Beneficial owner	18.95%	12.32%
	5,317,000 Domestic Shares at par value of RMB1 each (L) *(Note 9)*	Interest of a controlled corporation	0.46%	0.29%
	2,600,000 Domestic Shares at par value of RMB1 each (L) *(Note 9)*	Interest of a controlled corporation	0.23%	0.15%
China National Aviation Holding Company	178,867,000 Domestic Shares at par value of RMB1 each (L) *(Note 8)*	Beneficial owner	15.49%	10.07%
	8,697,000 Domestic Shares at par value of RMB1 each (L) *(Note 12)*	Interest of a controlled corporation	0.75%	0.49%

REPORT OF DIRECTORS

Notes:

(1) (L) — Long position

(2) Percentage of total share capital is based on 1,776,315,000 shares of the total issued share capital of the Company as at December 31, 2007.

(3) Such percentage is shown in the corporate substantial shareholder notice of Platinum Investment Management Limited declared and filed on April 11, 2007 at the latest. As to the knowledge, the information collected and belief of the Directors of the Company, they are unable to confirm whether such ratio represents the shareholding ratio of the shareholder after the Bonus Issue. Please also refer to Note (10) below.

(4) Such percentage is shown in the corporate substantial shareholder notice of Matthews International Capital Management declared and filed on August 5, 2005 at the latest. As to the knowledge, the information collected and belief of the Directors of the Company, they are unable to confirm whether such ratio represents the shareholding ratio of the shareholder after the Bonus Issue. Please also refer to Note (10) below.

(5) Such percentage is shown in the corporate substantial shareholder notice of this shareholder declared and filed on April 1, 2003 at the latest. As to the knowledge, the information collected and belief of the Directors of the Company, they are unable to confirm whether such ratio represents the shareholding ratio of the shareholder after the Bonus Issue. Please also refer to Note (10) below.

(6) Such percentage is shown in the corporate substantial shareholder notice of Plantinum International Fund declared and filed on April 18, 2007 at the latest. As to the knowledge, the information collected and belief of the Directors of the Company, they are unable to confirm whether such ratio represents the shareholding ratio of the shareholder after the Bonus Issue. Please also refer to Note (10) below.

(7) Such percentage is shown in the corporate substantial shareholder notice of Oppenheimer International Small Company Fund declared and filed on March 22, 2006 at the latest. As to the knowledge, the information collected and belief of the Directors of the Company, they are unable to confirm whether such ratio represents the shareholding ratio of the shareholder after the Bonus Issue. Please also refer to Note (10) below.

(8) To the knowledge of the Directors of the Company, after the Bonus Issue, the number of the domestic shares of the Company held by substantial shareholders, the percentage of such domestic shares to the total domestic share capital and percentage to total share capital are as follows: (i) 198,496,500 domestic shares are held by China TravelSky Holding Company, representing 34.38% of the total domestic shares and 22.35% of the total share capital; (ii) 116,460,500 domestic shares are held by China Southern Air Holding Company, representing 20.17% of the total domestic shares and 13.11% of the total share capital; (iii) 109,414,500 domestic shares are held by CE Holding, representing 18.95% of the total domestic shares and 12.32% of the total share capital; (iv) 89,433,500 domestic shares are held by China National Aviation Holding Company, representing 15.49% of the total domestic shares and 10.07% of the total share capital.

REPORT OF DIRECTORS

(9) These shares are held by China Eastern Airlines Corporation Limited and China Eastern Airlines Wuhan Limited respectively. China Eastern Air Holding Company is deemed to be interested in the shares held by China Eastern Air Holding Company and China Eastern Airlines Wuhan Limited by virtue of the Ordinance.

(10) The Directors are unable to confirm the shareholding of the relevant substantial shareholders because those substantial shareholders have not filed any corporate substantial shareholder notice after the Bonus Issue. Theoretically, the number of Shares held by those substantial shareholders should increase after the Bonus Issue (with the shareholding percentage remain unchanged). However, the Directors cannot exclude the possibility that those substantial shareholders have disposed of any Shares after the Bonus Issue, so that the number of Shares held by those substantial shareholders before and after the Bonus Issue and as at 31 December 2007 remain the same. The Directors are also unable to ascertain the shareholding of those substantial shareholders from the register of holders of H Shares of the Company as the information contained therein may not reflect the actual beneficial shareholding of the shareholders (i.e. the registered shareholders may be bare trustee or holding some Shares on behalf of the others and this kind of interest is not required to be disclosed under the SFO).

(11) These shares are held by Xiamen Airlines Company Limited. China Southern Air Holding Company was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the Ordinance.

(12) These shares are held by Shandong Airlines Company Limited. China National Aviation Holding Company was deemed to be interested in the shares held by Shandong Airlines Company Limited by virtue of the Ordinance.

Save as disclosed above, as at December 31, 2007, no other persons or companies held an interest or short positions of 5% or more of the issued share capital or in the respective class of shares of the Company pursuant to the register required to be maintained under Section 336 of the Ordinance.

PUBLIC FLOAT

As at the latest practicable date prior to the printing of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

REPORT OF DIRECTORS

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

As at December 31, 2007, the interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) held by the Directors, Supervisors or chief executives of the Company that is required to be notified to the Company and the Stock Exchange required to be recorded and kept in the register in accordance with Section 352 of the Ordinance, or the interest or short position required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules are as follows:

Name of Director	Number and class of shares *(Note 1)*	Capacity of holder	Percentage to the corresponding share capital	Percentage to the total share capital *(Note 2)*
Chua Keng Kim	417,000 H shares (L) at par value of RMB1 each	Interest of spouse	0.07%	0.02%

Notes:

1. (L) — Long position

2. The percentage to the total share capital is calculated based on the total number of 1,776,315,000 shares of the Company issued as at December 31, 2007.

Save as those mentioned above, as of December 31, 2007, none of the Directors, Supervisors or chief executives had any interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) that is required to be recorded in the register maintained in accordance with Section 352 of the Ordinance, or any interest or short position required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules. None of the Directors, Supervisors or chief executives of the Company or their respective associates had been granted or had exercised any rights to subscribe the securities of the Company or any of its associated corporation (as defined in Part XV of the Ordinance) for the year ended December 31, 2007.

REPORT OF DIRECTORS

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The third Board and Supervisory Committee have been set up on January 9, 2007 upon election at the extraordinary general meeting of the Company held on January 9, 2007. Each Director and Supervisor of the third Board and Supervisory Committee has entered into a service agreement with the Company and will serve a term of three years. On June 5, 2007, after the approval of the general meeting, Mr. Cao Jianxiong and Mr. Chow Kwok Wah, James resigned from the office of a non-executive Director and an independent non-executive Director respectively; Mr. Cao Jianxiong resigned due to arrangement of his other work while Mr. Chow Kwok Wah, James resigned for personal reason. At the same time, after the approval from the general meeting, the appointment of Mr. Luo Chaogeng as a non-executive Director and Mr. Chua Keng Kim as an independent non-executive Director will be until the end of the third Board of Directors.

For the year ended December 31, 2007, no Directors or Supervisors, proposed to enter into a service agreement which would not expire or 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 third Board and Supervisory Committee are also members of management of various Chinese commercial airlines which are shareholders of the Company. The contracts or transactions entered into between the Company or any of its subsidiaries and such airline shareholders have been referred to in the section "Connected Transactions" of this Report of Directors. Save as disclosed in that section, none of the Directors or Supervisors of the Company had a material, direct or indirect, interest in any contract of significance to which the Company or any of its subsidiaries was a party during Year 2007.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

INTEREST CAPITALIZED

No interest was capitalized for the Group in Year 2007.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2007 are summarised in Note 13 to the financial statements.

REPORT OF DIRECTORS

RESERVES

Details of movements in reserves of the Group for Year 2007 are set out in the consolidated statement of changes in shareholders' equity.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.13 per share for Year 2007.

EMPLOYEES' RETIREMENT SCHEME

Details of the employees' retirement scheme of the Group are set out in Note 8 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

Société Internationale de Télécommunications Aeronautiques S.C. ("SITA S.C.") was the largest supplier to the Group for Year 2007 and the total network usage fees paid by the Group to SITA S.C. in Year 2007 accounted for 6.5% of the Group's total operating expenses (excluding depreciation and amortization expenses). During Year 2007, the total amount paid to the five largest suppliers of the Group accounted for 15.8% of the Group's total operating expenses (excluding depreciation and amortization expenses).

Sales to the largest customer of the Group, China Southern Airlines Company Limited, the subsidiary of China Southern Air Holding Company, accounted for 17.4% of the Group's total revenues for Year 2007. During Year 2007, total sales to the Group's five largest customers accounted for 55.4% of the Group's total revenues. Three of these top five customers, China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited and Air China Limited, the respective substantial shareholders of China Southern Air Holding Company, China Eastern Air Holding Company, and China National Aviation Holding Company, are the substantial shareholders of the Company, holding an aggregate of approximately 35.5% of the issued share capital of the Company as at December 31, 2007. The aggregate revenue derived from the above major customers is set out in Note 38 to the financial statements.

Save as disclosed in this report and in Note 38 to the financial statements, none of the Directors, Supervisors and their associates nor any shareholder (which to the knowledge of the Directors hold more than 5% of the Company's issued share capital) had any interest in any of the aforementioned suppliers and customers.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at December 31, 2007 are set out in Note 1 to the financial statements.

REPORT OF DIRECTORS

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During Year 2007, the Group continued to carry out the following transactions, which constitute connected transactions as defined in the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(a) Provision of Services and Technological Support by the Group to the Company's Promoters

In Year 2007, the Group continued to provide certain promoters of the Company (other than China TravelSky Holding Company) or as the case may be, their respective subsidiaries (namely Hainan Airlines Company Limited, China Eastern Air Wuhan Company Limited, Shanghai Airlines Company Limited, Shandong Airlines Company Limited, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), Sichuan Airlines Company, China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited ("Eastern Airlines") and Air China Limited ("Air China") with aviation information technology service and technical support and its related business services. The service fees payable by such promoters (or, as the case may be, their respective subsidiaries) to the Group was determined in accordance with the pricing schedule prescribed by the General Administration of Civil Aviation of China (中國民用航空總局). Such promoters, and, as the case may be, their respective subsidiaries, being associates of such promoters, are connected persons of the Company.

For Year 2007, total service fees paid by such promoters (or, as the case may be, their respective subsidiaries) to the Group amounted to approximately RMB1,311.3 million (2006: RMB1,147.9 million). Please refer to Note 38 to the financial statements for further details and financial information of significant transactions relating to the provision of such services by the Group during Year 2007. Please also refer to the announcements of continuing connected transaction dated March 17, 2006, February 14, 2007, September 19, 2007 and October 19, 2007 and circulars dated April 7, 2006, March 7, 2007, October 10, 2007 and December 10, 2007 respectively in relation to the continuing connected transaction for further details, in particular, the annual cap for this continuing connected transaction for the year ended December 31, 2007 disclosed therein.

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

The Company continued to lease two properties from China TravelSky Holding Company in Year 2007. Since China TravelSky Holding Company is one of the promoters of the Company and a substantial shareholder of the Company, China TravelSky Holding Company is regarded as a connected person of the Company. Details and financial information relating to such leases during Year 2007 are set out in Note 38 to the financial statements.

For Year 2007, total rental and usage fees paid by the Company to China TravelSky Holding Company amounted to approximately RMB38,609,000 (2006: RMB38,609,000).

REPORT OF DIRECTORS

(c) *Transaction between SITA Information Networking Computing (UK) Limited ("SITA INC. UK") and InfoSky Technology Co., Ltd. ("InfoSky"), a subsidiary of the Company*

During Year 2007, the total charges in relation to air cargo services paid by InfoSky to SITA INC. UK amounted to US$2,673,683 (2006: US$2,395,217) based on the charges agreed by both parties and with reference to usage. As Société Internationale de Télécommunications Aeronautiques Greater China Holdings Limited ("SITAGCH") is a substantial shareholder of InfoSky, SITAGCH is a connected person of the Company, and as SITA INC. UK is a fellow subsidiary of SITAGCH, SITA INC. UK is a connected person of the Company.

(d) *Membership fees and Data Network Services Usage Fees Paid by the Company to SITA S.C.*

During Year 2007, the Company, as a member of SITA S.C., continued to engage SITA S.C. in providing all types of services and data network services to the Company. The data network services usage fees were determined based on the usage and the pricing schedule set by SITA S.C. applicable to all users of the data network services of SITA S.C.. The membership fees are determined with reference to the ratio of the total amount of bills for the services charged to the Company by SITA S.C, Société Internationale de Télécommunications Aeronautiques NV or their respective wholly-owned subsidiaries in the previous financial year to the total amount of all income receivable by all members of SITA S.C. in that financial year. Since both SITAGCH and SITA S.C. are collectively owned, directly or indirectly, by the members of the Air Transport Community. The Air Transport Community is a group formed by many communities of interest entities within the air transport industry, the members of which include the members of SITA and customers, and many associations, councils and committees of the industry across the world. SITA S.C. is therefore considered as a connected person of the Company.

For Year 2007, the membership fee and data network usage fees payable by the Company to SITA S.C. amounted to RMB57,875,055 (2006: RMB55,521,777).

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

The service companies (the "Service Companies") are the companies established between the Company and certain promoters for distributing the products of the Company and providing better service to customers in different regions. Since such promoters are entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the Service Companies, the Service Companies are regarded as connected persons of the Company. The Service Companies pay fees to the Company for using mainframe resources, linking with the Company's data network, and connection and installation of terminal equipment and printers at the rates prescribed by the General Administration of Civil Aviation of China (中國民用航空總局) or on a cost basis if applicable. If the Service Companies also provide front end technical supports for airport passenger processing system (APP system), they are entitled to share the profit generated from APP system with the Company.

REPORT OF DIRECTORS

For Year 2007, the Company's fees received from the Service Companies and the revenue of APP System shared by the Service Companies aggregated to RMB33,891,097 (2006: RMB29,362,606).

