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)

2008 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. As of the date of this report, it 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, Shanghai TravelSky Information Technology Limited (上海民航信息科技有限公司), Guangzhou TravelSky Information Technology Limited (廣州民航信息技術有限公司), 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.

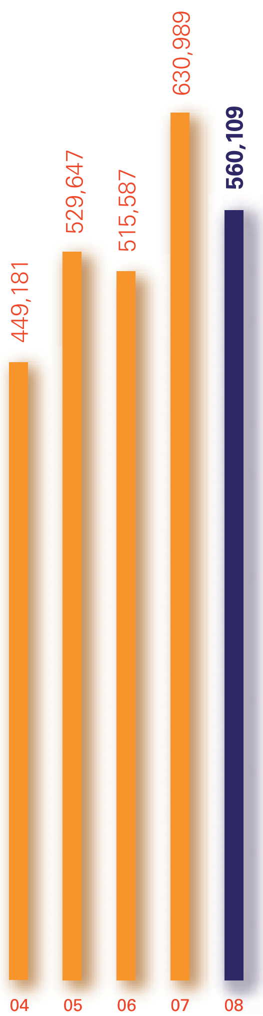
The Group had 2,940 employees as of December 31, 2008.

The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 7, 2001. As of the date of this report, the largest shareholder of the Company is China TravelSky Holding Company ("CTHC"), which holds an equity interest of approximately 29.29% in the Company. A total of approximately 38.84% of the equity interest in the Company is held by 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 31.87% of the equity interest in the Company is held by holders of its H shares.

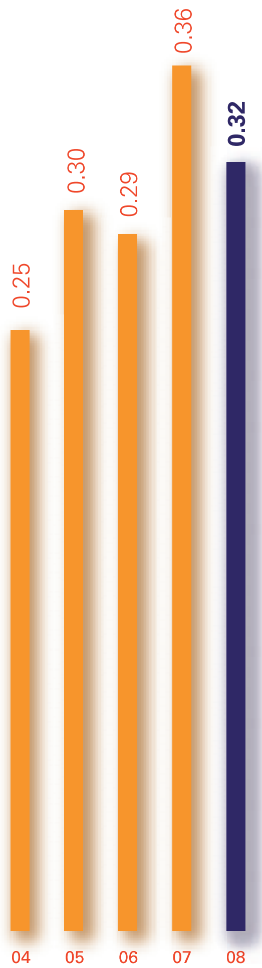
The Company established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market on December 27, 2002.

FINANCIAL HIGHLIGHTS

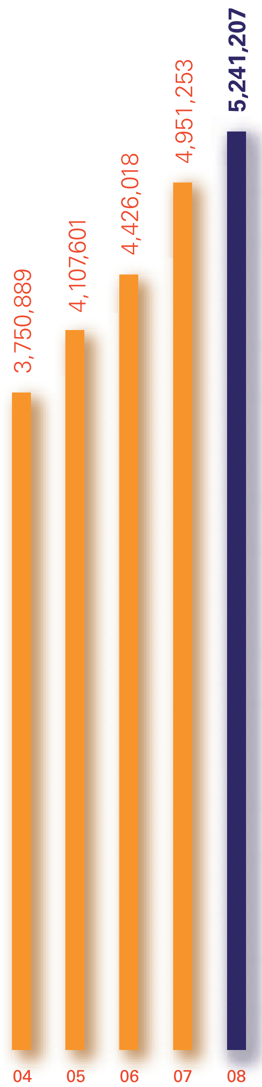
Profit Attributable to Equity Holders of the Company
RMB'000



Earnings Per Share, Basic and Diluted
RMB



Total Assets
RMB'000



FINANCIAL HIGHLIGHTS

Data Network and Others

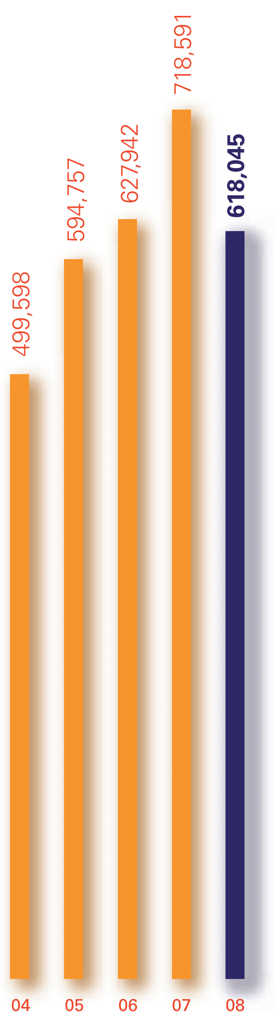
Aviation Information Technology Service

Total Revenues

RMB'000

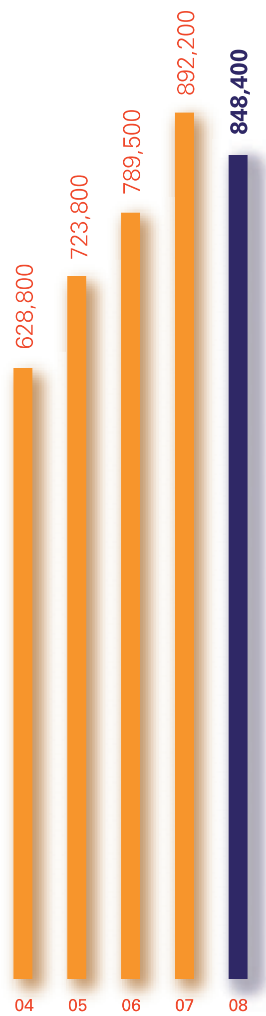
Profit Before Taxation

RMB'000



Earnings before interests and tax, depreciation and amortization

RMB'000



CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2008 had passed in the most extraordinary way. The aviation industry, a field where the Group claims a presence, was hampered by various factors such as the snow storm, earthquake, specific security requirements for the Beijing Olympic Games and the pervading impact of the international financial crisis to entities' economy as a result of the US subprime mortgage crisis. However, the Group vigorously adjusted its strategy and business layout in adherence to its strategies and made the best of such opportunities as safeguarding information system security of aviation passenger service during the Olympic Games and optimizing opportunities of the acquisition of clearing and accounting settlement business, which resulted in sound production safety and operating performance.

Our development goal is to become a leading information technology and business service provider with core competitiveness. Besides reinforcing our prominent position in the PRC market, we spare no effort to rise as a top-tier enterprise with international competitiveness. However, looking forward to 2009, it is predicted that the global economic recession induced by the financial crisis is not coming to a close. The PRC economy, and hence the development of the aviation and transportation market, will be inevitably affected. Under such circumstances, how to optimize the Group's positioning and strategies, tap sustainable growth in our traditional business portfolios and expand new businesses along the service value chain of commercial information and cash flow of civil aviation passengers and freights for achieving established goals will depend on the Group's endeavoring spirit and efficiency-driven initiatives.

Mr. Xu Qiang
Chairman

Therefore, the Group will further reinforce the safety fundamentals in 2009 in accordance with its concepts of continual safety and innovative development to embed safety fundamentals so as to achieve the unification of science development with the values of continual safety. On top of the construction of the new generation aviation passenger service information system and the new operating centre in Beijing, the Group will further increase its self-innovation capability to provide a solid technical basis and security for sustainable development. Capitalizing on the edges of traditional business whilst attending to the development trend of the industry, market and customers, the Group will strengthen its support to airline information technology and direct sales, enhance the technical assistance capability for aiding overseas markets, develop e-commerce business as well as build up technical platforms with core competitiveness, and put efforts on boosting the total solutions of information technology in respect of the promotion of "simplifying the business" in airports, so as to maintain and proliferate market share and scale of the traditional business.

Meanwhile, leveraging on its advantage over nationwide coverage in the information service market accumulated over years and ceaseless efforts in reinforcing its capacity of low cost network operation, the Group intends to break a new ground through the e-commerce services of online/offline travel products distribution including hotels and air-tickets targeting at terminal passengers, aviation cargo logistics information technology service as well as public information service, the Company aims to expand a trading platform for its hotel business and logistics information exchange platform .In an effort to expand market scale, gradually elevate its competitive edges and achieve a quantum leap across industries, the Company will also innovate new business modes and increase its business expertise.

The Group will press ahead to introduce innovative management and business process reengineering, bring customer services to the fore and improve technical service level for customers. Meanwhile, greater emphasis will be articulated on operation efficiency by enforcing corporate governance and creating a performance management system for all staffs. Furthermore, the Group will stage more aggressive reforms in personnel management, labor and income allocation systems, set up a market-oriented employment mechanism, as well as explore equity incentive plan and other incentive and restraint schemes, so as to expand the talent pool, kick start the operational mechanism and open up new vistas for its business.

Finally, I would like to take this opportunity to extend my gratitude to all shareholders, investors, customers, directors and supervisors for the trust and support they have bestowed on us. With concerted and painstaking effort of our staffs, the Company is set to weather the storm, jump at opportunities, meet laid down targets and deliver more lucrative results to shareholders moving forward.

Xu Qiang
Chairman

March 27, 2009

BUSINESS REVIEW

As the leading provider of information technology solutions for China's aviation and transportation 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 takes a leading role in the distribution of commercial airline products and services to travel agents, travel service distributors, ticketing offices, corporate clients and individual consumers, as well as in the provision of information technology solutions. With more than two decades of tenacious development, the Company has preliminarily built up relatively comprehensive, overarching and highly functional product lines of information technology services 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. The Company strived to help these industry participants to expand 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 a series of products and solutions, are provided to Chinese commercial airlines and more than 300 foreign and regional commercial airlines. The AIT services comprise electronic travel distribution ("ETD") service (including Inventory Control System ("ICS") service and Computer Reservation System ("CRS") service) and Airport Passenger Processing ("APP") service, as well as other extended information technology solutions related to the above businesses, including but not limited to, product service for supporting aviation alliance, solutions for developing commercial airlines' e-ticket and ecommerce, data service for supporting decisions of commercial airlines as well as information management system for improvement of ground operational efficiency.

The rapid momentum of China's aviation market over the past few years significantly saw a slowdown when it was inevitably struck by various adversities. These adversities in 2008 include natural disasters such as the snowstorm in the south, as well as unexpected incidents such as "3.14 Lhasa Riots" and "5.12 Wenchuan Earthquake", specific security requirements for the Beijing Olympic Games and the pervading impact of the international financial crisis to entities' economy as a result of the US subprime mortgage crisis. Under such circumstances, the Company, as the leading provider of information technology solutions for China's aviation and transportation industry, had its ETD system processed approximately 211.2 million bookings on domestic and overseas commercial airlines in 2008, representing an increase of approximately 3.3% over that in 2007, among which, bookings on Chinese commercial airlines increased by approximately 3.5%, while that on foreign and regional commercial airlines decreased by approximately 0.1%.

In 2008, being focused on product lines like seat management, distribution business solutions and fare solutions for commercial airlines, the Group kept improving its AIT and extended services to meet commercial airlines' needs for information technology solutions to strengthen hub and network operation, consolidate alliances and co-operation, simplify businesses, build up the entire workflow of its product and service portfolio, enhance marginal revenue and optimize cost management.