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

(i) were entered into by the Group in the ordinary and usual course of its business;

(ii) were conducted either (a) on normal commercial terms (the term applicable to transactions of similar nature and are carried out by similar entities); or (b) (where there is no available comparison) on terms that are no less favorable than those available to or from independent third parties;

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

(iv) if they fall within any of the following categories, did not exceed the upper limits set out below for the financial year ended December 31, 2007:

Categories of transactions	Cap Amount
Transaction between the Group and certain promoters of the Company or as the case may be, subsidiaries of promoters of the Company	RMB1,743.308 million (Please refer to the caps of promoters or subsidiaries of promotes mentioned in the circular of the Company to shareholders dated April 7, 2006. Furthermore, for the caps of Air China and Shenzhen Airlines, please refer to the numbers mentioned in the circular of the Company to shareholders dated March 7, 2007. For the cap of Eastern Airlines, please refer to the number mentioned in the circular of the Company to shareholders dated October 10, 2007)

REPORT OF DIRECTORS

Categories of transactions	Cap Amount
Leasing properties from China TravelSky Holding Company	RMB40.00 million (please refer to the circular of the Company to shareholders dated March 7, 2007 for further details)
Transactions between InfoSky and SITA INC.UK	US$ 2.73 million (please refer to the announcement of the Company dated February 14, 2007 for further details)
Transaction between the Company and the Service Companies	RMB37.20 million (please refer to the circular of the Company to shareholders dated March 7, 2007 for further details)
Transaction between the Company and SITA S.C.	RMB67.00 million (please refer to the circular of the Company to shareholders dated March 7, 2007 for further details)

The Board has received a letter of confirmation from the auditors stating that the above items (a) to (e) of the continuing connected transactions:

(a) have been approved by the Board;

(b) were conducted in accordance with the pricing policies of the Company for transactions involving provisions of goods and services (for the sample selected);

(c) were conducted in accordance with the terms of the respective agreements and documents governing those transactions (for the sample selected); and

(d) the aggregate amounts of the relevant transactions incurred in Year 2007 have not exceeded their respective annual caps (as referred to in item (iv) above).

REPORT OF DIRECTORS

OTHER CONNECTED TRANSACTIONS

On March 29, 2007, the Company entered into computer software development service agreement with Asia Technology Development Center of Beijing ("Asia Technology"), pursuant to which the Company agreed to engage Asia Technology to provide computer software development services. As Asia Technology, being an indirect wholly owned subsidiary and associate of China TravelSky Holding Company, the promoter and a substantial shareholder of the Company, Asia Technology is a connected person of the Company and the said technology development service agreements constituted connected transactions under the Listing Rules. The total consideration payable by the Company under the above agreement is RMB18,800,000. Since each of the applicable percentage ratios referred to in Rule 14A.32(1) of the Listing Rules in relation to such transaction is less than 2.5%, such transactions was therefore subject to reporting and announcement requirements under the Listing Rules and was exempt from the approval of the Company's independent shareholders requirement. The Company has published an announcement on March 29, 2007 setting out the terms of such transaction.

On June 12, 2007, the Company entered into the New APP System Construction Service Agreement with Cares Hubei Co., Ltd. ("Hubei Cares"), pursuant to which the Company agreed to engage Hubei Cares to provide the Company the services of constructing and implementing New APP System in an airport in Hubei Province. Hubei Cares is a non-wholly owned subsidiary of the Company. As China Eastern Airlines Wuhan Limited (中國東方航空武漢有限責任公司), a connected person of the Company, is entitled to exercise, or control the exercise of, 10% or more of the voting power of any general meeting of Hubei Cares, Hubei Cares is a connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules. The connected transaction therefore constitutes a connected transaction under Chapter 14 of the Listing Rules for the Company. The total consideration payable by the Company under the above agreement will be RMB3,905,130. In addition, as Hubei Cares is one of Service Companies, the Company has entered into the Network Service Agreement ("Network Service Agreement") with Service Companies on December 30, 2006. Since the respective percentage ratios of the aggregate of the consideration payable by the Company under the NewAPP System Construction Service Agreement and the amounts of the transactions entered or to be entered into between the Group and Hubei Cares under the Network Service Agreement do not exceed 2.5%, the connected transaction is only subject to announcement and reporting requirements under Rule 14A.45 to Rule 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement. The Company has published an announcement on June 12, 2007 setting out the terms of such transaction.

REPORT OF DIRECTORS

On October 12, 2007, the Company entered into the Joint Venture Agreement with China Southern Airlines Company Limited and Guangzhou Airport Group Limited (廣州機場集團公司). Since China Southern Airlines Company Limited is a subsidiary of China Southern Air Holding Company, a promoter of the Company, China Southern Airlines Company Limited is an associate of a connected person, and also a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Therefore, the transaction under the above Joint Venture Agreement constitutes a connected transaction under Chapter 14 of the Listing Rules for the Company. The total consideration paid by the Company under the Joint Venture Agreement is RMB4 million. Since each of the applicable percentage ratios referred to in Rule 14A.32(1) of the Listing Rules does not exceed 2.5%, the entering into of the Joint Venture Agreement by the Company is only subject to announcement and reporting requirements under Rule 14A.45 to Rule 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement. The Company has published an announcement on October 12, 2007 setting out the terms of such transaction.

On October 16, 2007, InfoSky entered into the InfoSky DCS Implementation Service Agreement with SITA Information Networking Computing USA Inc. ("SITA INC USA"), pursuant to which InfoSky has agreed to provide the InfoSky DCS Implementation Services. Since SITAGCH is a substantial shareholder of InfoSky, a subsidiary of the Company, SITA INC USA is a fellow subsidiary of SITAGCH, and is also considered as a connected person of the Company. The connected transaction therefore constitutes a connected transaction of the Company. Since the relevant percentage ratios referred to in Rule 14A.32(1) of the Listing Rules do not exceed 2.5%, the connected transaction is only subject to reporting and announcement requirements under Rule 14A.45 to Rule 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement. The Company has published an announcement on October 16, 2007 setting out the terms of such transaction.

The Directors confirm that the related party transactions referred to in Note 38 to the financial statements are connected transactions or continuing connected transactions of the Company and they have 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, 2007, 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.

REPORT OF DIRECTORS

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

For Year 2007, the Group did not purchase, sell or redeem any of the Company's securities.

AUDIT COMMITTEE AND COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICES

The Audit Committee of the Company has reviewed the accounting policy and practice adopted by the Company 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 2007. Details of the Company's compliance with the requirements of the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules for Year 2007 are set out in the "Corporate Governance Report" contained in this annual report.

PRE-EMPTIVE RIGHTS

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

MATERIAL LITIGATION

The Group was not involved in any material litigation or dispute in Year 2007.

REPORT OF DIRECTORS

AUDITORS

Since the date of incorporation of the Company to December 31, 2001, Arthur Andersen & Co in Hong Kong and Arthur Andersen • Hua Qiang in the PRC were the Company's international and PRC auditors, respectively.

PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. (Certified Public Accountants in the PRC) are the Company's international and PRC auditors respectively from Year 2002 to Year 2007.

A resolution relating to the appointment of PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Limited Company (Certified Public Accountants in the PRC) as the Company's International and PRC auditors for the year ending December 31, 2008 respectively will be proposed at the forthcoming annual general meeting of the Company in 2008.

By order of the Board
Sun Yongtao
Acting Chairman

March 28, 2008

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended December 31, 2007, members of the third Supervisory Committee of the Company have diligently performed their duties, during their tenure, in ensuring that the Company has observed and complied with the Listing Rules, the law and regulations of the PRC, the Articles of Association of the Company and other relevant rules and regulations to protect the interests of the Company and its shareholders.

Upon the election at the extraordinary general meeting of the Company held on January 9, 2007 and the meeting of the staff representatives, the third Supervisory Committee of the Company comprises nine Supervisors (details of which is set out in the section headed "Corporate Information" and the biographies of each Supervisor are set out on pages 128 to 130.)

The third Supervisory Committee convened three meetings during Year 2007 and elected its Chairman and Vice Chairman for the new term. The Supervisory Committee also reviewed the Company's financial statements for 2006 and interim financial statements for 2007, and attended meetings of the Board of directors of the Company (the "Board") and effectively monitored the policies and decisions made by the Board as to whether they were in compliance with the Listing Rules, the relevant laws and regulations of the PRC, the Articles of Association of the Company, and the interests of the Company and shareholders, and offered proper suggestions to the Board and the management.

The Supervisory Committee has carefully reviewed the Company's financial statements for Year 2007 audited by PricewaterhouseCoopers prepared in accordance with International Financial Reporting Standards and considers that the financial statements give a true and fair view of the financial position and operation results of the Company and in compliance with the regulations applicable to the Company.

The Supervisory Committee confirms that the Company has not been involved in any material litigation or arbitration, and there is no litigation or claim of material importance pending or threatened by or against the Company during Year 2007.

The Supervisory Committee is satisfied that the Board and senior management of the Company were committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and shareholders for Year 2007. The Supervisory Committee considers that the report of the Board for Year 2007 reflected the actual operational circumstances of the Company. The Supervisory Committee is satisfied with the Company's results for Year 2007 and the Supervisory Committee has confidence in the Company's future prospects and development.

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

March 28, 2008

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

TO THE SHAREHOLDERS OF TRAVELSKY TECHNOLOGY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of TravelSky Technology Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 49 to 114, which comprise the consolidated and company balance sheets as of December 31, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and the Group as of December 31, 2007 and of the Group's financial performance 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.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
March 28, 2008

CONSOLIDATED INCOME STATEMENT

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

	Note	Year ended December 31 2007	2006
Revenues			
Aviation information technology service		**1,601,160**	1,395,172
Data network and others		**400,743**	316,533
Total revenues	5	**2,001,903**	1,711,705
Operating expenses			
Business taxes and other surcharges		**(65,795)**	(56,358)
Depreciation and amortisation		**(243,111)**	(229,178)
Network usage fees		**(83,562)**	(76,529)
Personnel expenses		**(271,689)**	(239,743)
Operating lease payments		**(68,607)**	(63,658)
Technical support and maintenance fees		**(154,459)**	(99,801)
Commission and promotion expenses		**(248,075)**	(194,095)
Other operating expenses		**(209,701)**	(188,534)
Total operating expenses		**(1,344,999)**	(1,147,896)
Operating profit		**656,904**	563,809
Financial income, net		**48,696**	52,406
Share of results of associated companies		**12,991**	11,727
Profit before taxation	6	**718,591**	627,942
Taxation	10	**(69,941)**	(98,421)
Profit after taxation		**648,650**	529,521
Attributable to:			
Equity holders of the Company		**630,989**	515,587
Minority interest		**17,661**	13,934
		648,650	529,521
Earnings per share for profit attributable to the equity holders of the Company			
Basic and diluted *(RMB)*	12	**0.36**	0.29
Cash Dividends	11	**230,921**	195,395

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

CONSOLIDATED BALANCE SHEET

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

	Note	As at December 31 2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment, net	13	**1,033,148**	661,149
Intangible assets, net	14	**11,824**	9,969
Investments in associated companies	16	**85,996**	68,343
Held-to-maturity financial assets	19	**—**	100,000
Other long-term assets	20	**8,881**	17,000
Deferred income tax assets	18	**9,229**	—
		1,149,078	856,461
Current assets			
Inventories	21	**9,241**	4,498
Accounts receivable, net	22	**141,565**	84,882
Due from associated companies	25	**6,308**	273
Due from related parties, net	23, 38(3)	**389,561**	300,070
Prepayments and other current assets	26	**102,399**	62,064
Held-to-maturity financial assets	19	**100,000**	—
Short-term bank deposits	27	**1,843,949**	1,884,604
Cash and cash equivalents	28	**1,209,152**	1,233,166
		3,802,175	3,569,557
Total assets		**4,951,253**	4,426,018
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Paid-In capital	31	**1,776,315**	888,158
Reserves	32	**1,296,834**	2,066,112
Retained earnings	33		
— Proposed final cash dividend	11	**230,921**	195,395
— Others		**1,028,659**	749,137
		4,332,729	3,898,802
Minority interest		**85,997**	72,523
Total equity		**4,418,726**	3,971,325
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities	18	**129**	—
Current liabilities			
Accounts payable and accrued liabilities	29	**470,212**	359,200
Due to related parties	30	**39,960**	85,442
Income tax payable		**17,054**	7,605
Deferred revenue		**5,172**	2,446
		532,398	454,693
Total liabilities		**532,527**	454,693
Total equity and liabilities		**4,951,253**	4,426,018
Net current assets		**3,269,777**	3,114,864
Total assets less current liabilities		**4,418,855**	3,971,325

Approved by the Board of Directors on March 28, 2008.

Sun Yongtao
Acting Chairman

Zhu Xiaoxing
Director

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

BALANCE SHEET

(Amounts expressed in thousands of Renminbi (“RMB”))

	Note	As at December 31 2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment, net	13	**980,578**	622,904
Intangible assets, net	14	**10,016**	7,908
Investments in subsidiaries	15	**37,507**	37,507
Investments in associated companies	16	**27,290**	21,790
Held-to-maturity financial assets	19	**—**	100,000
Other long-term assets	20	**8,881**	16,968
Deferred income tax assets	18	**8,062**	—
		1,072,334	807,077
Current assets			
Inventories	21	**2,632**	2,632
Accounts receivable, net	22	**110,242**	58,125
Due from subsidiaries, net	24	**24,982**	22,227
Due from associated companies	25	**6,308**	273
Due from related parties, net	23, 38(3)	**381,573**	289,751
Prepayments and other current assets	26	**88,640**	47,788
Held-to-maturity financial assets	19	**100,000**	—
Short-term bank deposits	27	**1,757,949**	1,813,504
Cash and cash equivalents	28	**1,111,519**	1,147,017
		3,583,845	3,381,317
Total assets		**4,656,179**	4,188,394
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Paid-In capital	31	**1,776,315**	888,158
Reserves	32	**1,299,652**	2,062,223
Retained earnings	33		
— Proposed final cash dividend	11	**230,921**	195,395
— Others		**852,988**	617,713
Total equity		**4,159,876**	3,763,489
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	29	**442,499**	343,753
Due to related parties	30	**30,533**	74,107
Due to subsidiaries		**10,789**	2,390
Income tax payable		**12,482**	4,655
		496,303	424,905
Total equity and liabilities		**4,656,179**	4,188,394
Net current assets		**3,087,542**	2,956,412
Total assets less current liabilities		**4,159,876**	3,763,489

Approved by the Board of Directors on March 28, 2008.