Mr. Xiao Yinhong
CEO

Leveraged on the Company's effort in improving and promoting its systems of Billing and Settlement Plan (BSP) electronic ticketing, Airline Direct-sale electronic ticketing and Airline Online electronic ticketing for recent years, the Company achieved the goal of paperless BSP tickets in China in 2008. The Company brought the Interline Electronic Ticketing (IET) into full play and realized the joint operation of IET among all Chinese commercial airlines, between over 380 pairs of Chinese commercial airlines and foreign and regional commercial airlines, and among more than 60 foreign and regional commercial airlines. The Company assisted in aligning information technology standards upon alliance between Chinese commercial airlines and aviation alliance, endeavoring for sustainable and improved services to establish long-term cooperation. Moreover, through upgrades to the new generation APP front system and technological renovations on such aspects as boarding passes and luggage tags, the Company ensured the ground service provided by allied Chinese commercial airlines in over 20 major airports nationwide (including that of Urumqi and Nanning) have met the requirements of the aviation alliance. The Company provided fully-fledged fare solutions to all Chinese commercial airlines and some foreign and regional commercial airlines in China with an auto computation ratio of domestic private fare up to 92%.

The Company had successfully implemented projects such as security information management systems (SIMS), airline ground operation management system (FGOS) and individual departure control interface (CAPSS) for Air China Limited in Terminal 3 of Beijing Capital Airport. It was an unprecedented move for domestic commercial airlines to implement automatic operation of operational safety, resource allocation and passenger services in an airport of such large scale. As at the end of 2008, the APP front systems of China Eastern Airlines Corporation Limited have been connected to the Company's APP back office system in certain airports, implicating that the Company's APP services are fully employed by major Chinese commercial airlines, a strategic goal to be reached by the Company for years. Along with the construction and operation of the Company's APP front systems in foreign airports such as Tokyo, Paris and Los Angeles, Chinese commercial airlines had applied the Company's APP front systems to initiate check-in, transfer and through check-in services in 80 foreign or regional airports. The number of passenger departures processed amounted to approximately 10.0 million, representing over 78% of inbound passengers of Chinese commercial airlines. The Company also helped Chinese commercial airlines to launch online self-help check-in services in 14 domestic, foreign and regional airports such as Lanzhou, Hong Kong and Kuala Lumpur. The number of passenger departures processed amounted to approximately 698 thousands. These measures served to ease the pressure in providing ground service, resulting in better service quality from commercial airlines. In turn, the Company's market presence has been further reinforced.

As at the end of 2008, the number of foreign and regional commercial airlines having direct connection with the Company's CRS system amounted to 75 with the percentage of sale by direct links accounting for over 97%, considerably empowering the Company to withstand market risks.

AIRPORT INFORMATION TECHNOLOGY SERVICE

Subsequent to the commissioning and upgrade of the new generation APP front system ("NewAPP") in top 50 airports in terms of throughput in China in 2007, the Company pressed ahead to promote the application of the NewAPP in renovation and expansion projects of airports such as Shanghai Hongqiao, Shenzhen and Wuhan in 2008. The widespread usage of the NewAPP was essential for the ongoing operation of domestic airports. In 2008, the Company's self-developed Common Use Self Service (CUSS) system which meets the IATA standard had already been installed in 10 major domestic airports such as Beijing Capital and Guangzhou. The number of foreign and regional commercial airlines that applied the Company's APP system service, multi-host connecting program service and the self-developed ANGEL CUTE platform connecting service also increased to 33. The number of passenger departures processed in 38 airports amounted to approximately 2.7 million. In 2008, while the Company developed and upgraded the aviation passenger security information system (APSIS) for terminal 3 of the Beijing Capital Airport, it also assisted the Beijing Organizing Committee for the Games of the XXIX Olympiad, Civil Aviation Administration of China and governmental security departments in completion of numerous information technology integration projects, including the construction of Arrival and Departure information pretreatment and backup system (PBS) of the Olympic Games and the Paralympics Games as well as the comprehensive information enquiry system for aviation passengers of the Olympic Games. Not only had the Company guaranteed the safety of the Olympic Games but also facilitated the Company's business growth in the field of China's aviation information safety. The data service system to aid airports' decision-making was further promoted in domestic airports.

DISTRIBUTION INFORMATION TECHNOLOGY SERVICE

The Group's travel distribution network comprises approximately 63,800 sales terminals owned by more than 6,600 travel agencies and travel service distributors, with high-level networking and direct links to all Global Distribution System around the world and 75 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localized 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 other locations, the network processed over 154.3 million transactions during Year 2008 with transaction amounting to over RMB178.5 billion.

The Group embarked in 2008 on further strengthening the product line of distribution information technology, 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. Meanwhile, the Company stepped further to improve travel agencies' front-end products, perfect the TravelWeb front-end business system and developed the new generation common use front-end platform and travel agency mobile distribution platform, which fostered the Group's competitiveness in the market of distribution information technology service products. In 2008, the Company designed and developed a comprehensive business platform product BLUESKY which helped middle and large scale travel service distributor facilitate business operation and management such as management of customer data, issue of sales policies and enhancement of reservation efficiency, thereby bringing the operational efficiency of travel agencies to a higher level. Attributed to the Group's active corporations with local commercial airlines, airports, travel agents and travel service distributors, the CRS service of the Group was more extensively applied in neighbouring markets like the southeast Asia in 2008.

TRAVEL PRODUCT DISTRIBUTION SERVICE

During 2008, the Group continued to expand its travel product distribution services including hotel reservation, "hotel + air ticket" packages, car rental and business trip insurance products. The Group kept enhancing the hotel distribution system to actively cooperate with the travel product providers and travel service distributors. The Group successfully distributed 459,000 hotels' room-nights, which increased by 7.0% as compared with that in 2007. Besides, the Group also continued to cooperate with a number of domestic insurance brokerage institutions to develop information technology solutions for distribution of insurance products like air-travel personal accident injury insurance ("AAI"). The operations of AIG Insurance System (美亞保險系統) and Itinerary/ Receipt E-Ticket for AAI system (行程單電子航意險系統) had also commenced.

AVIATION CARGO LOGISTICS INFORMATION TECHNOLOGY SERVICES

The development in aviation cargo logistics information technology products of the Group followed two directions, i.e. popularization and product specifications. On one hand, the cargo business system, CFPS LITE, which supports the cargo terminals of medium and small size airports has comprehensive functions, simple disposition and easy operation, has been developed. On the other hand, a neutral cargo business management system supporting international neutral cargo terminals has also been developed which meets the needs of international and domestic imports and exports of the neutral cargo terminals at the airport and provides professional extended services such as the queuing system for parking lot at the airport. Along with the global promotion of paperless airway bills and e-freight, the Group and IATA have implemented a partnership in the field of e-freight, jointly promoting the new technology, so as to reduce industry cost. In 2008, the Group processed approximately 4.2 million airway bills.

CONSTRUCTION OF THE NEW GENERATION AVIATION PASSENGER SERVICE SYSTEM

The designing theme of the Group's new generation aviation passenger service system is passenger-orientation, it adopts service-orientation architedium ("SOA") technical structure, which not only has advantages such as powerful mainframe handling capacity, flexible research and development on open platforms and technologies, and quicker response, but also achieves smooth transition of system functions and maintains low operation cost, so as to support the sustainable development of commercial airlines' businesses and match the development trend of aviation and travel industry. In 2008, the Group continued to study the development trend of aviation and travel information technology. At the same time, it also intensified the analysis of demand of commercial airlines, identified the principles of "self-development, gradual improvement and openness" for new generation aviation passenger service system and proposed the standard of "advanced technology, flexible usage, well-equipped facilities, high cost performance and value-added data" for new generation aviation passenger service system, and also devoted to resources allocation, fundamental platform construction and technical development of the new generation aviation passenger service system.

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 technologies, business and management instruments, so as to improve operation reliability and interference resisting ability and implementation of operation at low operating costs.

On the premise of production safety, the Group provided backup for, and expanded the resources capacity of the mainframe and open platform by adopting the advanced Loose Coupling technology, enhanced New generation APP backup system, built up emergency mechanism, enhanced emergency procedures and reinforced emergency drills in 2008. As a result, it assured air travel security for passengers and the undertaking of providing a perfectly safe aviation passenger information security service was fulfilled. In 2008, the utilization 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 2008, profit before taxation of the Group was approximately RMB618.0 million, representing a decrease of approximately 14.0% over that in the year ended December 31, 2007 ("Year 2007"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB848.4 million, representing a decrease of approximately 4.9% over that in Year 2007. Profit attributable to equity holders of the Company was approximately RMB560.1 million, a decrease of approximately 11.2% over that in Year 2007 which was mainly due to the increase of a portion of expenses and fees arising for ensuring a holistic information system security of aviation passenger service during the Beijing Olympic Games.

The basic and diluted earnings per share of the Group in Year 2008 was RMB0.32.

TOTAL REVENUE

The total revenue of the Group in Year 2008 amounted to approximately RMB2,005.2 million, representing an increase of approximately RMB3.3 million, or 0.2% from approximately RMB2,001.9 million in Year 2007. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 80.2% of the total revenue of the Group in Year 2008 as compared to 80.0% in Year 2007. Aviation information technology service revenue increased by approximately 0.5% to approximately RMB1,609.1 million in Year 2008 from approximately RMB1,601.2 million in Year 2007.

- Data network and other revenue represented 19.8% of the total revenue of the Group in Year 2008 as compared to 20.0% in Year 2007. Data network and other revenue decreased by approximately 1.2% to approximately RMB396.1 million in Year 2008 from approximately RMB400.7 million in Year 2007, mainly due to the decrease in revenue from the aviation cargo logistics information services of InfoSky Technology Co., Ltd., a subsidiary of the Company.

OPERATING EXPENSES

Operating expenses for Year 2008 amounted to RMB1,482.8 million, representing an increase of RMB137.8 million, or 10.2%, from RMB1,345.0 million in Year 2007. The increase in operating expenses is reflected as follows:

- Depreciation and amortization expenses increased from RMB243.1 million in Year 2007 by 28.7% to RMB312.9 million in Year 2008, mainly due to the fact that the large-scale mainframe system and facilities acquired for safeguarding the information system security of aviation passenger service during the Olympic Games in the second half of Year 2007 led to increase of depreciation in Year 2008;

- Staff costs increased by 16.6%, mainly due to the increase in the number of staffs in support of the Groups' business development and the set up of a corporate annuity;

- Technical support and maintenance fees increased by 15.5%, mainly due to the increase in external expert support and improvement in equipment maintenance for safeguarding the information system security of aviation passenger service during the Olympic Games in 2008;

- Network usage increased by 13.0% mainly due to the one-off increase in network overheads for safeguarding the information system security of aviation passenger service during the Olympic Games in 2008.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group decreased by RMB134.5 million, or 20.5%, to RMB522.4 million in Year 2008, from RMB656.9 million in Year 2007.

ENTERPRISE INCOME TAX

The Corporate Income Tax Law of the People's Republic of China ("new CIT Law") was implemented since January 1, 2008 as approved by the National People's Congress on March 16, 2007. The new CIT Law unified the income tax rate of enterprises in China to 25%, starting from January 1, 2008.

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

In addition to being approved as a "High and New Technology Enterprise", the Company was also approved and certified by relevant authorities as an "Important Software Enterprise" for the year 2006, 2007 and 2008 which allows the Company to enjoy a preferential income tax rate of 10%. According to the relevant regulations, the differences that resulted from the enterprise income tax paid by the Company at the rate of 15% over this preferential income tax rate of 10% should be recognised in the year which the Company obtained its "Important Software Enterprise" certification.

The Company obtained its "Important Software Enterprise" approval and certification from the relevant authorities for 2006 and 2007 in 2007 and 2008 respectively and hence had recognised the corresponding tax refund of approximately RMB 30,180,000 and RMB 30,114,000 in 2007 and 2008 respectively.

The Company obtained its "Important Software Enterprise" approval and certification from the relevant authorities for 2008 in December 2008. Accordingly, the Company had accrued its income tax expenses for 2008 based on this preferential income tax rate of 10% in the current year's financial statements.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As a result of the above factors, the profit attributable to equity holders of the Company decreased by approximately 11.2% to approximately RMB560.1 million in Year 2008 from approximately RMB631.0 million in Year 2007.

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 of the Company, the reserves available for dividend distribution as at December 31, 2008, as stated in Note 33 to the financial statements, amounted to RMB1,108.3 million (2007: RMB959.6 millon).

FINAL DIVIDEND AND SPECIAL DIVIDEND

On March 27, 2009, the Board recommended the distribution of a final dividend of RMB206.85 million and a special dividend of RMB156.0 million in cash, aggregating to RMB0.186 per share for Year 2008. The total number of shares in issue which entitle the receipt of those dividends are 1,950,806,393 shares. Upon distribution of the above final dividend and special dividend, the distributable profit as at December 31, 2008 is approximately RMB745.4 million (2007: RMB728.6 million).

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

As provided by the Preferential Policies on Profit Distribution to Foreign Investors of Foreign-invested Enterprises under "Several Preferential Tax Policies on Enterprise Income Tax" jointly issued by the Ministry of Finance and the State Administration of Taxation of the PRC in February 2008, "Accumulated retained earnings of foreign-invested enterprises generated before January 1, 2008 and distributed to foreign investors after 2008 are exempt from enterprise income tax; earnings of foreign-invested enterprises generated in or after 2008 and distributed to foreign investors are subject to enterprise income tax." Accordingly, the Board of Directors recommends the payment of the aforesaid final dividend and special dividend out of the Company's accumulated retained earnings generated before January 1, 2008 subject to the approval from the related local authorities.

The annual general meeting of the Company ("AGM") will be held on May 29, 2009 at Conference Room of the Company, 8/F, No. 157, Dongsi West Street, Dongcheng District, Beijing, the PRC. The register of members of the Company will be closed from April 30, 2009 to May 29, 2009 (both days inclusive). Holders of the H shares and domestic shares whose names appear on the register of members of the Company at the close of business on April 29, 2009 are entitled to attend the AGM and the proposed final dividend and special dividend for Year 2008 as approved at the AGM.

The Company will make further announcement(s) on the specific arrangements in relation with dividend payment after the AGM, including the date of payment of dividends and mechanism of withholding the income tax payable by non-resident enterprise shareholders.

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2008	2007
	(RMB in million)	*(RMB in million)*
Net cash generated from operating activities	**429.1**	720.6
Net cash used in investing activities	**(556.2)**	(467.1)
Net cash used in financing activities	**(234.4)**	(256.7)
Effect of foreign exchange rate changes on cash and cash equivalents	**(6.9)**	(20.8)
Net decrease in cash and cash equivalents	**(368.4)**	(24.0)

FINANCIAL REVIEW

The Group's working capital for Year 2008 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB429.1 million.

In Year 2008, 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, 2008, cash and cash equivalents of the Group amounted to RMB840.7 million, of which approximately 91.1%, 5.6% and 2.7% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

HELD-TO-MATURITY FINANCIAL ASSETS

The Group held RMB100 million treasury bonds of China with an interest rate of 3% per annum which matured on December 18, 2008. The Company did not hold any treasury bonds of China or any held-to-maturity financial assets as at December 31, 2008.

CHARGE ON ASSETS

As at December 31, 2008, the Group had no charge on its assets.

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB156.7 million in Year 2008, representing a decrease of approximately RMB467.1 million as compared to that of approximately RMB623.8 million in Year 2007. The capital expenditure of the Group in Year 2008 consisted principally of purchase of hardware, software and construction of infrastructure in accordance with the Group's development strategies.

The Board estimates that the Group's planned capital expenditure for the financial year ending 2009 will amount to approximately RMB1,141.3 million, which is mainly for construction of new operating centre in Beijing and development of the new generation aviation -passenger service system and promotion of other new businesses. The sources of funding for the capital expenditure commitments will include existing cash on hand and internal cash flow generated from operations. The Board estimates that the sources of funding of the Group in 2009 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, 2008, the gearing ratio of the Group was approximately 9.2% (2007: 10.8%), which was computed by dividing the total amount of liabilities by the total assets of the Group as at December 31, 2008.

CONTINGENT LIABILITIES

As at December 31, 2008, the Group had no material contingent liabilities.

MATERIAL ACQUISITION

As set out in the circular of the Company dated June 16, 2008 and the announcements dated May 26, 2008 and July 31, 2008, the Company would acquire from CTHC 100% equity interest in Accounting Center of China Aviation Limited Company ("ACCA") and the property located in Dongxing Li, Chaoyang District, Beijing, the PRC at an aggregate consideration of RMB1 billion. Such acquisition proceeded to completion on March 3, 2009 and the consideration was satisfied by the issue and allotment to CTHC 174,491,393 new domestic shares of the Company at a price of HK$6.39 (approximately RMB5.73) per such consideration share upon completion. The related financial impact of the acquisition will be reflected in the financial statements for the year ending December 31, 2009. Management of ACCA is in the process to compile the financial statements prepared in accordance with IFRS.

At present, the total number of issued shares of the Company is 1,950,806,393 shares, comprising 1,329,098,393 domestic shares and 621,708,000 H shares.

As both the Company and ACCA are under common control of CTHC before and after the acquisition, the acquisition of ACCA will be accounted for as a common control business combination.

EMPLOYEES

As at December 31, 2008, the total number of employees of the Group was 2,940. Staff costs amounted to approximately RMB316.8 million for Year 2008, representing approximately 21.4% of the total operating cost of the Group for Year 2008.

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. The remuneration of the employees of the Group includes salaries, bonuses and fringe benefits provided in compliance with relevant regulations in the PRC including medical insurance, pension, unemployment insurance, maternity insurance and housing funds.

In 2008, the Group established a corporate annuity scheme (or "supplementary pension plan") in accordance with relevant policies of the PRC. According to the corporate annuity scheme which had been approved and come into effect in 2008, the Group is required to make provision for monthly corporate annuity fees with reference to the total actual salary each month during 2008 and the ratio approved by the relevant authorities of the PRC. It also needs to deposit the annuities in the custody account of corporate annuity fund opened by its custodian. In 2008, the annual corporate annuity of the Group amounted to approximately RMB13.1 million.

Relevant details of Directors' remuneration are set out in Note 7 to the financial statements.

Currently, none of the Non-executive Directors of the Company receive any remuneration. Nevertheless, any reasonable fees and expenses incurred by the Non-executive Directors during their tenure of service will be borne by the Company. Independent Non-executive Directors of the Company do receive remuneration as Directors, which is determined by reference to the prevailing market price, and that any reasonable fees and expenses incurred by Independent Non-executive Directors during their tenure of service will be borne by the Company. All Directors are entitled to liability insurance acquired by the Company for Directors.

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

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 of Association of the Company ("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 effect from January 1, 2005 to December 31, 2008,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.

In 2008, 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.

SECURITIES TRANSACTIONS OF DIRECTORS

Each director ("Director") of the Company has fulfilled their duties in a conscientious, diligent and honest manner. In 2008, the Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") effective since 2008 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 2008.

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.

The Board is responsible to prepare accounts for each financial period to ensure them to reflect the Group's business and results during the period in an accurate and fair manner. In preparing the accounts for 2008, 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 2008, the Board announced annual results for 2007 and interim results for 2008 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 2008, the Board comprises 15 Directors (refer to the section of "Corporate Information" for the list of members of Directors), including 3 Independent Non-executive Directors. The appointments of all Directors of the Company (including Non-executive Directors and Independent Non-executive Directors) are effective from their appointment date (refer to page 120 to page 121) until the expiry of the third Board (January 8, 2010). According to the Articles of Association of the Company, the term of a director is 3 years. Biographies of each of the current Directors are set out on pages 124 to 127. 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 2008, the Chairman of the Board (Chairman) and Chief Executive Officer (General Manager) were assumed by different Directors, who performed their respective duties according to the Articles of Association. Based on the overall interests of the Company, the Independent Non-executive Directors of the Company, 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 internal control.

As stated in the Company's announcement dated December 12, 2008 and circulars dated January 8, 2009 and January 12, 2009 respectively, the Board proposed to amend the Articles to adjust the structure of the Board and the Supervisory Committee (including the downsizing of the Board to 9 Directors) with a view to enhance the efficiency of governance of the Company, and such proposal was approved by shareholders at the extraordinary general meeting of the Company held on March 3, 2009.

The Company has received from the three Independent Non-executive Directors, namely Mr. Yick Wing Fat, Simon, Mr. Yuan Yaohui and Mr. Chua Keng Kim, annual confirmations of their independence for 2008 in accordance with Rule 3.13 of the Listing Rules. The Company still considers that all of the above Independent Non-executive Directors are independent.

As approved at the Board meeting held on March 28, 2008, Mr. Zhu Yong ceased to assume the office of the Chairman of the Company due to other engagement (which was not relating to the Group) but was re-designated as a Non-executive Director instead. Meanwhile, the Board nominated Mr. Sun Yongtao (a Non-executive Director) as the acting Chairman.

As approved at the annual general meeting of the Company held on May 20, 2008, Mr. Zhu Yong resigned from the office of the Non-executive Director due to other engagement (which was not relating to the Group). Meanwhile, Mr. Xu Qiang was also appointed as an Executive Director of the Company for a term ending on the expiry date of the term of the third Board. Mr. Xu Qiang was also appointed as the Chairman of the Company at the Board meeting held on May 20, 2008, and Mr. Sun Yongtao ceased to be the Acting Chairman.

As approved at the Board meeting held on August 29, 2008, Mr. Xiao Yinhong was appointed as the General Manager of the Company and ceased to be a Deputy General Manager, while Mr. Zhu Xiaoxing ceased to be the General Manager and was appointed as the Deputy General Manager. Mr. Huang Luanchang was also appointed a Deputy General Manaer at the same Board meeting.

As approved at the extraordinary general meeting of the Company held on October 17, 2008, Mr. Ding Weiping and Mr. Song Jinxiang resigned from the office of the Executive Directors due to internal work arrangement of the Company. Meanwhile, Mr. Cui Zhixiong and Mr. Xiao Yinhong were appointed as Executive Directors of the Company for a term ending on the expiry date of the term of the third Board.

As approved at the Board meeting held on December 12, 2008, (1) each of Mr. Rong Gang, Mr. Wang Wei and Mr. Sun Yongtao was appointed a Deputy General Manager of the Company for a term commencing on December 12, 2008 and ending on the expiry date of the term of the third Board; and (2) Mr. Huang Peng ceased to be a Deputy General Manager of the Company.

During the reporting period, as approved at the extraordinary general meeting on March 3, 2009, Mr. Gong Guokui resigned from the office of Non-executive Director of the company due to other engagement (which was not related to the Group), while Mr. Cao Guangfu was appointed as Non-executive Director of the Company for a term ending on the expiry date of the term of the third Board. Mr. Zhu Xiaoxing, Mr. Rong Gang, Mr. Sun Yongtao, Mr. Liu Dejun, Mr. Xia Yi and Mr. Song Jian ceased to be Directors of the Company due to other engagement. Since then, the composition of Board of the Company has been changed to 9 members, 3 of which are Independent Non-executive Directors.