Sun Yongtao
Acting Chairman

Zhu Xiaoxing
Director

The accompanying notes are an integral part of the financial statement.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Note	Attributable to equity holders of the Company			Minority Interest	Total
		Paid-In capital	Reserves	Retained earnings		
Balance at January 1, 2006		888,158	1,911,454	788,580	61,296	3,649,488
Profit for the year		—	—	515,587	13,934	529,521
Dividend relating to year 2005		—	—	(204,276)	—	(204,276)
Dividends payable to minority shareholders of subsidiaries		—	—	—	(2,707)	(2,707)
Currency translation differences	32	—	(701)	—	—	(701)
Appropriation to reserves	32, 33	—	155,359	(155,359)	—	—
Balance at December 31, 2006		888,158	2,066,112	944,532	72,523	3,971,325

	Note	Attributable to equity holders of the Company			Minority Interest	Total
		Paid-In capital	Reserves	Retained earnings		
Balance at January 1, 2007		888,158	2,066,112	944,532	72,523	3,971,325
Transfer from reserves	31	888,157	(888,157)	—	—	—
Profit for the year		—	—	630,989	17,661	648,650
Dividend relating to year 2006	11	—	—	(195,395)	—	(195,395)
Dividends payable to minority shareholders of subsidiaries		—	—	—	(4,187)	(4,187)
Currency translation differences	32	—	(1,667)	—	—	(1,667)
Appropriation to reserves	32, 33	—	120,546	(120,546)	—	—
Balance at December 31, 2007		1,776,315	1,296,834	1,259,580	85,997	4,418,726

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

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	Year ended December 31 2007	2006
Cash flows from operating activities			
Cash generated from operations	34	**790,232**	758,911
Refund of enterprise income tax		**30,180**	—
Enterprise income tax paid		**(99,772)**	(107,975)
Net cash generated from operating activities		**720,640**	650,936
Cash flows from investing activities			
Purchases of property, plant, equipment and intangible assets		**(568,074)**	(167,947)
Maturities of short-term bank deposits		**1,743,036**	1,859,041
Placements of short-term bank deposits		**(1,702,381)**	(1,796,368)
Interest received		**64,359**	64,570
Dividends received from associated companies		**838**	7,970
Proceeds from disposal of property, plant and equipment		**661**	526
Investments in associated companies		**(5,500)**	(9,900)
Net cash used in investing activities		**(467,061)**	(42,108)
Cash flows from financing activities			
Dividend paid to group shareholders		**(252,813)**	(214,443)
Dividend paid to minority shareholders of subsidiaries		**(3,964)**	(2,812)
Net cash used in financing activities		**(256,777)**	(217,255)
Effect of foreign exchange rate changes on cash and cash equivalents		**(20,816)**	(15,218)
Net increase (decrease) in cash and cash equivalents		**(24,014)**	376,355
Cash and cash equivalents at beginning of the year		**1,233,166**	856,811
Cash and cash equivalents at end of the year	28	**1,209,152**	1,233,166

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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 Floor 18-20, South Wing, Park C, Raycom InfoTech Park, No.2, Ke Xue Yuan South Road, Haidian District, Beijing 100190, PRC.

As at December 31, 2007, 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 and TravelSky Technology (Japan) Limited, which are limited liability companies incorporated and operated in Hong Kong, Singapore, Korea and Japan respectively.

Name	Date of incorporation	Percentage of equity interest held Direct	Indirect	Issued and fully paid capital *RMB*	Principal activities
Subsidiaries					
Hainan Civil Aviation Cares Co., Ltd. ("Hainan Cares")	March 2, 1994	64.78%	—	6,615,000	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%	—	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%	5,000,000	Provision of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

Name	Date of incorporation	Percentage of equity interest held Direct	Percentage of equity interest held Indirect	Issued and fully paid capital *RMB*	Principal activities
Subsidiaries (continued)					
Cares Chongqing Information Technology Co., Ltd. ("Chongqing Cares")	December 1, 1998	51%	—	9,800,000	Provision 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%	—	2,000,000	Computer hardware and software development and data network services
InfoSky Technology Co., Ltd. ("InfoSky")	September 20, 2000	51%	—	23,149,285	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 ("Hong Kong Company")	December 13, 2000	100%	—	3,182,873	Commercial services
Civil Aviation Cares of Xiamen Ltd. ("Xiamen Cares")	September 14, 2001	51%	—	4,000,000	Computer hardware and software development and data network services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

Name	Date of incorporation	Percentage of equity interest held Direct	Percentage of equity interest held Indirect	Issued and fully paid capital *RMB*	Principal activities
Subsidiaries (continued)					
Civil Aviation Cares of Qingdao Ltd. ("Qingdao Cares")	January 11, 2002	51%	—	2,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xi'an Ltd. ("Xi'an Cares")	July 9, 2002	51%	—	5,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xinjiang Ltd. ("Xinjiang Cares")	August 16, 2002	51%	—	5,000,000	Computer hardware and software development and data network services
TravelSky Technology (Singapore) Limited ("Singapore Company")	October 21, 2005	100%	—	481,568	Computer hardware and system consulting services
TravelSky Technology (Korea) Limited ("Korea Company")	December 28, 2005	100%	—	403,677	Computer hardware and software development and data network services
TravelSky Technology (Japan) Limited ("Japan Company")	December 16, 2005	100%	—	670,121	Software development and computer equipment maintenance services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

Name	Date of incorporation	Percentage of equity interest held		Issued and fully paid capital	Principal activities
		Direct	Indirect	*RMB*	
Associated Companies					
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("Huadong Cares")	May 21, 1999	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%	—	2,000,000	Computer hardware and software development and data network services
Aviation Cares of Southwest Chengdu, Ltd. ("Xinan Cares")	November 28, 1999	44%	—	2,000,000	Computer hardware and software development and data network services
Yunnan TravelSky Airport Technology Limited ("Yunnan Cares")	April 1, 2003	40%	—	6,000,000	Computer hardware and software development and technical consulting services
Heilongjiang TravelSky Airport Technology Limited ("Heilongjiang Cares")	April 30, 2003	50%	—	6,000,000	Computer hardware and software development and technical consulting services
Shanghai Dongmei Aviation Tourism Online Co., Limited ("Shanghai Cares")	September 28, 2003	50%	—	24,800,000	E-commerce, Sales of computers and related parts and provision of network, technical services and economic consulting services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

Name	Date of incorporation	Percentage of equity interest held Direct	Indirect	Issued and fully paid capital *RMB*	Principal activities
Associated Companies (continued)					
Dalian TravelSky Airport Technology Limited ("Dalian Cares")	January 28, 2005	50%	—	6,000,000	Computer hardware and software development and technical consulting services
Hebei TravelSky Airport Technology Limited ("Hebei Cares")	April 5, 2007	50%	—	3,000,000	Computer hardware and software development and technical consulting services
Guangzhou Airport AirSpan Information Technology Co. Ltd. ("Guangzhou Cares")	December 24, 2007	20%	—	20,000,000	Computer hardware and software development and technical consulting services

During the year, the Company and Hebei Airport Administration Group jointly incorporated Hebei TravelSky Airport Technology Limited ("Hebei Cares") that provides computer hardware and software development and technical consulting services. The Company had invested RMB 1,500,000 in cash for a 50% equity interest of Hebei Cares.

In addition, the Company, Guangdong Airport Administration Group and China Southern Airlines Company Limited jointly incorporated Guangzhou Airport AirSpan Information Technology Limited ("Guangzhou Cares") that provides computer hardware and software development and technical consulting services. The Company had invested RMB 4,000,000 in cash for a 20% equity interest of Guangzhou Cares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

2. BASIS OF PRESENTATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

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

(a) Standards, amendments and interpretations effective in 2007

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2007:

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables; and

- IFRIC — Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant for the Group's operation in 2007

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2007 but are not relevant for the Group's operations in 2007:

- IFRIC — Int 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies';

- IFRIC — Int 8, 'Scope of IFRS 2'; and

- IFRIC — Int 9, 'Re-assessment of embedded derivatives'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

2. BASIS OF PRESENTATION *(continued)*

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2008 or later periods and have not been early adopted by the Group:

- IFRS 8, 'Operating segments' (effective from January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from January 1, 2009;

- IAS 1 (Revised), 'Presentation and Financial Statements' (effective from January 1, 2009). IAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Group will apply IAS 1 (Revised) from January 1, 2009; and

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for the first annual reporting period beginning on or after July 1, 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply IAS 27 (Revised) from January 1, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

2. BASIS OF PRESENTATION *(continued)*

(d) Standards, amendments and Interpretations to existing standards that are not yet effective and not relevant for the Group's operations in 2007

- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009);
- IAS 32 and IAS 1 Amendments, 'Puttable Financial Instruments and Obligations Arising on Liquidation' (effective from January 1, 2009);
- IFRIC — Int 12, 'Service concession arrangements' (effective from January 1, 2008);
- IFRIC — Int 11, 'IFRS 2, Group and treasury share transactions' (effective from March 1, 2007, but not yet effective for IFRS financial statements for the year ended December 31, 2007);
- IFRIC — Int 13, 'Customer loyalty programmes' (effective from July 1, 2008);
- IFRS 3 (Revised), 'Business Combination' (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after July 1, 2009); and
- IFRIC — Int 14, 'IAS 19, the limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(i) 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 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 purchase method of accounting is used for acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(ii) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Associated companies

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

When the Group's share of losses equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

Dilution gains and losses arising in investments in companies are recognized in the consolidated income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency.

(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 income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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 equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies *(continued)*

(iii) Group companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement 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 as a separate component of equity.

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 shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(c) Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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 years
Computer systems and software	3-11 years
Motor vehicles	6 years
Furniture, fixtures and other equipment	5-9 years
Leasehold improvements	Over the lease term

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

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

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

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

(d) Intangible assets

Intangible assets mainly represent purchased computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over 3 years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) 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.

Capitalized development costs are amortized on a straight-line basis over their expected useful lives. The period of amortization does not normally exceed 5 years. During the year ended December 31, 2007, no development costs were capitalized as they did not meet all the criteria listed above (2006: nil).

(f) 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 recognized 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) 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.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted for two full annual reporting periods and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets. Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Financial assets *(continued)*

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statements. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statements in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statements when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in income statements.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statements as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statements as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Financial assets *(continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statements — is removed from equity and recognised in the income statements. Impairment losses recognised in the income statements on equity instruments are not reversed through the income statements. Impairment testing of accounts receivable is described in Note 3(j).

(h) 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.

(i) Inventories

Inventories, which principally comprise equipment for sale, spare parts and consumable items, are carried at the lower of cost or net realizable 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 realizable 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.

(j) Accounts receivable

Accounts receivable is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable 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 reorganization, and default or delinquency in payments are considered indicators that the accounts 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 recognized in the income statement. When an accounts receivable is uncollectible, it is written off against the allowance account for account receivables. Subsequent recoveries of amounts previously written off are credited against expense in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash represents cash in hand and deposits with banks or other financial institutions which are repayable on demand. Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(l) Accounts payables

Accounts payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(m) Taxation

(i) Current income tax

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

(ii) Deferred income taxation

Deferred taxation is provided in full, 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except 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.

(iii) Other tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) 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 an 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.

(ii) Other Employee benefit

All Chinese employees of the Group participate in employee social security plans, including medical, housing and other welfare benefits, organized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Provisions

A provision is recognized 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 recognized 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 recognized 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 an estimated current market interest 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 recognized as interest expense.

(p) 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 is recognized when the services are rendered;

- Revenue for data network services is recognized when the services are rendered;

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition *(continued)*

- Revenue for equipment installation project is recognized 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 recognized only to the extent of expenses recognized 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 recognized on a time-proportion basis, taking into account the principal amounts outstanding and the applicable interest rates; and

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

(q) Dividend distribution

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

(r) 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, the Company 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) Sales discount

Revenues derived from aviation information technology services and data network services are recognized net of sales discount. The amount of sales discount is subject to negotiation with customers. In certain cases, in situation where final agreement has not been reached, management makes an estimate of the discounts with reference to the status of negotiation and taking into accounts of historical experiences and industry performance.

(b) Depreciation of property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

(c) Impairment of assets

At each balance sheet date, the Group considers both internal and external sources of information to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized 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.

(d) Fair value

The Group estimates the fair value of its financial assets and financial liabilities including accounts receivable, prepayments, other current assets, accounts payable, accrued liabilities and other current liabilities by discounting its future contractual cash flows at the estimated current market interest rate that is available to the Group for similar financial instruments. The future values will change if there are changes in the estimated market interest rate.

(e) Income 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 recognizes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

5. REVENUES

Revenues primarily comprise the service fees earned by the Group for the provision of the Group's aviation information technology services and related data network services. A substantial 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:

	2007	2006
	RMB'000	*RMB'000*
After charging:		
Depreciation	**229,510**	218,097
Amortization of intangible assets	**7,427**	8,409
Amortization of leasehold improvements	**6,174**	2,672
Loss on disposal of property, plant and equipment	**6,039**	83
Provision for impairment of receivables	**1,747**	10,608
Provision for impairment of inventory	**—**	106
Cost of equipment sold	**53,093**	25,229
Contributions to defined contribution pension scheme	**40,963**	17,921
Auditors' remuneration	**2,616**	2,520
Exchange loss	**20,816**	15,218
Contribution to housing fund	**12,439**	12,591
Research and development expenses	**264,024**	234,050
After crediting:		
Interest income	**(69,512)**	(67,624)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

(1) 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, 2007 (tax inclusive):

	Year ended December 31, 2007					
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 bonuses *RMB'000*	Employer's contribution to pension scheme for employee *RMB'000*	Total *RMB'000*
Chairman of the Board						
Zhu Yong *	—	—	—	—	—	—
Executive directors						
Zhu Xiaoxing	—	—	210	277	21	508
Ding Weiping	—	—	96	385	21	502
Song Jinxiang	—	—	96	385	21	502
Non-Executive Directors						
Wang Quanhua*	—	—	—	—	—	—
Cao Jianxiong* *(i)*	—	—	—	—	—	—
Luo Chaogeng* *(ii)*	—	—	—	—	—	—
Gong Guokui*	—	—	—	—	—	—
Rong Gang*	—	—	—	—	—	—
Sun Yongtao* *(iv)*	—	—	—	—	—	—
Liu Dejun* *(iv)*	—	—	—	—	—	—
Xia Yi* *(iv)*	—	—	—	—	—	—
Song Jian*	—	—	—	—	—	—
Independent Non-Executive Directors						
Yick Wing Fat, Simon	120	—	—	—	—	120
Chow Kwok Wah, James *(i)*	50	—	—	—	—	50
Chua Keng Kim *(ii)*	70	—	—	—	—	70
Yuan Yaohui *(iv)*	120	—	—	—	—	120
Supervisors						
Li Xiaojun*	—	—	—	—	—	—
Du Hongying*	—	—	—	—	—	—
Jing Gongbin* *(iv)*	—	—	—	—	—	—
Zhang Yakun*	—	—	—	—	—	—
Yu Yanbin* *(iv)*	—	—	—	—	—	—
Gao Jingping (Staff Representative Supervisor) *(iv)*	—	—	188	244	21	453
Wang Xiaomin (Staff Representative Supervisor) *(iv)*	—	—	88	333	21	442
Zhang Xin (Staff Representative Supervisor)	—	—	72	182	21	275
Rao Geping (Independent Supervisor)	50	—	—	—	—	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

(1) 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, 2006 (tax inclusive):

Name of Director and Supervisor	Remuneration for Director	Bonus for Director	Year ended December 31, 2006 Salary of employee, Allowances and Benefits (employer's contribution inclusive)	Employees' Discretionary bonuses	Employer's contribution to pension scheme for employee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman of the Board						
Zhu Yong*	—	—	—	—	—	—
Executive directors						
Zhu Xiaoxing	—	—	190	307	19	516
Ding Weiping	—	—	105	391	19	515
Song Jinxiang	—	—	105	391	19	515
Non-Executive Directors						
Wang Quanhua*	—	—	—	—	—	—
Cao Jianxiong* *(i)*	—	—	—	—	—	—
Gong Guokui*	—	—	—	—	—	—
Rong Gang*	—	—	—	—	—	—
Yang Yatie* *(iii)*	—	—	—	—	—	—
Li Xiaoguang* *(iii)*	—	—	—	—	—	—
Si Yupei* *(iii)*	—	—	—	—	—	—
Song Jian*	—	—	—	—	—	—
Independent Non-Executive Directors						
Yick Wing Fat, Simon	90	—	—	—	—	90
Chow Kwok Wah, James *(i)*	90	—	—	—	—	90
Wu Jiapei *(iii)*	90	—	—	—	—	90
Supervisors						
Li Xiaojun*	—	—	—	—	—	—
Du Hongying*	—	—	—	—	—	—
Zhang Yakun*	—	—	—	—	—	—
Wang Yongqiang* *(iii)*	—	—	—	—	—	—
Chen Lihong* *(iii)*	—	—	—	—	—	—
Tan Xiaoxu (Staff Representative Supervisor) *(iii)*	—	—	99	343	19	461
Zhang Xin (Staff Representative Supervisor)	—	—	72	165	19	256
Rao Geping (Independent Supervisor)	—	—	—	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

(1) 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) Resigned on June 5, 2007

(ii) Appointed on June 5, 2007

(iii) Resigned on January 9, 2007

(iv) Appointed on January 9, 2007

During the year ended December 31, 2007, no director had waived or agreed to waive any emolument (2006: nil). No emolument was paid to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office (2006: nil).

(2) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: two) individuals during the year are as follows:

	2007	2006
	RMB'000	*RMB'000*
Basic salaries and allowances	**281**	277
Bonus	**629**	666
Retirement benefits	**42**	38
	952	981

The annual emoluments paid during the year ended December 31, 2007 to each of the directors (included in the five highest paid employees) fell within the band from RMB nil to RMB 1 million (2006: from RMB nil to RMB 1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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 for the year ended December 31, 2007 (2006: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2007 amounted to approximately RMB 21,173,000 (2006: RMB 17,921,000). 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 one time entrance contribution and the annual contributions to this plan made by the Group for the year ended December 31, 2007 amounted to approximately RMB 14,000,000 and RMB 5,790,000 respectively. These amount were recorded in personnel expenses.

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

9. HOUSING FUND

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 a state-sponsored housing fund equivalent to a certain percentage of each employee's salary. The contributions by the Group to the housing fund for the year ended December 31, 2007 amounted to approximately RMB 12,439,000 (2006: RMB 12,591,000). This amount was recorded in personnel expenses.

The average number of employees in 2007 was 2,629 (2006: 2,388).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

10. TAXATION

Income Tax

	2007 **RMB'000**	2006 RMB'000
Current tax:		
PRC enterprise income tax expenses	**77,692**	98,484
Overseas taxation	**1,349**	(63)
Deferred tax	**(9,100)**	—
	69,941	98,421

Taxation of the Group except for Hong Kong Company, Singapore Company, Japan Company, and Korea Company 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.

Under the prevailing PRC income tax law, the Company is subject to enterprise income tax ("EIT") at a rate of 33% on the taxable income as reported in its statutory accounts which are prepared based on the accounting principles and financial regulations applicable to PRC enterprises. The Company was registered as a new technology enterprise in October 2000 in Zhongguancun Haidian Science Park and has been approved by the Haidian State Tax Bureau for an EIT preferential rate of 15%, effective from January 1, 2006.

The Company's subsidiaries are entitled to different preferential tax rates, ranging from 15% to 33%. These subsidiaries are located in special economic zones for which the applicable tax rate is 15%, or designated as "New Technology Enterprise" for which the applicable tax rate is 15%. In addition, these subsidiaries are entitled to certain reductions in tax rates in their initial years of operations.

The above mentioned EIT preferential rates or status currently enjoyed by the Company and its subsidiaries will be subject to re-assessment in 2008 by the respective local tax bureau in view of the Corporate Income Tax Law of the People's Republic of China ("new CIT Law") that has became effective on January 1, 2008 as approved by the National People's Congress on March 16, 2007. Under the new CIT Law, the statutory corporate income tax rate applicable to the Company starting from January 1, 2008 will be 25%, replacing the currently applicable tax rate of 33%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

10. TAXATION *(continued)*

Income Tax *(continued)*

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:

	2007 RMB'000	2006 RMB'000
Profit before taxation	**718,591**	627,942
Weighted average statutory tax rate	**33%**	33%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**237,135**	207,221
Non-taxable income	**(450)**	(450)
Tax refund *(i)*	**(30,180)**	—
Non-deductible expense	**2,830**	5,444
Effect of preferential tax rates	**(139,394)**	(113,794)
Tax charge	**69,941**	98,421

(i) Tax refund

The relevant authorities issued a notice dated January 9, 2007 recognising the Company as an "Important Software Enterprise" in 2006 under the National Planning Layout. According to the relevant regulations, the Company is entitled to a preferential tax rate of 10% in the year of recognition. The Company had already paid EIT at a rate of 15% for the financial year ended December 31, 2006. The difference between the EIT paid by the Company over the preferential tax rate of 10% amounting to approximately RMB 30,180,000 had been refunded to the Company in June 2007. The tax refund was offset against income tax expense in the consolidated financial statements for the year ended December 31, 2007.

The relevant authorities issued a notice dated February 26, 2008 recognising the Company as an "Important Software Enterprise" in 2007 under the National Planning Layout. According to the relevant regulations, the Company is entitled to a preferential tax rate of 10% in the year of recognition. The Company had already paid EIT at a rate of 15% for the financial year ended December 31, 2007. According to the related regulation, the EIT paid by the Company for the financial year ended December 31, 2007 over the preferential tax rate of 10% will be refunded to the Company in the subsequent year. Its impact will be accounted for in 2008 financial statements accordingly.

Business Taxes

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

Aviation information technology service and data network	3%
Training, technical support service, rental and others	5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

10. TAXATION *(continued)*

Value — Added Tax ("VAT")

The Group's sales of equipment are subject to Value Added Tax (VAT). The Company and one of its subsidiaries, InfoSky 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 4%-6% 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 AND OTHER DISTRIBUTION

At the annual general meeting and class meetings of the Company held on June 5, 2007, a resolution was passed for the bonus issue of 888,157,500 new ordinary shares at par value of RMB1 per share to the equity holders of the Company on basis of one bonus share for one existing share ("Bonus Issue"), by conversion of reserve amounting to RMB 888,157,500 into paid in capital. As a result, the number of ordinary shares increased from 888,157,500 to 1,776,315,000. The new shares rank pari passu in all respect with the existing shares.

The shareholders in the annual general meeting on June 5, 2007 approved the final dividend in respect of 2006 of RMB 0.22 per share (RMB 0.11 per adjusted ordinary share after the Bonus Issue as mentioned in above) amounting to a total of RMB 195,394,650. The amount was accounted for in shareholders' equity as an appropriation of retained earnings.

The Board of Directors proposed a cash dividend of RMB 0.13 per share for the year ended December 31, 2007, amounting to approximately RMB 230,920,950. The proposed cash 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, 2008.

12. EARNINGS PER SHARE

Due to the Bonus Issue as described in note 11, the number of ordinary shares for the year ended December 31, 2006 for the purpose of calculating earnings per share has been adjusted retrospectively for the increase of ordinary shares.

Earnings per share for the year ended December 31, 2007 and December 31, 2006 have been computed by dividing the profit attributable to the equity holders of the Company, of RMB 630,989,000 and RMB 515,587,000, by 1,776,315,000 ordinary shares issued and outstanding.

There were no potential dilutive ordinary shares outstanding during the years ended December 31, 2007 and 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

13. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, property, plant and equipment comprised:

The Group:

	Buildings	Computer systems and software	Motor vehicles	Furniture, fixtures and other equipment	Assets under construction	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at January 1, 2006	58,496	1,524,605	34,242	29,850	181	—	1,647,374
Purchases	2,710	119,662	5,077	9,245	3,464	14,044	154,202
Transfer upon completion	—	484	—	—	(484)	—	—
Disposals/write off	—	(6,114)	(1,664)	(610)	—	—	(8,388)
As at December 31, 2006	61,206	1,638,637	37,655	38,485	3,161	14,044	1,793,188
Purchases	49,989	545,872	7,876	5,201	—	5,605	614,543
Disposals/write off	—	(167,023)	(491)	(542)	(161)	—	(168,217)
As at December 31, 2007	111,195	2,017,486	45,040	43,144	3,000	19,649	2,239,514
Accumulated depreciation							
As at January 1, 2006	(9,334)	(873,870)	(18,558)	(17,287)	—	—	(919,049)
Charge for the year	(2,892)	(206,368)	(4,427)	(4,410)	—	(2,672)	(220,769)
Disposals/write off	—	5,711	1,525	543	—	—	7,779
As at December 31, 2006	(12,226)	(1,074,527)	(21,460)	(21,154)	—	(2,672)	(1,132,039)
Charge for the year	(3,162)	(212,761)	(4,725)	(8,862)	—	(6,174)	(235,684)
Disposals/write off	—	160,474	433	450	—	—	161,357
As at December 31, 2007	(15,388)	(1,126,814)	(25,752)	(29,566)	—	(8,846)	(1,206,366)
Net book value							
As at December 31, 2006	48,980	564,110	16,195	17,331	3,161	11,372	661,149
As at December 31, 2007	95,807	890,672	19,288	13,578	3,000	10,803	1,033,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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	Leasehold improvement RMB'000	Total RMB'000
Cost						
As at January 1, 2006	32,893	1,512,721	20,285	21,228	—	1,587,127
Purchases	—	118,428	3,849	7,553	12,443	142,273
Disposals/write off	—	(5,711)	(923)	(453)	—	(7,087)
As at December 31, 2006	32,893	1,625,438	23,211	28,328	12,443	1,722,313
Purchases	33,590	544,509	6,758	2,912	5,140	592,909
Disposals/write off	—	(164,442)	—	—	—	(164,442)
As at December 31, 2007	66,483	2,005,505	29,969	31,240	17,583	2,150,780
Accumulated depreciation						
As at January 1, 2006	(3,716)	(864,558)	(11,044)	(12,555)	—	(891,873)
Charge for the year	(1,595)	(205,345)	(2,502)	(2,857)	(2,045)	(214,344)
Disposals/write off	—	5,474	895	439	—	6,808
As at December 31, 2006	(5,311)	(1,064,429)	(12,651)	(14,973)	(2,045)	(1,099,409)
Charge for the year	(1,595)	(211,812)	(2,814)	(7,284)	(5,266)	(228,771)
Disposals/write off	—	157,978	—	—	—	157,978
As at December 31, 2007	(6,906)	(1,118,263)	(15,465)	(22,257)	(7,311)	(1,170,202)
Net book value						
As at December 31, 2006	27,582	561,009	10,560	13,355	10,398	622,904
As at December 31, 2007	59,577	887,242	14,504	8,983	10,272	980,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

14. INTANGIBLE ASSETS, NET

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost				
As at January 1	**53,414**	48,268	**47,586**	44,222
Additions	**9,282**	5,146	**8,855**	3,364
As at December 31	**62,696**	53,414	**56,441**	47,586
Accumulated amortization				
As at January 1	**(43,445)**	(35,036)	**(39,678)**	(31,772)
Amortization for the year	**(7,427)**	(8,409)	**(6,747)**	(7,906)
As at December 31	**(50,872)**	(43,445)	**(46,425)**	(39,678)
Net book value				
As at December 31	**11,824**	9,969	**10,016**	7,908

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

15. INVESTMENTS IN SUBSIDIARIES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investments, at cost:	**—**	—	**37,507**	37,507

A listing of the Company's subsidiaries is shown in Note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

16. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beginning of the year	**68,343**	53,854	**21,790**	11,890
Share of profit	**12,991**	11,727	**—**	—
Dividend received from associated companies	**(838)**	(7,138)	**—**	—
Additional capital contribution	**5,500**	9,900	**5,500**	9,900
End of the year	**85,996**	68,343	**27,290**	21,790

A listing of the Group's associates is shown in Note 1.