In 2008, the Board held a total of six meetings, with attendance of the meeting of the Board as follows:

Name	**Position**	**Number of meeting attended** *(Times)*	**Number of meeting to be attended** *(Times)*	**Attendance rate**
Xu Qiang	Chairman, Executive Director (both appointed on May 20, 2008)	4	4	100%
Xiao Yinhong	Executive Director (appointed on October 17, 2008) General Manager (appointed on August 29, 2008)	2	2	100%

Name	Position	Number of meeting attended *(Times)*	Number of meeting to be attended *(Times)*	Attendance rate
Cui Zhixiong	Executive Director (appointed on October 17, 2008)	2 (with 1 attended by other authorised Director on his behalf)	2	100%
Zhu Xiaoxing	Executive Director, General Manager (resigned on August 29, 2008)	5	6	83.3%
Wang Quanhua	Vice-Chairman, Non-executive Director	6 (with 4 attended by other authorised Director on his behalf)	6	100%
Luo Chaogeng	Vice-Chairman, Non-executive Director	6 (with 2 attended by other authorised Director on his behalf)	6	100%
Gong Guokui	Vice-Chairman, Non-executive Director	1	6	16.7%
Rong Gang	Non-executive Director	6 (with 2 attended by other authorised Director on his behalf)	6	100%
Sun Yongtao	Non-executive Director, Acting Chairman (from March 28, 2008 to May 20, 2008)	6	6	100%
Liu Dejun	Non-executive Director	6 (with 1 attended by other authorised Director on his behalf)	6	100%

Name	Position	Number of meeting attended *(Times)*	Number of meeting to be attended *(Times)*	Attendance rate
Xia Yi	Non-executive Director	6 (with 3 attended by other authorised Director on his behalf)	6	100%
Song Jian	Non-executive Director	6	6	100%
Yick Wing Fat, Simon	Independent Non-executive Director	6	6	100%
Yuan Yaohui	Independent Non-executive Director	6 (with 2 attended by other authorised Director on his behalf)	6	100%
Chua Keng Kim	Independent Non-executive Director	6	6	100%
Zhu Yong	Chairman (resigned on March 28, 2008) Executive Director (redesignated as a Non-executive Director since March 28, 2008 and resigned as a Non-executive Director on May 20, 2008).	0	2	0
Ding Weiping	Executive Director (resigned on October 17, 2008)	4	4	100%
Song Jinxiang	Executive Director (resigned on October 17, 2008)	4	4	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, with the General Manager being the core leader, when assigned the tasks of handling daily operation and management of the Company, shall not prejudice the interests of the Company. The Board is also considering to set out explicitly the duties and the power of the management in the process of improving the Company's internal control system.

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; and to perform other duties as delegated by the Articles 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 since 2002 and was then delegated to the General Manager for the purpose of enhancing management efficiency of its daily business operation.

According to the Code, the Board should review the effectiveness of the Company's internal control system at least once every year. In 2008, 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. In 2008, according to the results of review of the internal control system and in respect of the insufficiency found during the review, the Group gradually rectified and improved it in accordance with the Internal Control Manual, and established an independent internal audit institution, aiming at enhancing the corporate government gradually. The Board believes that in 2008, the Group's internal control system was basically effective.

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, Simon, Mr. Yuan Yaohui, and Mr. Chua Keng Kim and Mr. Yick Wing Fat, Simon was elected as the chief member of the Audit Committee. Each member of the committee has same term with that as a Director.

In 2008, the Audit Committee convened two meetings, and the 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 of the Audit Committee)	2	2	100%
Yuan Yaohui	2	2	100%
Chua Keng Kim	2	2	100%

The Audit Committee has submitted the minutes of each meeting to the Board. The Audit Committee has sufficient resources to discharge its duties. Its work during 2008 is briefly described as follows:

- review of financial reports for the year ended December 31, 2007 and the six months ended June 30, 2008. Upon discussion with the management, the Company's financial department and external auditors, the Audit Committee agreed on the accounting treatment policy adopted by the Group and considered that the Group has tried its best to ensure the disclosure of financial information is in compliance with appropriate accounting standards and the requirements of the Listing Rules;

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

- review of reports from the Company and external auditors in relation to connected transactions;
- review of the independence 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 2008, supervision on whether 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 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 2009.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Independent Non-executive Directors and two Non-executive Directors, who have the same term with that as 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, giving advice and carrying 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, Simon and Mr. Chua Keng Kim and two non-executive Directors, namely Mr. Wang Quanhua and Mr. Sun Yongtao (Mr. Sun resigned on March 3, 2009), and the Independent Non-executive Director, Mr. Yuan Yaohui was elected as the chief member of the Remuneration Committee.

The Remuneration Committee did not convene any meeting during 2008.

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 2008 will be RMB120,000 (RMB120,000 for 2007), but the Independent Non-executive Directors are not entitled to bonus. The fees are determined with reference to the prevailing market price and the respective working experience of the Independent Non-executive Directors. 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 to the financial statements in page on 78 to 82.

NOMINATION OF DIRECTORS

The Company has not 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 major 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", will be put forward for election in the general meeting by the Company. 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 (Note), of which at least one-half of the Directors are external Directors (including more than three Independent Non-executive Directors). Directors shall be elected by way of ordinary resolution in the general meeting. In case more than 15 Directors (Note) 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.

In 2008, according to the nomination and recommendation of major promoter shareholders, the Board has recommended the change of three Directors which was approved by the shareholders in general meetings (please refer to the above section headed "the Board" for details).

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.

Note: As stated in the Company's announcement dated December 12, 2008 and circulars dated January 8, 2009 and January 12, 2009 respectively, the Board of the Company proposed to amend the Articles to adjust the structure of the Board and the Supervisory Committee. Such proposal was approved by shareholders at the extraordinary general meeting of the Company held on March 3, 2009. The Board has recommended, based on the suggestion from major promoter shareholders, the resignation of an Executive Director and six Non-executive Directors, and the appointment of a Non-executive Director, which had also been approved by shareholders at that general meeting.

REMUNERATION OF EXTERNAL AUDITORS

Aggregate remunerations for annual statutory audit services provided by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company, the Company's international and PRC auditors respectively, to the Company for Year 2008 amounted to RMB1.60 million.

In addition, the total remuneration paid to the auditors above was RMB2.79 million for provision of reporting accountant services in respect of the acquisition of a property located in Dongxingli, Chaoyang District, Beijing, the PRC from CTHC and the 100% equity in its subsidiary, ACCA. Such services were audit services.

The total remuneration for audit services provided by the above auditors to the Company for Year 2008 aggregated to RMB4.39 million.

STRATEGIC COMMITTEE

The Strategic Committee is responsible to study and advise the Company for its long term development strategies and significant investment decisions, including major issues like significant investment financing plans, significant capital operations and asset operations, which have an impact on the Company's development. Their duties are available at the Company's website.

At the beginning of 2008, the Strategic Committee comprised six directors. Each member of the committee has same term with that as a Director. In 2008, as Mr. Zhu Yong and Mr. Ding Weiping ceased to be directors, their terms as members of Strategic Committee were terminated at the same time. As at December 31, 2008, the Strategic Committee comprised four directors/then directors (namely Luo Chaogeng, Wang Quanhua, Gong Guokui and Rong Gang) with Luo Chaogeng as the Chairman of the Strategic committee. In 2008, the Strategic Committee held two meetings to discuss the company's material investment projects (including the acquisition of a property located in Dongxingli, Chaoyang District, Beijing, the PRC from CTHC and the 100% equity in its subsidiary, ACCA), 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 of the Strategic Committee)	2	2	100%
Wang Quanhua	2	2	100%
Rong Gang (resigned on March 3, 2009)	2	2	100%
Gong Guokui (resigned on March 3, 2009)	1	2	50%
Zhu Yong (resigned on May 20, 2008)	0	2	0%
Ding Weiping (resigned on October 17, 2008)	2	2	100%

SUPERVISORY COMMITTEE

In accordance with the Company Law of the PRC and the Articles, the Supervisory Committee comprises nine Supervisors (Note), 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 is three years commencing from January 9, 2007. Biographies of each of the Supervisors are set out on pages 127 to 128.

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.

During 2008, the Supervisory Committee held three meetings. It reviewed financial information relating to the annual results for the year ended December 31, 2007 and the interim results for the six months ended June 30, 2008, 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	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.

Note: As stated in the Company's announcement dated December 12, 2008 and circulars dated January 8, 2009 and January 12, 2009 respectively, the Board of the Company proposed to amend the Articles to adjust the structure of the Board and the Supervisory Committee (including the downsizing of the Supervisory Committee to five members). Such proposal was approved by shareholders at the extraordinary general meeting of the Company held on March 3, 2009. Since then, the Supervisory Committee has comprised of 2 Shareholder Representative Supervisors, 2 Staff Representative Supervisors and 1 Independent Supervisor, among which Ms Li Xiaojun is still serving as Chairperson of the Supervisory Committee.

By Order of the Board
Ding Weiping
Company Secretary

March 27, 2009

REPORT OF DIRECTORS

The Board of the Company is pleased to present its report together with the audited financial statements of the Group for Year 2008.

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 2008 were principally derived from the operations of the Group in the PRC.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2008 amounted to 1,776,315,000 shares, with a par value of RMB1.00 each.

As at December 31, 2008, the share capital structure of the Company was as follows:

Class of shares	Number of shares as at December 31, 2008 *(share)*	Percentage to the total number of shares in issue as at December 31, 2008 *(%)*
Domestic Shares	1,154,607,000	65.00
H Shares	621,708,000	35.00

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2008, 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	Approximate percentage of respective class of share capital	Approximate percentage of total share capital *(Note 2)*
Platinum Investment Management Limited	25,913,952 H shares of RMB1 each(L)	Investment Manager	4.17%	1.46%
	63,247,900 H shares of RMB1 each (L)	Trustee (other than a bare trustee)	10.17%	3.56%
Platinum International Fund	51,964,900 H shares of RMB1 each (L)	Beneficial owner	8.36%	2.93%
GMT Capital Corp.	57,104,000 H shares of RMB1 each (L)	Beneficial owner	9.19%	3.21%
The Bank of New York Mellon	32,630,100 H shares of RMB1 each (L)	Custodian corporation/ approved lending agent	5.25%	1.84%
	15,696,100 H shares of RMB1 each (P)		2.52%	0.88%
The Bank of New York Mellon Corporation	32,630,100 H shares of RMB1 each (L)	Interest of controlled corporation	5.25%	1.84%
	15,696,100 H shares of RMB1 each (P)		2.52%	0.88%
Prudential Plc	31,810,000 H shares of RMB1 each (L)	Interest of controlled corporation *(Note 3)*	5.12%	1.79%
JPMorgan Chase & Co.	31,168,000 H shares of RMB1 each (L)	Custodian corporation/ approved lending agent	5.01%	1.75%
	31,168,000 H shares of RMB1 each (P)		5.01%	1.75%

Name of shareholder	Class and no. of Securities *(Note 1)*	Capacity	Approximate percentage of respective class of share capital	Approximate percentage of total share capital *(Note 2)*
J.P. Morgan Fleming Asset Management (Asia) Inc.	22,199,000 H shares of RMB1 each (L)	Investment Manager	7.14% *(Notes 4 & 5)*	1.25%
J.P. Morgan Fleming Asset Management Holdings Inc.	22,199,000 H shares of RMB1 each (L)	Investment Manager	7.14% *(Notes 4 & 5)*	1.25%
JF Asset Management Limited	22,199,000 H shares of RMB1 each (L)	Investment Manager	7.14% *(Notes 4 & 5)*	1.25%
China TravelSky Holding Company	396,993,000 domestic shares of RMB1 each (L)	Beneficial owner	34.38%	22.35%
China Southern Air Holding Company	232,921,000 domestic shares of RMB1 each (L)	Beneficial owner	20.17%	13.11%
	43,849,000 domestic shares of RMB1 each (L) *(Note 6)*	Interest of controlled corporation	3.80%	2.47%
China Eastern Air Holding Company ("Eastern Holding")	218,829,000 domestic shares of RMB1 each (L)	Beneficial owner	18.95%	12.32%
	5,317,000 domestic shares of RMB1 each (L) *(Note 7)*	Interest of controlled corporation	0.46%	0.30%
	2,600,000 domestic shares of RMB1 each (L) *(Note 8)*	Interest of controlled corporation	0.23%	0.15%
China National Aviation Holding Company	178,867,000 domestic shares of RMB1 each (L)	Beneficial owner	15.49%	10.07%
	8,697,000 domestic shares of RMB1 each (L) *(Note 9)*	Interest of controlled corporation	0.75%	0.49%

Notes:

(1) (L) - Long position, (P) - lending pool.

(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, 2008.

(3) Based on the corporate substantial shareholder notice filed by Prudential Plc on April 7, 2008, these shares were held by Prudential Asset Management (Hong Kong) Ltd., whose entire shareholding was controlled by Prudential Corporation Holdings Ltd., whose entire shareholding was controlled by Prudential Holdings Ltd. and whose entire shareholding was controlled by Prudential Plc.

(4) 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 of 888,157,500 new ordinary shares at par value of RMB1 per share by the Company to the shareholders on the basis of one bonus share for one existing share, details of which are set out in the Company's circular dated April 18, 2007 ("Bonus Issue"). Theoretically, the number of shares of the Company held by those substantial shareholders should increase after the Bonus Issue (with the shareholding percentage remains unchanged). However, the Directors cannot exclude the possibility that those substantial shareholders have disposed of any shares of the Company after the Bonus Issue, so that the number of shares of the Company held by those substantial shareholders before and after the Bonus Issue and as at December 31, 2008 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 of the Company on behalf of the others and this kind of interest is not required to be disclosed under the Ordinance).

(5) Such percentage is shown in the Corporate Substantial Shareholder Notice declared and filed by such shareholder on April 7, 2003 at the latest. To the best of the knowledge, the information collected and belief of the Directors, they are unable to confirm whether such ratio represents the shareholding ratio of the shareholder after the Bonus Issue. Please also refer to Note (4) above.

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

(7) These shares are held by China Eastern Airlines Corporation Limited ("Eastern Airlines"), a subsidiary of Eastern Holding. Eastern Holding is deemed to be interested in the shares held by Eastern Airlines by virtue of the Ordinance.

(8) These shares are held by China Eastern Airlines Wuhan Limited, a subsidiary of Eastern Holding. Eastern Holding is deemed to be interested in the shares held by China Eastern Airlines Wuhan Limited by virtue of the Ordinance.

(9) These shares are held by Shandong Airlines Company Limited ("Shandong Airlines"), a controlled corporation of China National Aviation Holding Company. China National Aviation Holding Company was deemed to be interested in the shares held by Shandong Airlines by virtue of the Ordinance.

Save as disclosed above, as at December 31, 2008, 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.

MOVEMENT IN SHARE CAPITAL

Please refer to the sections headed "Material Acquisition" under "Financial Review" and "Other Connected Transactions" in this Report of Directors and note 40 to the financial statements.

PUBLIC FLOAT

As at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information publicly available to the Company and within the knowledge of the 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, 2008, the interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Ordinance) held by the Directors, supervisors or chief executives of the Company which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of the Ordinance), or any interests required to be entered in the register maintained in accordance with section 352 of the Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules was as follow:

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) 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, 2008.

Save as disclosed above, as at December 31, 2008, 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 (within the meaning of Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of the Ordinance), or any interests required to be entered in the register maintained in accordance with section 352 of the Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The term for the third Board and Supervisory Committee is 3 years, commencing from January 9, 2007 and ending on January 8, 2010. All Directors and supervisors have entered into service contracts with the Company.

On May 20, 2008, as approved at the annual general meeting, Mr. Zhu Yong resigned from the office of Non-executive Director due to other engagement (which was not relating to the Group), and his term of office was terminated at the conclusion of the annual general meeting. At the same time, as approved at the annual general meeting, Mr. Xu Qiang was appointed as an executive Director with effect from May 20, 2008 until the expiry date of the third Board.

On October 17, 2008, as approved at the extraordinary general meeting, Mr. Ding Weiping and Song Jinxiang ceased to take the office of an executive Director due to internal work arrangement of the Company, and their term of office was terminated at the conclusion of the extraordinary general meeting. At the same time, as approved at the extraordinary general meeting, Mr. Cui Zhixiong and Mr. Xiao Yinhong held the position of executive Director with effect from October 17, 2008 until the expiry date of the third Board.

As approved at the extraordinary general meeting on March 3, 2009, Mr. Gong Guokui, Mr. Zhu Xiaoxing, Mr. Rong Gang, Mr. Sun Yongtao, Mr. Liu Dejun, Mr. Xia Yi and Mr. Song Jian ceased to be Directors due to other engagement. Their term of office ended upon the conclusion of the extraordinary general meeting. Meanwhile, as approved at the extraordinary general meeting, Mr. Cao Guangfu has served as Non-executive Director since then for a term ending on the expiry date of the term of the third Board.

As approved at the extraordinary general meeting on March 3, 2009, Mr Jing Gongbin, Mr Zhang Yakun, Ms Wang Xiaomin and Mr Zhang Xin ceased to be supervisors of the Company due to the amendments to the Articles regarding the composition of the Supervisory Committee. Their term of office ended upon the conclusion of the extraordinary general meeting.

For the year ended December 31, 2008, none of the Directors or supervisors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Certain members of the 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 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 2008.

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 2008.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2008 are summarised in Note 13 to the financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2008 are set out in the consolidated statement of changes in shareholders' equity.

DIVIDENDS

The Board recommends the payment of a final dividend and a special dividend aggregating to RMB0.186 per share for Year 2008.

For details, please refer to the section headed "Dividends" in "Financial Review".

EMPLOYEES' RETIREMENT SCHEME

Details of the employees' retirement scheme of the Group are set out in the section headed "Employees" under the "Financial Review" and 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 the Year 2008 and the total network usage fees paid by the Group to SITA S.C. in Year 2008 accounted for 6.2% of the Group's total operating expenses (excluding depreciation and amortization expenses). During Year 2008, the total amount paid to the five largest suppliers of the Group accounted for 15.9% 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 16.8% of the Group's total revenues for Year 2008. During Year 2008, total sales to the Group's five largest customers accounted for 55.6% of the Group's total revenues. Three of these top five customers, China Southern Airlines Company Limited, Eastern Airlines and Air China Limited, the respective substantial shareholders of China Southern Air Holding Company, Eastern Holding, and China National Aviation Holding Company, are the promoters and substantial shareholders of the Company, holding an aggregate of approximately 35.5% of the issued share capital of the Company as at December 31, 2008. The 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, 2008 are set out in Note 1 to the financial statements.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During Year 2008, 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*

During Year 2008, the Group continued to provide certain promoters of the Company (including Hainan Airlines Company Limited ("Hainan Airlines"), Shanghai Airlines Company Limited ("Shanghai Airlines"), Shenzhen Airlines Company Limited ("Shenzhen Airlines"), Shandong Airlines Company Limited ("Shandong Airlines")), and their respective subsidiaries (including China Southern Airlines Company Limited ("Southern Airlines"), Eastern Airlines, Air China Limited ("Air China"), Sichuan Airlines Company ("Sichuan Airlines"), China Eastern Air Wuhan Company Limited ("CEA Wuhan") and Yunnan Lucky Airlines Company Limited ("Lucky Airlines")) (the "Promoters"), with aviation information technology service and technical support and its related business services, including:

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

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

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

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

The Promoters are connected persons of the Company. In accordance with the prescribed prices of Civil Aviation Administration of China ("CAAC"), depending on the types of system through which the transactions are processed, the aforesaid Promoters are required to pay service fee to the Group on monthly basis including:

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

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

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

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

The above continuing connected transactions were conducted in the ordinary and usual course of business of the Group and were the source of principal operating revenue of the Group. For more details, please refer to the announcements of the Company dated March 16, 2006, February 13, 2007, September 19, 2007, November 19, 2007 and July 24, 2008, and circulars of the Company dated April 7, 2006, March 7, 2007, October 10, 2007 and December 10, 2007, which also included the respective annual caps of the above continuing connected transactions for the financial year ended December 31, 2008.

For Year 2008, the aggregated service fee paid by the Promoters to the Group in the above continuing connected transactions amounted to RMB1,332.6 million. Please also refer to Note 38 to the financial statements.

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

The Company continued to lease the two properties in Dongxingli and Dongsi (as stated in circular of the Company dated March 7, 2007) from China TravelSky Holding Company in 2008 as data centers for daily operation. As China TravelSky Holding Company is a substantial shareholder and a promoter of the Company, China TravelSky Holding Company is a connected person of the Company. Term of the tenancy agreements for the lease of the two properties was ten years from October 18, 2000. The amount of the rentals payable to China TravelSky Holding Company by the Company is subject to review every three years by reference to the then prevailing market rate. In 2008, the average rental (including property management fee) of the two properties is RMB3.8 and RMB4.5 per square meter per day.

For Year 2008, total rental and usage fees paid by the Company to China TravelSky Holding Company under the above tenancy agreements amounted to approximately RMB38,609,000 (2007: RMB38,609,000). Details and financial information relating to such leases during Year 2008 are set out in Note 38 to the financial statements.

(c) Transactions between the Company and the Service Companies

As set out in the circular of the Company dated March 7, 2007, 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 Technology of Xi'an Ltd., Civil Aviation Cares Technology of Xinjiang Ltd. and Shenyang Civil Aviation Cares of Northeast China, Ltd.) (the "Service Companies") are the companies established between the Company and certain promoters of the Company (Hainan

Airlines, Shenzhen Airlines, Air China, Southern Airlines, CEA Wuhan, Eastern Airlines) 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 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. The agreement which governs the above continuing connected transactions between the Company and the Service Companies is effective for the period from January 1, 2007 to December 31, 2009.

During Year 2008, the revenue to the Company from the Service Companies and the revenue of APP System shared by the Service Companies aggregated to RMB30,804,276 (2007: RMB33,891,097).

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

During Year 2008, the total charges in relation to air cargo services paid by InfoSky to SITA INC. UK amounted to US$1,879,524 (2007: US$2,673,683) 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 (a subsidiary of the Company), 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.

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

During Year 2008, 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("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 2008, the membership fee and data network usage fees payable by the Company to SITA S.C. amounted to RMB59,828,731 (2007: RMB57,875,055).

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

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

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

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

(iv) 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, 2008:

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	RMB2,230.9 million (Please refer to the circular of the Company dated April 7, 2006, March 7, 2007, October 10, 2007 and December 10, 2007 and the announcement of the Company dated July 24, 2008)
Leasing properties from China TravelSky Holding Company	RMB40.00 million (please refer to the circular of the Company dated March 7, 2007 for further details)

Categories of transactions	Cap Amount
Transaction between the Company and the Service Companies	RMB44.64 million (please refer to the circular of the Company dated March 7, 2007)
Transaction between the Company and SITA S.C.	RMB80.00 million (please refer to the circular of the Company dated March 7, 2007)
Transactions between InfoSky and SITA INC.UK	US$ 3.549 million (please refer to the announcement of the Company dated February 13, 2007)

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;

(c) were conducted in accordance with the terms of the agreements governing relevant transactions; and

(d) the aggregate amounts incurred in Year 2008 have not exceeded the respective annual caps disclosed in previous announcements and/or circulars.