The Group's interest in its principal 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*
2006	84,679	16,336	303,950	11,727
2007	111,321	25,325	346,305	12,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

17. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Assets as per balance sheet:				
Accounts receivable *(Note 22)*	**141,565**	84,882	**110,242**	58,125
Due from related parties *(Note 23)*	**389,561**	300,070	**381,573**	289,751
Due from subsidiaries, net *(Note 24)*	**—**	—	**24,982**	22,227
Due from associated companies *(Note 25)*	**6,308**	273	**6,308**	273
Short-term bank deposits *(Note 27)*	**1,843,949**	1,884,604	**1,757,949**	1,813,504
Cash and cash equivalents *(Note 28)*	**1,209,152**	1,233,166	**1,111,519**	1,147,017
Loans and receivables	**3,590,535**	3,502,995	**3,392,573**	3,330,947
Held-to-maturity financial assets *(Note 19)*	**100,000**	100,000	**100,000**	100,000
Total	**3,690,535**	3,602,995	**3,492,573**	3,430,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

18. DEFERRED INCOME TAX

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	**6,539**	—	**6,539**	—
— Deferred tax assets to be recovered within 12 months	**2,690**	—	**1,523**	—
	9,229	—	**8,062**	—
Deferred tax liabilities:				
— Deferred tax liabilities to be settled within 12 months	**(129)**	—	**—**	—
	(129)	—	**—**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

18. DEFERRED INCOME TAX *(continued)*

The gross movement on the deferred income tax accounts is as follow:

The Group:

	Depreciation and Amortization RMB'000	Provision and Others RMB'000	Total RMB'000
As at January 1, 2006 and December 31, 2006	—	—	—
Charged/(credited) to the income statement	7,647	1,453	9,100
As at December 31, 2007	7,647	1,453	9,100

The Company:

	Depreciation and Amortization RMB'000	Provision and Others RMB'000	Total RMB'000
As at January 1, 2006 and December 31, 2006	—	—	—
Charged/(credited) to the income statement	7,614	448	8,062
As at December 31, 2007	7,614	448	8,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

19. HELD-TO-MATURITY FINANCIAL ASSETS

At December 31, the Company and the Group had the following held-to-maturity financial assets:

	Interest rate and maturity	2007 RMB'000	2006 RMB'000
Treasury bonds	3% per annum with maturity in December 2008	**100,000**	100,000

As at December 31, 2007, the held-to-maturity financial asset was classified as current assets as it will be matured within twelve months.

20. OTHER LONG-TERM ASSETS

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

21. INVENTORIES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Equipment for sale	**9,009**	4,359	**2,632**	2,632
Spare parts	**77**	83	**—**	—
Others	**261**	162	**—**	—
Total	**9,347**	4,604	**2,632**	2,632
Provision for impairment of inventories	**(106)**	(106)	**—**	—
	9,241	4,498	**2,632**	2,632

No inventories have been pledged as security for borrowings with the Group and the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

22. ACCOUNTS RECEIVABLE, NET

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accounts receivable	**146,390**	87,960	**113,797**	60,997
Provision for impairment of receivables	**(4,825)**	(3,078)	**(3,555)**	(2,872)
Accounts receivable, net	**141,565**	84,882	**110,242**	58,125

The payment period is normally within six months after the services are rendered.

The carrying amounts of the Group's accounts receivable approximated its fair value as at December 31, 2007 because of the short-term maturities of these receivables.

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

As at December 31, 2007 and 2006, the ageing analysis of the accounts receivable was as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**126,837**	73,294	**108,850**	56,190
Over 6 months but within 1 year	**6,390**	4,859	**1,490**	2,196
Over 1 year but within 2 years	**4,578**	2,083	**1,008**	1,224
Over 2 years but within 3 years	**1,247**	6,598	**1,062**	265
Over 3 years	**7,338**	1,126	**1,387**	1,122
Accounts receivable	**146,390**	87,960	**113,797**	60,997
Provision for impairment of receivables	**(4,825)**	(3,078)	**(3,555)**	(2,872)
Accounts receivable, net	**141,565**	84,882	**110,242**	58,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

22. ACCOUNTS RECEIVABLE, NET *(continued)*

As of December 31, 2007, accounts receivable of RMB 8,656,000 (2006: RMB 3,524,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these accounts receivable is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**4,900**	2,664	**—**	—
Over 1 year but within 2 years	**3,571**	860	**—**	—
Over 2 years but within 3 years	**185**	—	**—**	—
	8,656	3,524	**—**	—

As of December 31, 2007, accounts receivable of RMB 10,897,000 (2006: RMB 11,142,000) were impaired. The amount of the provision was RMB 4,825,000 as of December 31, 2007 (2006: RMB 3,078,000). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**1,490**	2,195	**1,490**	2,196
Over 1 year but within 2 years	**1,007**	1,223	**1,008**	1,224
Over 2 years but within 3 years	**1,062**	6,598	**1,062**	265
Over 3 years	**7,338**	1,126	**1,387**	1,122
	10,897	11,142	**4,947**	4,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

22. ACCOUNTS RECEIVABLE, NET *(continued)*

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at beginning of year	**3,078**	1,755	**2,872**	1,557
Provision	**1,747**	1,323	**683**	1,315
Balance at end of year	**4,825**	3,078	**3,555**	2,872

The carrying amounts of the accounts receivable are denominated in the following currencies:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**47,353**	27,587	**26,946**	16,722
HKD denominated	**7,430**	4,112	**4,629**	2,077
USD denominated	**87,502**	56,213	**78,159**	42,198
Others	**4,105**	48	**4,063**	—
	146,390	87,960	**113,797**	60,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

23. DUE FROM RELATED PARTIES, NET

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**377,452**	289,133	**370,852**	279,376
Over 6 months but within 1 year	**10,796**	10,889	**10,721**	10,855
Over 1 year but within 2 years	**7,055**	7,685	**5,779**	7,157
Over 2 years but within 3 years	**1,895**	5,148	**1,858**	5,148
Over 3 years	**7,028**	1,880	**7,028**	1,880
Due from related parties	**404,226**	314,735	**396,238**	304,416
Provision for impairment of receivables	**(14,665)**	(14,665)	**(14,665)**	(14,665)
Due from related parties, net	**389,561**	300,070	**381,573**	289,751

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

As of December 31, 2007, due from related parties of RMB 12,109,000 (2006: RMB 10,937,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging analysis of these receivables are as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**10,796**	5,110	**10,721**	5,076
Over 1 year but within 2 years	**1,276**	5,827	**–**	5,299
Over 2 years but within 3 years	**37**	—	**–**	—
	12,109	10,937	**10,721**	10,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

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

As of December 31, 2007, due from related parties of RMB 14,665,000 (2006: RMB 14,665,000) were impaired. The amount of the provision was RMB 14,665,000 as of December 31, 2007 (2006: RMB 14,665,000) for the estimated losses resulting from the disagreement on services and payments. The ageing of the receivable is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**—**	5,779	**—**	5,779
Over 1 year but within 2 years	**5,779**	1,858	**5,779**	1,858
Over 2 years but within 3 years	**1,858**	5,148	**1,858**	5,148
Over 3 years	**7,028**	1,880	**7,028**	1,880
	14,665	14,665	**14,665**	14,665

24. DUE FROM SUBSIDIARIES, NET

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**—**	—	**7,111**	8,540
Over 6 months but within 1 year	**—**	—	**3,210**	2,287
Over 1 year but within 2 years	**—**	—	**5,751**	3,783
Over 2 years but within 3 years	**—**	—	**2,293**	4,813
Over 3 years	**—**	—	**14,428**	10,615
Total	**—**	—	**32,793**	30,038
Provision for impairment of receivables	**—**	—	**(7,811)**	(7,811)
Due from subsidiaries, net	**—**	—	**24,982**	22,227

These balances are trade related, interest free and unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

25. DUE FROM ASSOCIATED COMPANIES

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

26. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Advance payments	**35,822**	13,578	**32,460**	5,050
Interest receivable	**34,046**	28,894	**34,046**	28,894
Prepaid expenses	**18,661**	13,045	**18,661**	12,775
Other current assets	**13,870**	6,547	**3,473**	1,069
Total	**102,399**	62,064	**88,640**	47,788

27. SHORT-TERM BANK DEPOSITS

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**1,666,000**	1,601,100	**1,580,000**	1,530,000
HKD denominated	**177,949**	221,034	**177,949**	221,034
USD denominated	**—**	62,470	**—**	62,470
	1,843,949	1,884,604	**1,757,949**	1,813,504

The annual interest rate on short-term bank deposits ranges from 2.52% to 4.80% (2006: 1.71% to 4.89%) and these deposits have a maturity period ranging from 6 to 24 months (2006: 6 to 36 months).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

28. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash				
RMB	**60**	300	**20**	110
HKD denominated	**34**	30	**—**	—
USD denominated	**—**	1	**—**	—
Others	**5**	8	**—**	—
	99	339	**20**	110
Demand deposits				
RMB	**1,094,216**	1,064,720	**1,051,485**	1,022,124
USD denominated	**78,280**	109,976	**45,797**	79,295
HKD denominated	**31,640**	55,921	**14,217**	45,488
Others	**4,917**	2,210	**—**	—
	1,209,053	1,232,827	**1,111,499**	1,146,907
Total cash and cash equivalents	**1,209,152**	1,233,166	**1,111,519**	1,147,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

29. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accounts payable	**180,255**	110,142	**163,835**	96,457
Accrued departure technology support fee	**100,443**	55,476	**100,442**	62,494
Accrued technical support fee	**17,245**	27,548	**15,902**	25,742
Accrued network usage fees	**45,113**	45,565	**45,113**	45,565
Accrued bonus and employee benefit to employees	**49,189**	50,557	**46,060**	47,652
Other taxes payable *(i)*	**30,459**	24,282	**29,935**	22,992
Other liabilities	**47,508**	45,630	**41,212**	42,851
Total	**470,212**	359,200	**442,499**	343,753

At December 31, 2007, approximately RMB 141,607,000 of the above balances were denominated in US dollars (2006: RMB 123,664,000).

The aging analysis of accounts payable and accrued liabilities are as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**133,228**	25,238	**124,746**	16,059
Over 6 months but within 1 year	**13,078**	8,773	**11,231**	6,758
Over 1 year but within 2 years	**7,884**	55,809	**4,630**	53,531
Over 2 years but within 3 years	**17,481**	754	**14,644**	541
Over 3 years	**8,584**	19,568	**8,584**	19,568
Total accounts payable	**180,255**	110,142	**163,835**	96,457
Accrued liabilities and other liabilities	**289,957**	249,058	**278,664**	247,296
Total	**470,212**	359,200	**442,499**	343,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

29. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES *(continued)*

(i) Other taxes payables

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Business tax payable	**24,959**	17,640	**24,034**	16,977
VAT payable	**(977)**	167	**(73)**	(126)
Other	**6,477**	6,475	**5,974**	6,141
Total	**30,459**	24,282	**29,935**	22,992

30. DUE TO RELATED PARTIES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**14,069**	1,153	**14,069**	152
Over 6 months but within 1 year	**–**	50,945	**–**	50,850
Over 1 year but within 2 years	**–**	11,366	**–**	10,794
Over 2 years but within 3 years	**5,424**	3,116	**4,934**	2,787
Over 3 years	**20,467**	18,862	**11,530**	9,524
Total	**39,960**	85,442	**30,533**	74,107

These balances comprised mainly dividend payables and service fee payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

31. PAID-IN CAPITAL

The Paid-In capital as at December 31, 2007 represented 577,303,500 Domestic Shares that were issued by the Company upon incorporation, 310,854,000 H Shares that were issued by the Company in February, 2001, and 888,157,500 new ordinary shares due to the Bonus Issue in June, 2007 as described in Note 11.

	2007 Number of shares *'000*	2007 Amount *RMB'000*
Authorized:		
Domestic Shares of RMB1 each	1,154,607	1,154,607
H Shares of RMB1 each	621,708	621,708
Total shares of RMB1 each	1,776,315	1,776,315
Issued and fully paid:		
Domestic Shares of RMB1 each	1,154,607	1,154,607
H Shares of RMB1 each	621,708	621,708
Total shares of RMB1 each	1,776,315	1,776,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

32. RESERVES

	Capital Surplus	Statutory Surplus Reserve Fund	Statutory Public Welfare Fund	Discretionary Surplus Reserve Fund	Currency translation differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
Balance as at January 1, 2006	1,194,956	218,004	207,330	291,614	(450)	1,911,454
Transfer from Statutory Public Welfare Fund	—	207,330	(207,330)	—	—	—
Transfer from retained earnings	—	52,248	—	103,111	—	155,359
Currency translation differences	—	—	—	—	(701)	(701)
Balance as at December 31, 2006	1,194,956	477,582	—	394,725	(1,151)	2,066,112
Transfer to Paid-In capital *(Note 31)*	(888,157)	—	—	—	—	(888,157)
Transfer from retained earnings	—	36,847	—	83,699	—	120,546
Currency translation differences	—	—	—	—	(1,667)	(1,667)
Balance as at December 31, 2007	306,799	514,429	—	478,424	(2,818)	1,296,834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

32. RESERVES *(continued)*

	Capital Surplus RMB'000	Statutory Surplus Reserve Fund RMB'000	Statutory Public Welfare Fund RMB'000	Discretionary Surplus Reserve Fund RMB'000	Currency translation differences RMB'000	Total RMB'000
The Company						
Balance as at January 1, 2006	1,194,956	215,928	205,554	291,528	—	1,907,966
Transfer from Statutory Public Welfare Fund	—	205,554	(205,554)	—	—	—
Transfer from retained earnings	—	51,478	—	102,779	—	154,257
Balance as at December 31, 2006	1,194,956	472,960	—	394,307	—	2,062,223
Transfer to Paid-In capital *(Note 31)*	(888,157)	—	—	—	—	(888,157)
Transfer from retained earnings	—	41,469	—	84,117	—	125,586
Balance as at December 31, 2007	306,799	514,429	—	478,424	—	1,299,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

33. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In accordance with the Company Law of PRC, which was revised on October 27, 2005 and became effective on January 1, 2006, and the Articles of Association of the Company, the Company would not make any appropriations to the statutory public welfare fund commencing from 2006. According to the Circular on corporate accounting treatment following the implementation of Company Law issued by the Ministry of Finance on March 15, 2006, the balance of the statutory public welfare fund at December 31, 2005 was transferred into the statutory surplus reserve fund.

In the year ended December 31, 2007, according to the Company Law of PRC, related regulations, and the Articles of Association of the Company, the distributable net profit after taxation and minority interest is distributed in order as follow:

(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) appropriation to the distribution of dividends for ordinary shares.

For the year ended December 31, 2007, the Board's proposed appropriations to the statutory surplus reserve fund and discretionary surplus reserve fund were adjusted for the impact of the new PRC Accounting Standards that became effective on January 1, 2007.

The appropriation to the discretionary surplus reserve fund for the year ended December 31, 2006 was approved in the annual general meeting held on June 5, 2007. The amount was accounted for in shareholder's equity as a distribution of retained earnings in the year ended December 31, 2007.

The proposed appropriation of RMB 118,357,000 to the discretionary surplus reserve fund for the year ended December 31, 2007 is subject to shareholders' approval at the next general meeting. Therefore, the amount will be recorded in the Group's financial statements for year ending December 31, 2008.

After the appropriations mentioned above, the retained earnings available for distribution as at December 31, 2007 was approximately RMB 959,553,000 (2006: RMB 787,939,000).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 591,783,000 (2006: RMB 495,029,000) for the year ended December 31, 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

34. CASH GENERATED FROM OPERATING ACTIVITIES

	2007 RMB'000	2006 RMB'000
Profit before taxation	**718,591**	627,942
Adjustments for:		
Depreciation and amortization	**243,111**	229,178
Loss on disposal of property, plant and equipment	**6,039**	83
Interest income	**(69,512)**	(67,624)
Provision for impairment of receivables	**1,747**	10,608
Provision for impairment of inventories	**—**	106
Share of results from associated companies	**(12,991)**	(11,727)
Foreign exchange loss	**19,149**	14,517
Decrease (increase) in current assets:		
Accounts receivable	**(58,430)**	(24,689)
Inventories	**(4,743)**	(1,214)
Prepayments and other current assets	**(5,370)**	(4,391)
Due from related parties/associated companies	**(95,526)**	(36,237)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	**33,728**	20,153
Deferred revenue	**2,726**	473
Due to related parties	**11,713**	1,733
Cash generated from operations	**790,232**	758,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

35. 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 programme focuses on the unpredictability of financial markets and seeks to minimize 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 Group's functional currency is RMB. Majority of transactions are conducted in RMB except 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 accounts receivables, cash and cash equivalents, short-term bank deposits and accounts payables denominated in foreign currencies. Analysis of these assets and liabilities by currency are disclosed in Notes 22, 28, 27, and 29 respectively.

As at December 31, 2007, if RMB had strengthened/weakened by 5% against US$ and HK$ with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the years ended December 31, 2007 would have been approximately RMB 11,651,000 lower/higher, mainly as a result of foreign exchange losses on translation of US$ and HK$ denominated accounts receivables, cash and cash equivalents, short-term bank deposits and accounts payables.

(ii) Interest rate risk

The Group's interest-bearing assets are mainly represented by cash and cash equivalents, bank deposits and treasury bonds. Interest income is approximately RMB 69,512,000 (2006: RMB 67,624,000). 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 short-term bank deposits and treasury bonds are disclosed in Note 27 and Note 19.

The Group has no significant borrowing and non-current liabilities at December 31, 2007 and do not has significant exposure to changes in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

35. FINANCIAL RISK MANAGEMENT *(continued)*

- **Financial risk factors** *(continued)*

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, short-term deposits, accounts receivables, 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. Based on historical record, the repayment period is normally within 6 months and there was no material default of the balances in the past. Approximately 62% (2006: 60%) of the total amount due from related parties was due from the top 3 customers of the Group: China Southern Air Company Limted, China Eastern Air Company 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 67% (2006: 66%) of the total bank balances were concentrated with 4 stated-owned banks as at December 31, 2007.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. Approximately 62% of the total assets are cash and cash equivalents, or short-term deposits as at December 31, 2007 (2006: 70%), which is adequate to meet its daily operations requirements. Directors believe the Group has sufficient cash balances as at December 31, 2007 and has no significant exposure to liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

35. FINANCIAL RISK MANAGEMENT *(continued)*

- **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.

- **Fair value estimation**

  The Group's financial instruments mainly consist of cash and cash equivalents, short-term bank deposits, accounts receivables, prepayments, due from associated and related parties, treasury bonds, accounts payables, and due to related parties.

  The carrying amounts of the Group's financial instruments except for treasury bonds approximated their fair values as at December 31, 2007 because of the short-term maturities of these instruments.

  The treasury bonds that are held to maturity are carried at amortized cost. At December 31, 2007, the market value of the treasury bonds was approximately RMB 100,560,000 (2006: RMB 100,430,000).

36. 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 considered to be the Group's general manager. The information reviewed by the general manager is identical to the information presented in the consolidated income statement. No segment income statement has been prepared by the Group for the year ended December 31, 2007 and 2006. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

37. COMMITMENTS

(a) Capital commitments

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

	2007	2006
	RMB'000	*RMB'000*
Authorized and contracted for		
— Computer System	**55,720**	7,923
— Building	**63,437**	—
Authorized but not contracted for		
— Computer System	**661,692**	494,680
— Land use right and Building	**628,962**	—
Total	**1,409,811**	502,603

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

At December 31, 2007, less than RMB 1 million of the above balance were denominated in US dollars (2006: Nil).

(b) Operating lease commitments

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

	2007	2006
	RMB'000	*RMB'000*
Within one year	**58,581**	17,521
Later than one year but not later than five years	**68,264**	46,530
Total	**126,845**	64,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

37. COMMITMENTS *(continued)*

(c) Equipment maintenance fee commitments

As at December 31, 2007, the Group had equipment maintenance fee commitments as of RMB 14,417,000 (2006: Nil).

38. RELATED PARTY TRANSACTIONS

Entities are considered to be related if one has the ability to control the other, directly or indirectly, or has the ability to exercise significant influence over the financial and operating decisions of the other. Entities are also considered to be related if they are subject to common control or common significant influence.

Management believes that meaningful information relative to related party disclosures 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
China TravelSky Holding Company ("CTHC")	Shareholder of the 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 Company Limited	Subsidiary of a 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	Shareholder of the Company
Sichuan Airlines Holding Company	Shareholder of the Company
Sichuan Airlines Company Limited	Subsidiary of a shareholder of the Company
Asia Technology Development Company Limited ("Asia Technology")	Indirect wholly owned subsidiary of a shareholder of the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

38. 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 and data network services, the pricing of which 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	**2007** ***RMB'000***	2006 *RMB'000*
China Southern Airlines Company Limited *(a)*	**347,507**	300,552
China Eastern Airlines Company Limited *(b)*	**273,339**	246,545
Air China Limited	**241,469**	226,965
Hainan Airlines Company Limited	**146,464**	123,533
Shanghai Airlines Company Limited	**99,295**	79,347
Shenzhen Airlines Company Limited	**101,128**	78,464

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

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

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

(ii) Lease of properties from CTHC

For the year ended December 31, 2007, operating lease rentals for lease of properties from CTHC amounted to RMB 38,608,608 (2006: RMB 38,608,608). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

(iii) Computer software development services provided by Asia Technology.

For the year ended December 31, 2007, computer software development services provided by Asia Technology amounted to RMB 18,800,000 (2006: RMB 18,800,000). Asia Technology is an indirect wholly owned subsidiary of CTHC. The pricing of computer software development service fee is based on contractual arrangement with Asia Technology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

38. RELATED PARTY TRANSACTIONS *(continued)*

(3) Balances with related parties

Balances due from the related parties mainly comprised:

	The Group		The Company	
	2007	2006	2007	2006
Name	RMB'000	RMB'000	RMB'000	RMB'000
China Southern Airlines Company Limited *(a)*	**129,108**	18,215	**126,854**	16,516
China Eastern Airlines Company Limited *(b)*	**67,843**	93,685	**64,684**	92,932
Air China Limited	**52,680**	77,188	**52,667**	77,180
Hainan Airlines Company Limited	**45,009**	39,847	**44,973**	39,796
Sichuan Airlines Company Limited	**45,487**	3,190	**45,587**	2,640
Shenzhen Airlines Company Limited	**25,482**	45,204	**23,314**	45,126

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

(b) Included the transaction balance of its subsidiary, China Eastern Airlines Wuhan Company Limited.

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

The balances with related parties primarily arose from the above related party transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi)

38. 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	
	2007	2006	**2007**	2006
Name	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Bank balances	**2,058,932**	2,064,720	**1,880,290**	1,912,320

The Group is a state-owned enterprise. In accordance with the revised IAS 24, "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 privatization programs. Nevertheless, management believes that all material related party balances and transactions have been adequately disclosed.

39. ULTIMATE HOLDING COMPANY

The Directors regard China TravelSky Holding Company established in the PRC as being the ultimate holding company.

40. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on March 28, 2008.

SUPPLEMENTARY FINANCIAL INFORMATION PROVIDED BY THE MANAGEMENT
CONSOLIDATED BALANCE SHEET

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

	As at December 31				
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000	**2007 RMB'000**
ASSETS					
Non-current assets					
Property, plant and equipment, net	545,354	475,118	728,325	661,149	**1,033,148**
Intangible assets, net	11,093	15,117	13,232	9,969	**11,824**
Investments in associated companies	36,327	42,424	53,854	68,343	**85,996**
Held-to-maturity financial assets	100,000	100,000	100,000	100,000	**–**
Other long-term assets	4,901	16,142	20,906	17,000	**8,881**
Deferred income tax assets	—	—	—	—	**9,229**
	697,675	648,861	916,317	856,461	**1,149,078**
Current assets					
Inventories	2,635	4,098	3,390	4,498	**9,241**
Accounts receivable, net	18,352	38,170	61,516	84,882	**141,565**
Due from associated companies	65	—	1,227	273	**6,308**
Due from related parties, net	83,619	112,811	272,991	300,070	**389,561**
Prepayments and other current assets	32,005	82,979	48,072	62,064	**102,399**
Short-term investments	1,920	1,749	—	—	**–**
Held-to-maturity financial assets	—	—	—	—	**100,000**
Short-term bank deposits	505,000	625,378	1,947,277	1,884,604	**1,843,949**
Cash and cash equivalents	2,034,952	2,236,843	856,811	1,233,166	**1,209,152**
	2,678,548	3,102,028	3,191,284	3,569,557	**3,802,175**
Total assets	3,376,223	3,750,889	4,107,601	4,426,018	**4,951,253**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	888,158	888,158	888,158	888,158	**1,776,315**
Reserves	1,584,817	1,719,540	1,911,454	2,066,112	**1,296,834**
Retained earnings					
– Proposed final cash dividend	90,592	177,632	204,276	195,395	**230,921**
– Others	314,471	451,297	584,304	749,137	**1,028,659**
	2,878,038	3,236,627	3,588,192	3,898,802	**4,332,729**
Minority interest	40,305	49,456	61,296	72,523	**85,997**
Total equity	2,918,343	3,286,083	3,649,488	3,971,325	**4,418,726**
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	—	—	—	—	**129**
Current liabilities					
Accounts payable and accrued liabilities	385,564	421,821	345,000	359,200	**470,212**
Due to related parties	64,922	27,048	93,981	85,442	**39,960**
Income tax payable	5,343	12,794	17,159	7,605	**17,054**
Deferred revenue	2,051	3,143	1,973	2,446	**5,172**
	457,880	464,806	458,113	454,693	**532,398**
Total liabilities	457,880	464,806	458,113	454,693	**532,527**
Total equity and liabilities	3,376,223	3,750,889	4,107,601	4,426,018	**4,951,253**
Net current assets	2,220,668	2,637,222	2,733,171	3,114,864	**3,269,777**
Total assets less current liabilities	2,918,343	3,286,083	3,649,488	3,971,325	**4,418,855**

SUPPLEMENTARY FINANCIAL INFORMATION PROVIDED BY THE MANAGEMENT
CONSOLIDATED INCOME STATEMENT

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

	Year ended December 31				
	2003	2004	2005	2006	**2007**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenues					
Aviation information technology services	663,932	1,025,725	1,238,003	1,395,172	**1,601,160**
Data network and others	229,686	257,125	258,781	316,533	**400,743**
Total revenues	893,618	1,282,850	1,496,784	1,711,705	**2,001,903**
Operating expenses					
Business taxes and other surcharges	(32,005)	(42,277)	(49,764)	(56,358)	**(65,795)**
Depreciation and amortisation	(149,166)	(166,741)	(182,015)	(229,178)	**(243,111)**
Network usage	(58,792)	(70,671)	(59,982)	(76,529)	**(83,562)**
Personnel	(166,425)	(154,068)	(199,497)	(239,743)	**(271,689)**
Operating lease rentals	(42,870)	(49,406)	(61,878)	(63,658)	**(68,607)**
Technical support and maintenance fees	(44,650)	(40,456)	(68,138)	(99,801)	**(154,459)**
Commission and promotion expenses	(74,537)	(155,702)	(148,004)	(194,095)	**(248,075)**
Other operating expenses	(98,842)	(152,423)	(182,502)	(188,534)	**(209,701)**
Total operating expenses	(667,287)	(831,744)	(951,780)	(1,147,896)	**(1,344,999)**
Operating profit	226,331	451,106	545,004	563,809	**656,904**
Financial income, net	34,569	37,558	38,441	52,406	**48,696**
Share of results of associated companies	11,445	10,934	11,312	11,727	**12,991**
Profit before taxation	272,345	499,598	594,757	627,942	**718,591**
Taxation	(23,092)	(40,188)	(51,063)	(98,421)	**(69,941)**
Profit after taxation	249,253	459,410	543,694	529,521	**648,650**
Attributable to:					
Equity holders of the Company	242,541	449,181	529,647	515,587	**630,989**
Minority interest	6,712	10,229	14,047	13,934	**17,661**
	249,253	459,410	543,694	529,521	**648,650**
Earnings per share for profit attributable to the equity holders of the Company					
Basic and diluted (RMB)	0.14	0.25	0.30	0.29	**0.36**
Cash dividends	90,592	177,632	204,276	195,395	**230,921**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Acting Chairman	(appointed on March 28, 2008)
Sun Yongtao	Non-executive Director (appointed on January 9, 2007)