OTHER CONNECTED TRANSACTIONS

As set out in the announcement of the Company dated May 26, 2008 and the circular to shareholders dated June 16, 2008, the Company and China TravelSky Holding Company ("CTHC", a promoter and substantial shareholder of the Company) entered into the conditional sale and purchase agreement (the "Sale and Purchase Agreement") on May 5, 2008, pursuant to which the Company agreed to acquire the entire registered capital of Accounting Centre of China Aviation Limited Company ("ACCA"), a subsidiary of CTHC and a property located in No.11 Dongxingli, Chaoyang District, Beijing, the PRC for a total consideration of RMB1 billion (approximately HK$1.115 billion at the exchange rate then).The aggregate consideration will be satisfied by way of the Company issuing and allotting to CTHC or its nominees 174,491,393 new domestic shares with par value of RMB1 each, (the "Consideration Shares") at a price of HK$6.39 (approximately RMB5.73 at the exchange rate then) per Consideration Share upon completion. The transactions under the Sale and Purchase Agreement constitute connected transaction and major transaction of the Company under the Listing Rules. As set out in the announcement of the Company dated July 31, 2008, special resolutions for approving the Sale and Purchase Agreement and the transaction contemplated thereunder, the issue of the Consideration Shares and the amendment of the Articles were duly passed by way of poll at the extraordinary general meeting of the Company held on July 31, 2008.

The above connected and major transaction proceeded to completion on March 3, 2009. On March 3, 2009, the Company issued 174,491,393 Consideration Shares to CTHC. Accordingly, the Company's total shares in issue increased to 1,950,806,393 shares, comprising 1,329,098,393 domestic shares and 621,708,000 H shares.

The Directors confirm that the related party transactions referred to above 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, 2008, the Group did not have any trust deposits or irrecoverable overdue time deposits. All of the Group's cash deposits are deposited with commercial banks and are in compliance with applicable laws and regulations.

TAX RELIEF AND EXEMPTION

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2008, the Group did not purchase, sell or redeem any of the listed securities of the Company.

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 2008. Details of the Company's compliance with the requirements of the code provisions in the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules in effect from January 1, 2005 to December 31, 2008 for Year 2008 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 2008.

AUDITORS

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 for Year 2008.

A resolution relating to the appointment of PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co.(Certified Public Accountants in the PRC) as the Company's International and PRC auditors for the year ending December 31, 2009 respectively will be proposed at the annual general meeting of the Company in 2009.

By order of the Board
Xu Qiang
Chairman

March 27, 2009

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended December 31, 2008, 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 approval at the extraordinary general meeting of the Company held on March 3, 2009, the Supervisory Committee of the Company comprises five instead of nine Supervisors (among which the number of staff representative Supervisors should be more than one-third of the number of the members of the Supervisory Committee) and one independent Supervisor. (The list of members of Supervisors is set out in the section headed "Corporate Information" and the biographies of each Supervisor are set out on pages 127 to 128).

The third Supervisory Committee convened three meetings during Year 2008 and reviewed the Company's financial statements for Year 2007 and interim financial statements for 2008, and attended meetings of the board of directors (the ''Board") and undertook the responsibility to monitor 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 reviewed the Company's financial statements for Year 2008 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 2008.

The Supervisory Committee considers that the Board and senior management of the Company were committed to act honestly and to perform their duties diligently for Year 2008, with which the best interests of the Company and shareholders were protected. The Supervisory Committee considers that the report of the Board for the year ended December 31, 2008 reflected the actual operational circumstances of the Company. 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 27, 2009

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

We have audited the consolidated financial statements of TravelSky Technology Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 48 to 117, which comprise the consolidated and company balance sheets as of December 31, 2008, 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.

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, 2008 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 27, 2009

CONSOLIDATED INCOME STATEMENT

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

	Note	Year ended December 31 2008	2007
Revenues			
Aviation information technology service		**1,609,115**	1,601,160
Data network and others		**396,053**	400,743
Total revenue	5	**2,005,168**	2,001,903
Operating expenses			
Business taxes and other surcharges		**(66,957)**	(65,795)
Depreciation and amortisation		**(312,947)**	(243,111)
Network usage fees		**(94,410)**	(83,562)
Personnel expenses		**(316,821)**	(271,689)
Operating lease payments		**(71,890)**	(68,607)
Technical support and maintenance fees		**(178,323)**	(154,459)
Commission and promotion expenses		**(239,570)**	(248,075)
Other operating expenses		**(201,879)**	(209,701)
Total operating expenses		**(1,482,797)**	(1,344,999)
Operating profit		**522,371**	656,904
Financial income, net		**77,705**	48,696
Share of results of associated companies		**17,969**	12,991
Profit before taxation	6	**618,045**	718,591
Taxation	10	**(41,280)**	(69,941)
Profit after taxation		**576,765**	648,650
Attributable to			
Equity holders of the Company		**560,109**	630,989
Minority interest		**16,656**	17,661
		576,765	648,650
Earnings per share for profit attributable to the equity holders of the Company			
Basic and diluted *(RMB)*	12	**0.32**	0.36
Cash Dividends	11	**362,850**	230,921

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

CONSOLIDATED BALANCE SHEET

(Amounts expressed in thousands of Renminbi)

	Note	As at December 31 2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment, net	13	**875,874**	1,033,148
Intangible assets, net	14	**11,952**	11,824
Investments in associated companies	16	**103,665**	85,996
Other long-term assets	20	**8,962**	8,881
Deferred income tax assets	18	**6,769**	9,229
		1,007,222	1,149,078
Current assets			
Inventories	21	**9,877**	9,241
Accounts receivable, net	22	**160,735**	141,565
Due from associated companies	25	**6,556**	6,308
Due from related parties, net	23, 38(3)	**740,610**	389,561
Income tax receivable		**45,104**	—
Prepayments and other current assets	26	**155,642**	102,399
Held-to-maturity financial assets	19	**—**	100,000
Short-term bank deposits	27	**2,274,728**	1,843,949
Cash and cash equivalents	28	**840,733**	1,209,152
		4,233,985	3,802,175
Total assets		**5,241,207**	4,951,253
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Paid-In capital	31	**1,776,315**	1,776,315
Reserves	32	**1,466,952**	1,296,834
Retained earnings	33		
— Proposed cash dividend	11	**362,850**	230,921
— Others		**1,053,829**	1,028,659
		4,659,946	4,332,729
Minority interests		**98,810**	85,997
Total equity		**4,758,756**	4,418,726
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities	18	**180**	129
Current liabilities			
Accounts payable and accrual liabilities	29	**430,973**	470,212
Due to related parties	30	**44,548**	39,960
Income tax payable		**3,690**	17,054
Deferred revenue		**3,060**	5,172
		482,271	532,398
Total liabilities		**482,451**	532,527
Total equity and liabilities		**5,241,207**	4,951,253
Net current assets		**3,751,714**	3,269,777
Total assets less current liabilities		**4,758,936**	4,418,855

Approved by the Board of Directors on March 27, 2009.

Xu Qiang	**Xiao Yinhong**
Chairman	*Director*

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

BALANCE SHEET

(Amounts expressed in thousands of Renminbi)

	Note	As at December 31 2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment, net	13	**821,951**	980,578
Intangible assets, net	14	**10,129**	10,016
Investments in subsidiaries	15	**53,709**	37,507
Investments in associated companies	16	**27,290**	27,290
Other long-term assets	20	**8,881**	8,881
Deferred income tax assets	18	**5,974**	8,062
		927,934	1,072,334
Current assets			
Inventories	21	**—**	2,632
Accounts receivable, net	22	**118,402**	110,242
Due from subsidiaries, net	24	**20,290**	24,982
Due from associated companies	25	**4,291**	6,308
Due from related parties, net	23, 38(3)	**731,227**	381,573
Income tax receivable		**45,104**	—
Prepayments and other current assets	26	**142,503**	88,640
Held-to-maturity financial assets	19	**—**	100,000
Short-term bank deposits	27	**2,168,228**	1,757,949
Cash and cash equivalents	28	**737,985**	1,111,519
		3,968,030	3,583,845
Total assets		**4,895,964**	4,656,179
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Paid-In capital	31	**1,776,315**	1,776,315
Reserves	32	**1,471,741**	1,299,652
Retained earnings	33		
— Proposed cash dividend	11	**362,850**	230,921
— Others		**837,888**	852,988
Total equity		**4,448,794**	4,159,876
LIABILITIES			
Current liabilities			
Accounts payable and accrual liabilities	29	**401,642**	442,499
Due to related parties	30	**34,628**	30,533
Due to subsidiaries		**10,900**	10,789
Income tax payable		**—**	12,482
		447,170	496,303
Total equity and liabilities		**4,895,964**	4,656,179
Net current assets		**3,520,860**	3,087,542
Total assets less current liabilities		**4,448,794**	4,159,876

Approved by the Board of Directors on March 27, 2009.

Xu Qiang	**Xiao Yinhong**
Chairman	*Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts expressed in thousands of Renminbi)

		Attributable to equity holders of the Company			Minority Interest	Total
	Note	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	32	888,157	(888,157)	—	—	—
Profit for the year		—	—	630,989	17,661	648,650
Dividend relating to year 2006		—	—	(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

		Attributable to equity holders of the Company			**Minority Interest**	**Total**
	Note	**Paid-In capital**	**Reserves**	**Retained earnings**		
Balance at January 1, 2008		**1,776,315**	**1,296,834**	**1,259,580**	**85,997**	**4,418,726**
Profit for the year		**–**	**–**	**560,109**	**16,656**	**576,765**
Dividend relating to year 2007	11	**–**	**–**	**(230,921)**	**–**	**(230,921)**
Dividends payable to minority shareholders of subsidiaries		**–**	**–**	**–**	**(3,843)**	**(3,843)**
Currency translation differences	32	**–**	**(1,971)**	**–**	**–**	**(1,971)**
Appropriation to reserves	32, 33	**–**	**172,089**	**(172,089)**	**–**	**–**
Balance at December 31, 2008		**1,776,315**	**1,466,952**	**1,416,679**	**98,810**	**4,758,756**

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

CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in thousands of Renminbi)

	Note	Year ended December 31 2008	2007
Cash flows from operating activities			
Cash generated from operations	34	**526,372**	790,232
Refund of enterprise income tax		**30,114**	30,180
Enterprise income tax paid		**(127,351)**	(99,772)
Net cash generated from operating activities		**429,135**	720,640
Cash flows from investing activities			
Purchases of property, plant, equipment and intangible assets		**(320,436)**	(568,074)
Maturities of short-term bank deposits		**1,923,320**	1,743,036
Placements of short-term bank deposits		**(2,354,099)**	(1,702,381)
Interest received		**94,194**	64,359
Dividends received from associated companies		**300**	838
Proceeds from disposal of property, plant and equipment		**482**	661
Maturities of held-to-maturity treasury bonds		**100,000**	—
Investments in associated companies		**—**	(5,500)
Net cash used in investing activities		**(556,239)**	(467,061)
Cash flows from financing activities			
Dividend paid to group shareholders		**(230,921)**	(252,813)
Dividend paid to minority shareholders of subsidiaries		**(3,519)**	(3,964)
Net cash used in financing activities		**(234,440)**	(256,777)
Effect of foreign exchange rate changes on cash and cash equivalents		**(6,875)**	(20,816)
Net decrease in cash and cash equivalents		**(368,419)**	(24,014)
Cash and cash equivalents at beginning of the year		**1,209,152**	1,233,166
Cash and cash equivalents at end of the year	28	**840,733**	1,209,152

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES

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

The Company was listed on The Stock Exchange of Hong Kong Limited on February 7, 2001. The address of its registered office is 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, 2008, 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		Issued and fully paid capital	Principal activities
		Direct	Indirect	*RMB*	
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

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

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

Name	Date of incorporation	Percentage of equity interest held		Issued and fully paid capital	Principal activities
		Direct	Indirect	*RMB*	
Subsidiaries (cont'd)					
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
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

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

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

Name	Date of incorporation	Percentage of equity interest held Direct	Indirect	Issued and fully paid capital *RMB*	Principal activities
Subsidiaries (cont'd)					
TravelSky Technology (Hong Kong) Limited ("Hong Kong Company")	December 13, 2000	100%	—	11,385,233	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
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

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

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

Name	Date of incorporation	Percentage of equity interest held Direct	Percentage of equity interest held Indirect	Issued and fully paid capital *RMB*	Principal activities
Subsidiaries (cont'd)					
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
Shanghai TravelSky Information Technology Limited ("Shanghai Company")	July 1, 2008	100%	—	4,000,000	Computer hardware and software development and data network services
Guangzhou TravelSky Information Technology Limited ("Guangzhou Company")	September 28,2008	100%	—	4,000,000	Computer hardware and software development and data network services

During the year, the Company had set up two wholly owned subsidiaries, namely Shanghai Company and Guangzhou Company.

Hong Kong Company had received additional capital contributions in cash from the Company amounting to HKD 9,360,000 (equivalent to approximately RMB 8,202,360) in 2008. As a result, its share capital was increased from HKD 3,000,000 (equivalent to approximately RMB 3,182,873) to HKD 12,360,000 (equivalent to approximately RMB 11,385,233).

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

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

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

Name	Date of incorporation	Percentage of equity interest held Direct	Indirect	Issued and fully paid capital *RMB*	Principal activities
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

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

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

Name	Date of incorporation	Percentage of equity interest held Direct	Indirect	Issued and fully paid capital *RMB*	Principal activities
Associated Companies (cont'd)					
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
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

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.

2. BASIS OF PRESENTATION *(continued)*

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) Amendments effective in 2008

- The IAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to IFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from July 1, 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

(b) Interpretations effective in 2008 but not relevant for the Group's operation in 2008

- IFRIC - Int 11, 'IFRS 2 — Group and treasury share transactions';
- IFRIC - Int 12, 'Service Concession arrangements'; and
- IFRIC - Int 14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'.

(c) Standards, amendments and interpretations to existing standards that are relevant for the Group's existing operations but 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, 2009 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, 'Segment reporting', 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;

2. BASIS OF PRESENTATION *(continued)*

(c) Standards, amendments and interpretations to existing standards that are relevant for the Group's existing operations but are not yet effective and have not been early adopted by the Group *(continued)*

- IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from January 1, 2009;

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from July 1, 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) from January 1, 2010;

- IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from July 1, 2009). The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply IAS 27 (Amendment) prospectively from January 1, 2010 in its separate financial statements;

- IFRS 3 (Revised), 'Business combinations' (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from January 1, 2010; and

2. BASIS OF PRESENTATION *(continued)*

(c) Standards, amendments and interpretations to existing standards that are relevant for the Group's existing operations but are not yet effective and have not been early adopted by the Group *(continued)*

- IASB's annual improvements project published in May 2008

  — IAS 1 (Amendment), 'Presentation of financial statements' (effective from January 1, 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from January 1, 2009;

  — IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from January 1, 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from January 1, 2009;

  — IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from January 1, 2009;

  — IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from January 1, 2009;

  — There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the balance sheet date', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting' which are not addressed above.

The Group will assess the impact of these standards, amendments and interpretations on the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Merger accounting for common control combination

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

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

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

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

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

(ii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are 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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(ii) Subsidiaries (continued)

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.

(iii) Transactions with 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.

(iv) Associated companies

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(iv) Associated companies (continued)

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

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

Dilution gains and losses arising in investments in companies are 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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies *(continued)*

(ii) Transactions and balances (continued)

Foreign exchange gains and losses are presented in the consolidated income statement within 'finance income or cost'.

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

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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.

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.

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, 2008, no development costs were capitalized as they did not meet all the criteria listed above (2007: 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.

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. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Financial assets *(continued)*

(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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Financial assets *(continued)*

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Inventories

Inventories, which principally comprise equipment for sale, spare parts and consumable items, are carried at lower of cost and 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 expenses in the income statement.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(l) Accounts payables

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income taxation

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of an asset or liability and its carrying amount in the consolidated financial statements. 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 government authorities.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Employee benefits *(continued)*

(i) Pension (continued)

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

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

(ii) Other employee benefits

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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Provisions *(continued)*

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition *(continued)*

- 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.

(s) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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) 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.

(b) Impairment of assets

At each balance sheet date, the Group considers both internal and external sources of information to assess whether there is any indication that 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.

(c) 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.

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

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

(d) 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.

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:

	2008	2007
	RMB'000	*RMB'000*
After charging:		
Depreciation	**299,282**	229,510
Amortization of intangible assets	**6,775**	7,427
Amortization of leasehold improvements	**6,890**	6,174
Loss on disposal of property, plant and equipment	**384**	6,039
Provision for impairment of receivables	**6,291**	1,747
Cost of equipment sold	**27,761**	53,093
Contributions to defined contribution pension scheme	**38,311**	40,963
Auditors' remuneration	**1,938**	2,616
Exchange loss	**4,904**	20,816
Contribution to housing fund	**16,129**	12,439
Research and development expenses	**295,725**	264,024
After crediting:		
Interest income	**(82,609)**	(69,512)

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

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, 2008 (tax inclusive):

	Year ended December 31, 2008					
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*
Executive directors						
Mr. Xu Qiang * *(Chairman) (i)*	—	—	—	—	—	—
Mr. Cui Zhixiong * *(ii)*	—	—	—	—	—	—
Mr. Xiao Yinhong *(ii)*	—	—	199	255	41	495
Mr. Zhu Xiaoxing	—	—	206	266	44	516
Mr. Ding Weiping *(iv)*	—	—	101	315	41	457
Mr. Song Jinxiang *(iv)*	—	—	92	305	38	435
Non-Executive Directors						
Mr. Wang Quanhua *	—	—	—	—	—	—
Mr. Luo Chaogeng *	—	—	—	—	—	—
Mr. Gong Guokui *	—	—	—	—	—	—
Mr. Rong Gang *	—	—	—	—	—	—
Mr. Sun Yongtao *	—	—	—	—	—	—
Mr. Liu Dejun *	—	—	—	—	—	—
Mr. Xia Yi *	—	—	—	—	—	—
Mr. Song Jian *	—	—	—	—	—	—
Mr. Zhu Yong * *(iii)*	—	—	—	—	—	—
Independent Non-Executive directors						
Mr. Yick Wing Fat, Simon	120	—	—	—	—	120
Mr. Chua Keng Kim	120	—	—	—	—	120
Mr. Yuan Yaohui	120	—	—	—	—	120

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

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

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

	Year ended December 31, 2008					
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*
Supervisors						
Ms. Li Xiaojun *	—	—	—	—	—	—
Ms. Du Hongying *	—	—	—	—	—	—
Mr. Jing Gongbin *	—	—	—	—	—	—
Mr. Zhang Yakun *	—	—	—	—	—	—
Mr. Yu Yanbin *	—	—	—	—	—	—
Ms. Gao Jingping (Staff Representative Supervisor)	—	—	191	244	42	477
Ms. Wang Xiaomin (Staff Representative Supervisor)	—	—	93	269	39	401
Mr. Zhang Xin (Staff Representative Supervisor)	—	—	77	131	32	240
Mr. Rao Geping (Independent Supervisor)	50	—	—	—	—	50

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

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, 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						
Mr. Zhu Yong *	—	—	—	—	—	—
Executive directors						
Mr. Zhu Xiaoxing	—	—	210	277	21	508
Mr. Ding Weiping	—	—	96	385	21	502
Mr. Song Jinxiang	—	—	96	385	21	502
Non-Executive Directors						
Mr. Wang Quanhua *	—	—	—	—	—	—
Mr. Cao Jianxiong *	—	—	—	—	—	—
Mr. Luo Chaogeng * *(v)*	—	—	—	—	—	—
Mr. Gong Guokui *	—	—	—	—	—	—
Mr. Rong Gang *	—	—	—	—	—	—
Mr. Sun Yongtao *	—	—	—	—	—	—
Mr. Liu Dejun *	—	—	—	—	—	—
Mr. Xia Yi *	—	—	—	—	—	—
Mr. Song Jian *	—	—	—	—	—	—
Independent Non-Executive directors						
Mr. Yick Wing Fat, Simon	120	—	—	—	—	120
Mr. Chow Kwok Wah, James	50	—	—	—	—	50
Mr. Chua Keng Kim *(v)*	70	—	—	—	—	70
Mr. Yuan Yaohui	120	—	—	—	—	120

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

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

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

	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*
Supervisors						
Ms. Li Xiaojun *	—	—	—	—	—	—
Ms. Du Hongying *	—	—	—	—	—	—
Mr. Jing Gongbin *	—	—	—	—	—	—
Mr. Zhang Yakun *	—	—	—	—	—	—
Mr. Yu Yanbin *	—	—	—	—	—	—
Ms. Gao Jingping (Staff Representative Supervisor) *(iv)*	—	—	188	244	21	453
Ms. Wang Xiaomin (Staff Representative Supervisor) *(iv)*	—	—	88	333	21	442
Mr. Zhang Xin (Staff Representative Supervisor)	—	—	72	182	21	275
Mr. Rao Geping (Independent Supervisor)	50	—	—	—	—	50

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

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) Appointed on May 20, 2008

(ii) Appointed on October 17, 2008

(iii) Resigned on May 20, 2008

(iv) Resigned on October 17, 2008

(v) Appointed on June 5, 2007

During the year ended December 31, 2008, no director had waived or agreed to waive any emolument (2007: 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 (2007: nil).

(2) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: two) individuals during the year are as follows:

	2008	2007
	RMB'000	*RMB'000*
Basic salaries and allowances	**574**	281
Bonuses	**732**	629
Retirement benefits	**125**	42
	1,431	952

The annual emoluments paid during the year ended December 31, 2008 to each of the directors (included in the five highest paid employees) fell within the band from RMB nil to RMB 1 million (2007: from RMB nil to RMB 1 million).

8. RETIREMENT BENEFITS

All the full time employees of the Group are covered by state-sponsored pension scheme under which the employees are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make specified contributions to the state-sponsored pension scheme at the rate of 20% of the employees' basic salaries subject to certain ceiling for the year ended December 31, 2008 (2007: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2008 amounted to approximately RMB 25,233,000 (2007: RMB 21,173,000). 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. The annual contributions to this plan made by the Group for the year ended December 31, 2008 amounted to approximately RMB 13,078,000. These amounts 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 this state-sponsored housing fund equivalent to a certain percentage of each employee's salary. The contributions made by the Group to the housing fund for the year ended December 31, 2008 amounted to approximately RMB 16,129,000 (2007: RMB 12,439,000). This amount was recorded in personnel expenses.