Directors

Zhu Xiaoxing	Executive Director (CEO) (appointed on January 9, 2007)
Ding Weiping	Executive Director (Secretary to the Board and Company Secretary) (appointed on January 9, 2007)
Song Jinxiang	Executive Director (appointed on January 9, 2007)
Wang Quanhua	Vice Chairman, Non-executive Director (appointed on January 9, 2007)
Luo Chaogeng	Vice Chairman, Non-executive Director (appointed on June 5, 2007)
Gong Guokui	Vice Chairman, Non-executive Director (appointed on January 9, 2007)
Rong Gang	Non-executive Director (appointed on January 9, 2007)
Zhu Yong	Non-executive Director (appointed as Executive Director on January 9, 2007, re-designated as Non-executive Director on March 28, 2008)
Liu Dejun	Non-executive Director (appointed on January 9, 2007)
Xia Yi	Non-executive Director (appointed on January 9, 2007)
Song Jian	Non-executive Director (appointed on January 9, 2007)
Yick Wing Fat, Simon	Independent Non-executive Director (appointed on January 9, 2007)
Yuan Yaohui	Independent Non-executive Director (appointed on January 9, 2007)
Chua Keng Kim	Independent Non-executive Director (appointed on June 5, 2007)
Yang Yatie	Non-executive Director (appointed on December 5, 2003 and resigned on January 9, 2007)
Li Xiaoguang	Non-executive Director (appointed on December 5, 2003 and resigned on January 9, 2007)
Si Yupei	Non-executive Director (appointed on December 5, 2003 and resigned on January 9, 2007)
Wu Jiapei	Independent Non-executive Director (appointed on December 5, 2003 and resigned on January 9, 2007)
Cao Jianxiong	Vice Chairman, Non-executive Director (appointed on January 9, 2007 and resigned on June 5, 2007)
Chow Kwok Wah, James	Independent Non-executive Director (appointed on January 9, 2007 and resigned on June 5, 2007)

CORPORATE INFORMATION

AUDIT COMMITTEE

Yick Wing Fat, Simon	Chief Member (Chairman) (appointed on January 9, 2007)
Yuan Yaohui	Member (appointed on January 9, 2007)
Chua Keng Kim	Member (appointed on June 5, 2007)
Wu Jiapei	Chief Member (appointed on December 5, 2003 and resigned on January 9, 2007)
Chow Kwok Wah, James	Member (appointed on January 9, 2007 and resigned on June 5, 2007)

STRATEGIC COMMITTEE

Luo Chaogeng	Chief Member (Chairman) (appointed on June 5, 2007)
Zhu Yong	Member (appointed on January 9, 2007)
Wang Quanhua	Member (appointed on January 9, 2007)
Gong Guokui	Member (appointed on January 9, 2007)
Rong Gang	Member (appointed on January 9, 2007)
Ding Weiping	Member (appointed on January 9, 2007)
Cao Jianxiong	Chief Member (Chairman) (appointed on January 9, 2007 and resigned on June 5, 2007)

REMUNERATION AND EVALUATION COMMITTEE

Yuan Yaohui	Chief Member (Chairman) (appointed on January 9, 2007)
Yick Wing Fat, Simon	Member (appointed on January 9, 2007)
Chua Keng Kim	Member (appointed on June 5, 2007)
Wang Quanhua	Member (appointed on January 9, 2007)
Sun Yongtao	Member (appointed on January 9, 2007)
Yang Yatie	Member (appointed on March 11, 2004 and resigned on January 9, 2007)
Wu Jiapei	Member (appointed on March 11, 2004 and resigned on January 9, 2007)
Chow Kwok Wah, James	Member (appointed on January 9, 2007 and resigned on June 5, 2007)

SUPERVISORY COMMITTEE

Chairperson	(appointed on January 9, 2007)
Li Xiaojun	Supervisor (appointed on January 9, 2007)
Vice Chairperson	(appointed on January 9, 2007)
Du Hongying	Supervisor (appointed on January 9, 2007)

CORPORATE INFORMATION

Supervisors

Jing Gongbin	Supervisor (appointed on January 9, 2007)
Zhang Yakun	Supervisor (appointed on January 9, 2007)
Yu Yanbing	Supervisor (appointed on January 9, 2007)
Gao Jingping	Staff Representative Supervisor (appointed on January 9, 2007)
Wang Xiaomin	Staff Representative Supervisor (appointed on January 9, 2007)
Zhang Xin	Staff Representative Supervisor (appointed on January 9, 2007)
Rao Geping	Independent Supervisor (appointed on January 9, 2007)
Wang Yongqiang	Supervisor (appointed on December 5, 2003 and resigned on January 9, 2007)
Chen Lihong	Supervisor (appointed on December 5, 2003 and resigned on January 9, 2007)
Tan Xiaoxu	Supervisor (appointed on December 5, 2003 and resigned on January 9, 2007)

COMPANY SECRETARY

Ding Weiping

COMPANY'S WEBSITES

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

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

AUDITORS

International Auditors:
PricewaterhouseCoopers
Certified Public Accountants, Hong Kong
22/F, Prince's Building, Central, Hong Kong

PRC Auditors:
PricewaterhouseCoopers Zhong Tian CPAs Limited Company
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PRC

CORPORATE INFORMATION

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PLACE OF BUSINESS IN HONG KONG

Rooms 3005-3007, 30/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 0696

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

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

Shareholders can obtain a copy of this annual report through the website of the Company at (http://travelsky.wsfg.hk).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

DIRECTORS

Acting Chairman

Sun Yongtao, aged 50, holds a master 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. From July 1990 to July 1993, he was the Chief Accountant of Shenzhen Century Plaza Hotel Company Limited, a company listed on the Shenzhen Stock Exchange. From July 1993 to January 1996, he was a director and General Manager of Finance Department of Shum Yip Holdings Company Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, now known as Shenzhen Holding Company 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. From March 2001 to February 2002, Mr. Sun served as the Deputy General Manager and the Financial Controller of Guiming Investment Limited. He was the Deputy General Manager and the Financial Controller of Daya Bay Nuclear Power Finance Corporation, Ltd. from February 2002 to November 2004. Mr. Sun has been the Chief Accountant of China TravelSky Holding Company, a promoter of the Company, since November 2004. Since January 2007, Mr. Sun was the Chairman of Accounting Centre of China Aviation (a wholly-owned subsidiary of China TravelSky Holding Company). Since January 2007, Mr. Sun has served as a non-executive Director of the Company's third Board and a member of the Remuneration and Evaluation Committee. Since March 2008, Mr. Sun has served as the Acting Chairman of the third Board of the Company.

Executive Directors

Zhu Xiaoxing, aged 43, graduated from Jilin University majoring in computer software. Mr. Zhu has nearly 20 years of experience in management and technological support in China's civil aviation industry. 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. Since August 2004, Mr. Zhu has served as the General Manager of the Company. Since October 2004, he has served as an executive Director of the second Board. Since January 2007, Mr. Zhu has been re-appointed as an executive Director of the Company's third Board and the General Manager of the Company. Mr. Zhu also serves as the Chairman of Cares Hubei Co. Ltd., a subsidiary of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Ding Weiping, aged 56, graduated from Beijing Industry Technology University and has over 20 years of management experience in China's civil aviation industry. From December 1979 to May 1984, Mr. Ding worked in General Administration of Civil Aviation of China. From May 1984 to October 1987, he worked in Civil Aviation Computer Information Centre, currently known as China TravelSky Holding Company, a promoter of the Company. From October 1987 to August 2000, he served as the Deputy Head of the Information Technology Room and then as the Vice Chief Engineer of Civil Aviation Computer Information Centre. Mr. Ding was also the head of the Planning Department of Civil Aviation Computer Information Centre from July 1999 to August 2000. From July 1999 to August 2000, Mr. Ding also served as the Officerin-charge of the Restructuring Department of Civil Aviation Computer Information Centre. From October 2000 to August 2004, Mr. Ding had served as the Deputy Chief Engineer of the Company and General Manager of the Department of Planning and Development of the Company. From October 2000 to December 2003, Mr. Ding had served as an executive Director of the first Board and the Secretary of the Board. From December 2003 to January 2007, he had been an executive Director of the second Board and the Secretary of the Board. In March 2004, Mr. Ding was appointed by the Board as a member of the Strategic Committee of the second Board. Since October 2000, Mr. Ding has also been the Secretary to the Board and the Company Secretary. Since January 2007, Mr. Ding has been re-appointed as an executive Director of the Company's third Board, the Secretary to the Board and a member of the Strategic Committee. Mr. Ding also holds positions in subsidiaries of the Company, including a director of each of TravelSky Technology (Singapore) Limited and TravelSky Technology (Japan) Limited, the Vice Chairman of Aviation Cares of Yunnan Information Co. Ltd, a director of InfoSky Technology Co. Ltd. and positions in associated companies of the Company, including the Chairman of Dalian TravelSky Airport Technology Limited and the Vice Chairman of each of Yunnan TravelSky Airport Technology Limited, Heilongjiang TravelSky Airport Technology Limited, Shanghai Dongmei Aviation Tourism Online Co. Ltd and Hebei TravelSky Airport Technology Limited.

Song Jinxiang, aged 59, graduated from Beijing Institute of Aeronautics (currently known as "Beijing University of Aeronautics and Astronautics") and has over 20 years of management experience in China's civil aviation industry. From December 1976 to September 1981, Mr. Song was a technician of General Administration of Civil Aviation of China. From September 1981 to July 1999, he served as the Deputy Head and then as the Head of the Business Department of Civil Aviation Computer Information Centre. Mr. Song was the Deputy Chief Economist of Civil Aviation Computer Information Centre from July 1999 to August 2000. Mr. Song was a member of the first Supervisory Committee of the Company from October 2000 to December 2003. Since December 2003, he has been elected as an executive Director of the second Board. Since January 2007, Mr. Song been re-appointed as an executive Director of the Company's third Board. Mr. Song also holds positions in subsidiaries of the Company, including the Chairman of each of Cares Chongqing Information Technology Co. Ltd., Civil Aviation Cares of Xiamen Ltd., Civil Aviation Cares of Qingdao Ltd., Civil Aviation Cares of Xi'an Ltd., Civil Aviation Cares Technology of Xinjiang and a director of TravelSky Technology (Hong Kong) Limited.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Non-executive Directors

Wang Quanhua, aged 53, is a university graduate and has about 30 years of management experience in China's civil aviation industry. He joined China Southern Airlines Company Limited 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 China Southern Air Holding Company, 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 of Hong Kong Limited and a subsidiary of China Southern Air Holding Company since March 2003. Since December 2003, Mr. Wang has served as a non-executive Director and a Vice Chairman of the second Board. In March 2004, Mr. Wang was appointed by the Board as a member of the Strategic Committee of the second Board and the Remuneration and Evaluation Committee. Since January 2007, Mr. Wang has been re-appointed as a non-executive Director and a Vice Chairman of the Company's third Board and a member of the Strategic Committee and the Remuneration and Evaluation Committee.

Luo Chaogeng, aged 57, joined the civil aviation industry in 1970. Mr. Luo has obtained first class competency in flight mechanics. Mr. Luo was a flight mechanic of the instructing team of the Lanzhou Civil Aviation Administration Bureau from August 1970 to August 1972. From September 1972 to March 1989, he was the flight mechanic of the 8th Civil Aviation Flight Team. From March 1989 to August 1994, he was the deputy commissar, commissar and party secretary of the Xian Flight Team of China Northwest Airlines. From August 1994 to October 1996, he was the party secretary of the aircraft maintenance plant of China Northwest Airlines. From October 1996 to March 1997, he was the party secretary and deputy general manager of the aircraft maintenance base of China Northwest Airlines. From March 1997 to December 2000, he was the deputy director of the Civil Aviation Administration Bureau of China Northwest Airlines. From December 2000 to November 2001, he was the general manager of Yunnan Airlines and a director and the deputy party secretary of Civil Aviation Administration Bureau of Yunan. From November 2001 to September 2002, he was the general manager and deputy party secretary of Yunnan Airlines. From September 2002 to September 2004, he has also been serving concurrently as the general manager of Yunan Airlines. From September 2004 to October 2006, Mr. Luo was the General Manager and the deputy party secretary 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 which is a promoter and a substantial shareholder of the Company. From September 2002 to the present, Mr. Luo has been the Vice President and a party constitution member of China Eastern Air Holding Company. Since June 2007, Mr. Luo has served as a non-executive Director and a Vice Chairman of the Company's third Board and the Chief Member (Chairman) of the Strategic Committee.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Gong Guokui, aged 59, graduated from Capital University of Economics and Business. Mr. Gong has served in corporate management positions. Mr. Gong had served the General Administration of Civil Aviation of China of Civil Aviation Management Institute of China for years and possesses nearly 30 years of management experience in the China's civil aviation industry. From September 2002 to September 2004, Mr. Gong served as the vice president of Air China Limited. Since September 2004, Mr. Gong has served as the Deputy General Manager of China National Aviation Holding Company, a promoter and substantial shareholder of the Company. Since November 2004, Mr. Gong has served as the Chairman of CNAH Construction and Development Company Limited, a subsidiary of China National Aviation Holding Company. Since August 2005, Mr. Gong has served as a non-executive Director and a Vice Chairman of the second Board. Since August 2005, Mr. Gong was appointed by the Board as a member of the Strategic Committee of the second Board. Since January 2007, Mr. Gong has been re-appointed as a non-executive Director and a Vice Chairman of the Company's third Board and a member of the Strategic Committee.

Rong Gang, aged 45, is a senior engineer. He holds a master 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. From May 1996 to May 1999, he worked in General Administration of Civil Aviation of China. From May 1999 to October 2002, Mr. Rong served as the Vice President of Civil Aviation Computor Information Centre (currently known as China TravelSky Holding Company). He has been the Deputy General Manager of China TravelSky Holding Company, a promoter of the Company, since October 2002. He was a non-executive Director of the first Board. Since December 2003, Mr. Rong has served as a non-executive Director of the second Board. In March 2004, Mr. Rong was appointed by the Board as a member of the Strategic Committee of the second Board. Since January 2007, Mr. Rong has been re-appointed as a non-executive Director of the Company's third Board and a member of the Strategic Committee.

Zhu Yong, aged 44, is a senior engineer. He graduated from Huazhong Polytechnic University and received a master degree in engineering from the Beijing University of Aeronautics and Astronautics. Mr. Zhu has over 20 years of management experience in China's civil aviation industry. From August 1983 to April 1991, Mr. Zhu was an engineer in General Administration of Civil Aviation of China. He was the Manager of the Computer Department of the Accounting Centre of China Aviation in May 1991 and the Vice Chief Engineer and the Manager of the Computer Department of the Accounting Centre of China Aviation in January 1994. He became the Deputy General Manager of the Accounting Centre of China Aviation in May 1996, and was the General Manager of the Accounting Centre of China Aviation from June 2000 to August 2004. From April 2001 to August 2004, Mr. Zhu was the General Manager of the Company. He has joined the first Board as an executive Director since May 2001 and has also been a Deputy General Manager of China TravelSky Holding Company, a promoter of the Company, since October 2002. From December 2003 to January 2007, he had served as an executive Director of the second Board. In March 2004, Mr. Zhu was appointed by the Board as a member of the Strategic Committee of the second Board. Since August 2004, Mr. Zhu has served as the Chairman of the second Board of the Company. From January 2007 to March 2008, Mr. Zhu has been re-appointed as a Director and the Chairman of the Company's third Board and a member of the Strategic Committee. Since March, 2008, due to other engagement, Mr. Zhu ceased to assume the office of the Chairman and any executive function of the Company. Mr. Zhu also serves as the Chairman of TravelSky Technology (Hong Kong) Limited, a subsidiary of the Company and the Chairman of Shanghai Civil Aviation East China Cares System Integration Co. Ltd., an associated company of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Liu Dejun, aged 48, graduated from Chongqing University with a master degree in mechanics. Mr. Liu joined China Southern Airlines Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and a subsidiary of China Southern Air Holding Company, which is a promoter of the Company, since September 1993. From then to December 2005, he has worked in China Southern Airlines Company Limited as a member of senior management in the Sales Department in each of Hubei, Hangzhou and Beijing, and also in the Passenger Services Department. He possesses over 10 years of operational management experience in China's civil aviation industry. From December 2005 to March 2007, Mr. Liu has served as the General Manager of the Computer Centre of China Southern Airlines Company Limited. Since March 2007, Mr. Liu has taken the role of General Manager of Planning and Development Department of China Southern Airlines Company. Since January 2007, Mr. Liu has served as a non-executive Director of the Company's third Board.

Xia Yi, aged 49, a senior accountant. Mr. Xia graduated from Shanghai Lixin University of Commerce and then Macau University of Science and Technology as a postgraduate. He has over 20 years' management experience in finance and computer sector. From July 1993 to April 1995, Mr. Xia had served as the Deputy Head of the Finance Department of China Eastern Airlines. From April 1995 to October 2001, he had served as the Deputy Head of the Finance Department and the Deputy Chief Accountant of China Eastern Airlines Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and a subsidiary of China Eastern Air Holding Company, which is a promoter of the Company. From November 2001 to March 2008, Mr. Xia has been the Assistant to the General Manager of China Eastern Airlines Company Limited. From March 2006 to March 2008, he has also been the General Manager of Information Technology Management Department of China Eastern Airlines Company Limited. Since March 2008, Mr. Xia has served as the General Manager of Hebei branch of China Eastern Airlines Company Limited. Since January 2007, Mr. Xia has served as a non-executive Director of the Company's third Board.

Song Jian, aged 47, is a postgraduate of Nanjing University of Aeronautics and Astronautics in management science and engineering. From January 1997 to February 2002, he was the Deputy Head of the Computer Centre of Air China Limited. From February 2002 to September 2004, he has been the Deputy General Manager of the Information Technology Centre of Air China Limited. Since September 2004, Mr. Song has served as the Deputy General Manager of the Information Technology Centre of Air China Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and a subsidiary of China National Aviation Holding Company, which is a promoter of the Company. Since December 2003, Mr. Song has been elected as a non-executive Director of the second Board. Since January 2007, Mr. Song has been re-appointed as a non-executive Director of the Company's third Board.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Independent Non-executive Directors

Yick Wing Fat, Simon, aged 49, graduated from faculty of Business Administration from Chinese University of Hong Kong. He is currently a managing director of Sinovest Capital Limited, principally engaged in direct investment and merger and acquisition of enterprises in Hong Kong and China. He has served the positions of senior management of various Hong Kong-based, Taiwan-based and US-based investment banks in Hong Kong and has over 25 years of experience in audit, merger and acquisition, investment banking and direct investment. He is a Fellow Member of Hong Kong Institute of Certified Public Accountants and Chartered Association of Certified Accountants in England. He is currently an independent non-executive director and the Chairman of the audit committee of Shanghai International Shanghai Growth Investment Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) and Shenzhen Neptunus Interlong Bio-Technique Company Limited (a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited). Mr. Yick is also an independent non-executive director of China- Biotics, Inc, (a company whose shares are quoted on the Over-the-Counter Bulletin Board market of USA). Since May 2007, Mr. Yick has been appointed as an independent non-executive Director and chairman of the audit committee of Beijing Centergate Technologies (Holding) Co., Ltd. (a company listed in the Shenzhen Stock Exchange in China). Since August 2005, Mr. Yick has been appointed as an independent non-executive Director of the second Board. In August 2005, Mr. Yick was appointed by the Board as a member of the Audit Committee and the Remuneration and Evaluation Committee of the second Board. Since January 2007, Mr. Yick has been re-appointed as an independent non-executive Director of the Company's third Board and served as the Chief Member (Chairman) of the Audit Committee and a member of the Remuneration and Evaluation Committee.

Yuan Yaohui, aged 62, graduated from Beijing Institute of Technology. Mr. Yuan is researcher, a senior engineer and a representative of the 15th National People's Congress. In 1995, he was awarded a title of "Model National Labour" by the State Council. From 1984 to 1997, he served as the Deputy General Manager of Changhe Aircraft Industries Co., Ltd. of Ministry of Aviation Industry, the General Manager of Changhe Aircraft Industries Co. Ltd and the Head of Jiangxi Provincial Economic & Trade Commission. From 1997 to 1998, Mr. Yuan was the Deputy Head of Department of Reform, Regulation and Management of General Administration of Civil Aviation of China, and the Deputy Head of Department of Planning and Technological Reform of General Administration of Civil Aviation of China. From 1998 to 2000, he was the Party Secretary and the Vice President of Air China Company. From 2001 to April 2006, Mr. Yuan was the Head of the Policy and Regulation Department of General Administration of Civil Aviation of China. Since May 2006, he has served as an independent director of Shenzhen Airport Company Limited, a company listed on Shenzhen Stock Exchange and a 5.59% shareholder of Cares Shenzhen Co. Ltd., a subsidiary of the Company. Since December 2006, Mr. Yuan has served as an independent non-executive director of China Communications Construction Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Since January 2007, Mr. Yuan has served as an independent non-executive Director of the Company's third Board and a member of the Audit Committee and the Chief Member (Chairman) of the Remuneration and Evaluation Committee.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Chua Keng Kim, aged 52, graduated from the University of Singapore with a Bachelor Degree in Accountancy with Honours in 1980. Mr. Chua has been a real estate fund manager and consultant for the last 20 years and has global experience in the US, Europe and Asia. From 1995 to 2004, Mr. Chua was a member of the board of directors, the Managing Director and the Head of Investments of Rodamco Asia N.V. which was then listed on Euronext, the cross-border exchange linking the Amsterdam, Paris and Frankfurt Stock Exchanges until his retirement from such positions in 2004. From 1988 to 1995, Mr. Chua was with the real estate arm of the Government of Singapore Investment Corporation, including serving as its first head of the Hong Kong office. From 1981 to 1988, Mr. Chua was with Esso Singapore including an appointment as Operations Accounting Supervisor for Esso China Ltd. in Guangzhou, China from 1984 to 1985. Since June 2007, Mr. Chua has served as an independent non-executive Director of the Company's third Board and a member of the Audit Committee and the Remuneration and Evaluation Committee.

SUPERVISORS

Li Xiaojun, aged 52, is a senior economist. She graduated from People's University of China 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. 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 Limited. Ms. Li was the Head of Enterprise & Institute Personnel Division of Personnel and Education Department of General Administration of Civil Aviation of China from December 1997 to August 2000. From October 2000 to August 2004, she had been a Director and the Deputy General Manager of the Company. She has also been the Deputy Party Secretary of China TravelSky Holding Company, a promoter of the Company, since October 2002. She was an executive Director of the first Board. Since December 2003, Ms. Li has served as a Supervisor and the Chairperson of the second Supervisory Committee, and was re-appointed as a Supervisor and the Chairperson of the third Supervisory Committee in January 2007.

Du Hongying, aged 48, is a senior accountant. She graduated from Xiamen University with a postgraduate qualification and has nearly 20 years of accounting and finance experience in China's civil aviation industry. From August 1982 to January 1985, Ms. Du was a teacher at the Tianjin Civil Aviation College of China. In January 1985, Ms. Du joined Xiamen Airlines Company Limited, a promoter of the Company and from 1999 to April 2007, she has been working as the Deputy General Manager of the Planning and Finance Department of Xiamen Airlines Company Limited. Since April 2007, Ms. Du has served as General Manager of the Training Centre of Xiamen Airlines Company Limited. She was a Supervisor and Chairperson of the first Supervisory Committee. Since December 2003, Ms. Du has served as a Supervisor of the second Supervisory Committee. Since April 2004, Ms. Du has served as the Vice Chairperson of the second Supervisory Committee, and has been re-appointed as a Supervisor and the Vice Chairperson of the third Supervisory Committee since January 2007.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Jing Gongbin, aged 33, is a holder of master degree of business administration and graduated from Xiamen University. In June 1995, Mr. Jing joined China Southern Airlines Company Limited, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited and is a subsidiary of the Company's promoter, China Southern Air Holding Company. From July 2002 to December 2004, he served in the Planning and Investment Department of China Southern Air Holding Company. From December 2004 to April 2006, he worked in the administrative office of China Southern Air Holding Company. From April 2006 to August 2007, he has served as the assistant to the head of the Planning and Investment Department of China Southern Air Holding Company. Since August 2007, Mr. Jing has worked as assistant to the head of Capital Operation Department of China Southern Air holding Company. Since January 2007, Mr. Jing has served as a Supervisor of the third Supervisory Committee.

Zhang Yakun, aged 47, graduated from Xi'an Jiaotong University with a master degree and has nearly 20 years of management experience in China's civil aviation industry. From 1983 to 1999, he worked in Yunnan Management Bureau of General Administration of Civil Aviation of China. From 1999 to 2001, he was the Deputy Head of the Operation and Control Centre and then the General Manager of the Information Technology Department of Yunnan Airlines Company, a former promotor of the Company. From October 2002 to March 2006, he was the General Manager of the Information Technology Department of China Eastern Airlines-Yunnan Company, a branch of a subsidiary of China Eastern Air Holding Company which is a promoter of the Company. Since March 2006, he has served as the Deputy General Manager of the Computer Information Management Department of China Eastern Airlines Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and a subsidiary of China Eastern Air Holding Company, which is a promoter of the Company. Since December 2003, Mr. Zhang has served as a Supervisor of the second Supervisory Committee, and has been re-appointed as a Supervisor of the third Supervisory Committee since January 2007.

Yu Yanbing, aged 30, graduated from Civil Aviation College of China (currently known as "Civil Aviation University of China"), majoring in computer science. Mr. Yu joined the Computer Centre of Hainan Airlines Company Limited, a promoter of the Company, after graduation. Since May 2000, he has worked in HNA Systems Company Limited. From July 2004 to September 2007, he has been the deputy general manager of HNA Systems Company Limited. Since September 2007, Mr. Yu has served as the General Manager of the IT Strategy & Management of HNA Group Company Limited 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. Since January 2008, Mr. Yu has worked as the assistant to Chief Executive Officer of HNA Group Company Limited. Since January 2007, Mr. Yu has served as a Supervisor of the third Supervisory Committee.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

INDEPENDENT SUPERVISOR

Rao Geping, aged 60, is a professor and doctorate tutor of the law school of Peking University, the head of the Institute of International Law of Peking University, the Head of Hong Kong, Macau and Taiwan Law Research Center in Peking University, 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 including Wuhan University, China Foreign Affairs University and East China University of Politics and Law. Mr. Rao specializes in areas such as laws of Hong Kong, Macau and Taiwan as well as international law, etc. Mr. Rao also served as an independent director of Super Shine Co., Ltd., which is listed on the Shenzhen Stock Exchange. Since December 2003, Mr. Rao has served as an independent Supervisor of the second Supervisory Committee, and was re-appointed an independent Supervisor of the third Supervisory Committee in January 2007.

STAFF REPRESENTATIVE SUPERVISORS

Gao Jingping, aged 52, graduated from Peking University. Ms. Gao has nearly 30 years of management experience in China's civil aviation industry. From August 1980 to December 1988, she served as the management of the Computer Office (Computer Station) in General Administration of Civil Aviation of China. From January 1989 to October 2000, she was the engineer and Deputy Chairman of the Labour Union of China Civil Aviation Computer Information Centre. From October 2000 to December 2004, Ms. Gao was the Deputy Chairman of the Labour Union of the Company. Since December 2004, Ms. Gao has been the Chairman of Labour Union of the Company. Since January 2007, she has been a Staff Representative Supervisor of the third Supervisory Committee.

Wang Xiaomin, aged 46, graduated from Lanzhou University. Ms. Wang has over 20 years of management experience in China's civil aviation industry. From July 1983 to December 2000, Ms. Wang served as the management of the Promotion Department, the Deputy Head of the Quality Control Division and the Deputy Head of the Integrated Inspectus Division of the Transportation Management Department of General Administration of Civil Aviation of China. Ms. Wang joined the Company in January 2001 and had held management positions in the Marketing Department and the Human Resources Department. Since November 2004, Ms. Wang has been the General Manager of the Human Resources Department of the Company. Since January 2007, Ms. Wang has been a Staff Representative Supervisor of the third Supervisory Committee.

Zhang Xin, aged 45, has over 20 years of technical experience in China's civil aviation industry. From October 1981 to December 1988, Mr. Zhang was a graphic designer of General Administration of Civil Aviation of China. From December 1988 to November 1994, Mr. Zhang was a technician of Civil Aviation Computer Information Centre. From November 1994 to August 2000, Mr. Zhang was a senior technician of Civil Aviation Computer Information Centre. He has been working in the Operation Department of the Company since October 2000. He was a Supervisor of the first Supervisory Committee. Since December 2003, Mr. Zhang has served as a Staff Representative Supervisor of the second Supervisory Committee. Since January 2007, Mr. Zhang has been re-appointed as a Staff Representative Supervisor of the third Supervisory Committee.

COMPANY SECRETARY

Ding Weiping, is also an executive Director and the Secretary of the Board.