As of December 31, 2008, the total number of employees of the Group was 2,940 (2007: 2,629).

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

10. TAXATION

Income Tax

	2008 RMB'000	2007 RMB'000
Current tax		
— PRC enterprise income tax expenses	**37,900**	77,692
— Overseas income tax expenses	**869**	1,349
Deferred tax	**2,511**	(9,100)
	41,280	69,941

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. Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation prevailing in the locations in which the Group operates.

The Corporate Income Tax Law of the People's Republic of China ("new CIT Law") was implemented since January 1, 2008 as approved by the National People's Congress on March 16, 2007. The new CIT Law unified the income tax rate of enterprises in China to 25%, starting from January 1, 2008.

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

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

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

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:

	2008 **RMB'000**	2007 RMB'000
Profit before taxation	**618,045**	718,591
Weighted average statutory tax rate	**25%**	33%
Tax calculated at domestic tax rates applicable to profits		
in the respective countries	**154,031**	237,135
Non-taxable income	**(300)**	(450)
Tax refund (i)	**(30,114)**	(30,180)
Non-deductible expense	**4,395**	2,830
Effect of preferential tax rates	**(86,732)**	(139,394)
Tax charge	**41,280**	69,941

(i) Tax refund

In addition to being approved as a "High and New Technology Enterprise", the Company was also approved and certified by relevant authorities as an "Important Software Enterprise" for the year 2006, 2007 and 2008 which allows the Company to enjoy a preferential income tax rate of 10%. According to the relevant regulations, the differences that resulted from the enterprise income tax paid by the Company at the rate of 15% over this preferential income tax rate of 10% should be recognised in the year which the Company obtained its "Important Software Enterprise" certification.

The Company obtained its "Important Software Enterprise" approval and certification from the relevant authorities for 2006 and 2007 in 2007 and 2008 respectively and hence had recognised the corresponding tax refund of approximately RMB 30,180,000 and RMB 30,114,000 in 2007 and 2008 respectively.

The Company obtained its "Important Software Enterprise" approval and certification from the relevant authorities for 2008 in December 2008. Accordingly, the Company had accrued its income tax expenses for 2008 based on this preferential income tax rate of 10% in the current year's financial statements.

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

10. TAXATION *(continued)*

Business Taxes

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

Aviation information technology service and data network services	3%
Technical support services	5%

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 DISTRIBUTION

The shareholders in the annual general meeting on May 20, 2008 approved the final dividend in respect of 2007 of RMB 0.13 per share amounting to a total of RMB 230,920,950. The amount was accounted for in shareholders' equity as an appropriation of retained earnings in 2008.

As at March 27, 2009, the Board recommended the distribution of a final dividend of RMB 206,850,000 and a special dividend of RMB 156,000,000 cash, aggregating to RMB 362,850,000 (RMB0.186 per share) for Year 2008. The total number of shares in issue which entitle the receipt of those dividends are 1,950,806,393 shares. The proposed final dividend and special dividend distribution is subject to shareholders' approval in their next annual general meeting of the Company and will be recorded in the Group's financial statements for the year ending December 31, 2009.

12. EARNINGS PER SHARE

Earnings per share for the year ended December 31, 2008 and December 31, 2007 have been computed by dividing the profit attributable to the equity holders of the Company, of RMB 560,109,000 and RMB 630,989,000, by 1,776,315,000 ordinary shares issued and outstanding.

There were no potential dilutive ordinary shares outstanding during the years ended December 31, 2008 and 2007.

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

13. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, property, plant and equipment comprised:

The Group:

	Buildings RMB'000	Computer systems and software RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost							
As at January 1, 2007	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
Transfer upon completion	3,000	—	—	—	(3,000)	—	—
Purchases	1,920	131,408	4,350	8,889	—	3,197	149,764
Disposals/write off	—	(12,514)	(3,431)	(1,661)	—	—	(17,606)
As at December 31, 2008	116,115	2,136,380	45,959	50,372	—	22,846	2,371,672
Accumulated depreciation							
As at January 1, 2007	(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)
Charge for the year	(5,705)	(273,983)	(5,523)	(14,071)	—	(6,890)	(306,172)
Disposals/write off	—	11,998	3,161	1,581	—	—	16,740
As at December 31, 2008	(21,093)	(1,388,799)	(28,114)	(42,056)	—	(15,736)	(1,495,798)
Net book value							
As at December 31, 2007	95,807	890,672	19,288	13,578	3,000	10,803	1,033,148
As at December 31, 2008	95,022	747,581	17,845	8,316	—	7,110	875,874

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

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

The Company:

	Buildings	Computer systems and software	Motor vehicles	Furniture, fixtures and other equipment	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2007	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
Purchases	—	129,010	1,805	6,239	3,112	140,166
Disposals/write off	—	(9,637)	(2,333)	—	—	(11,970)
As at December 31, 2008	66,483	2,124,878	29,441	37,479	20,695	2,278,976
Accumulated depreciation						
As at January 1, 2007	(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)
Charge for the year	(3,224)	(272,872)	(3,653)	(12,079)	(6,592)	(298,420)
Disposals/write off	—	9,334	2,263	—	—	11,597
As at December 31, 2008	(10,130)	(1,381,801)	(16,855)	(34,336)	(13,903)	(1,457,025)
Net book value						
As at December 31, 2007	59,577	887,242	14,504	8,983	10,272	980,578
As at December 31, 2008	56,353	743,077	12,586	3,143	6,792	821,951

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

14. INTANGIBLE ASSETS, NET

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost				
As at January 1	**62,696**	53,414	**56,441**	47,586
Additions	**6,903**	9,282	**6,152**	8,855
As at December 31	**69,599**	62,696	**62,593**	56,441
Accumulated amortization				
As at January 1	**(50,872)**	(43,445)	**(46,425)**	(39,678)
Amortization for the year	**(6,775)**	(7,427)	**(6,039)**	(6,747)
As at December 31	**(57,647)**	(50,872)	**(52,464)**	(46,425)
Net book value				
As at December 31	**11,952**	11,824	**10,129**	10,016

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

15. INVESTMENTS IN SUBSIDIARIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investments, at cost:	**—**	—	**53,709**	37,507

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

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

16. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beginning of the year	**85,996**	68,343	**27,290**	21,790
Share of profit	**17,969**	12,991	**—**	—
Dividend received from associated companies	**(300)**	(838)	**—**	—
Additional capital contribution	**—**	5,500	**—**	5,500
End of the year	**103,665**	85,996	**27,290**	27,290

A list 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*
2007	111,321	25,325	346,305	12,991
2008	135,009	31,344	306,681	17,969

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

17. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Assets as per balance sheet:				
Accounts receivable *(Note 22)*	**160,735**	141,565	**118,402**	110,242
Due from related parties *(Note 23)*	**740,610**	389,561	**731,227**	381,573
Due from subsidiaries, net *(Note 24)*	**—**	—	**20,290**	24,982
Due from associated companies *(Note 25)*	**6,556**	6,308	**4,291**	6,308
Interest receivable and other current assets *(Note 26)*	**37,227**	47,916	**28,321**	37,519
Short-term bank deposits *(Note 27)*	**2,274,728**	1,843,949	**2,168,228**	1,757,949
Cash and cash equivalents *(Note 28)*	**840,733**	1,209,152	**737,985**	1,111,519
Loans and receivables	**4,060,589**	3,638,451	**3,808,744**	3,430,092
Held-to-maturity financial assets *(Note 19)*	**—**	100,000	**—**	100,000
Total	**4,060,589**	3,738,451	**3,808,744**	3,530,092

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

18. DEFERRED INCOME TAX

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	**4,780**	6,539	**4,780**	6,539
— Deferred tax assets to be recovered within 12 months	**1,989**	2,690	**1,194**	1,523
	6,769	9,229	**5,974**	8,062
Deferred tax liabilities:				
— Deferred tax liabilities to be settled within 12 months	**(180)**	(129)	**—**	—
	(180)	(129)	**—**	—

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

The Group:

	Depreciation and Amortization	Provision and Others	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2007	—	—	—
Recognised in the income statement	7,647	1,453	9,100
As at December 31, 2007	7,647	1,453	9,100
Recognised in the income statement	(1,583)	(928)	(2,511)
As at December 31, 2008	6,064	525	6,589

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

18. DEFERRED INCOME TAX *(continued)*

The Company:

	Depreciation and Amortization *RMB'000*	Provision and Others *RMB'000*	Total *RMB'000*
As at January 1, 2007	—	—	—
Recognised in the income statement	7,614	448	8,062
As at December 31, 2007	7,614	448	8,062
Recognised in the income statement	(1,640)	(448)	(2,088)
As at December 31, 2008	5,974	—	5,974

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	2008 *RMB'000*	2007 *RMB'000*
Treasury bonds	3% per annum with matured and realised in December 2008	–	100,000

20. OTHER LONG-TERM ASSETS

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

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

21. INVENTORIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Equipment for sale	**9,390**	9,009	**–**	2,632
Spare parts	**9**	77	**–**	—
Others	**584**	261	**–**	—
Total	**9,983**	9,347	**–**	2,632
Provision for impairment of inventories (Equipment for sale)	**(106)**	(106)	**–**	—
	9,877	9,241	**–**	2,632

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

22. ACCOUNTS RECEIVABLE, NET

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accounts receivable	**171,851**	146,390	**128,027**	113,797
Provision for impairment of receivables	**(11,116)**	(4,825)	**(9,625)**	(3,555)
Accounts receivable, net	**160,735**	141,565	**118,402**	110,242

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, 2008 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.

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

22. ACCOUNTS RECEIVABLE, NET *(continued)*

As of December 31, 2008 and 2007, the ageing analysis of the accounts receivable was as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**126,295**	126,837	**105,638**	108,850
Over 6 months but within 1 year	**21,426**	6,390	**10,781**	1,490
Over 1 year but within 2 years	**15,878**	4,578	**9,358**	1,008
Over 2 years but within 3 years	**868**	1,247	**285**	1,062
Over 3 years	**7,384**	7,338	**1,965**	1,387
Accounts receivable	**171,851**	146,390	**128,027**	113,797
Provision for impairment of receivables	**(11,116)**	(4,825)	**(9,625)**	(3,555)
Accounts receivable, net	**160,735**	141,565	**118,402**	110,242

As of December 31, 2008, accounts receivable of RMB 17,747,000 (2007: RMB 8,656,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**10,645**	4,900	**—**	—
Over 1 year but within 2 years	**6,519**	3,571	**—**	—
Over 2 years but within 3 years	**583**	185	**—**	—
	17,747	8,656	**—**	—

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

22. ACCOUNTS RECEIVABLE, NET *(continued)*

As of December 31, 2008, accounts receivable of RMB 27,809,000 (2007: RMB 10,897,000) were impaired. The amount of the provision was RMB 11,116,000 as of December 31, 2008 (2007: RMB 4,825,000). It was assessed that a portion of the receivables is expected to be recovered. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**10,781**	1,490	**10,781**	1,490
Over 1 year but within 2 years	**9,359**	1,007	**9,358**	1,008
Over 2 years but within 3 years	**285**	1,062	**285**	1,062
Over 3 years	**7,384**	7,338	**1,965**	1,387
	27,809	10,897	**22,389**	4,947

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at beginning of year	**4,825**	3,078	**3,555**	2,872
Provision	**6,291**	1,747	**6,070**	683
Balance at end of year	**11,116**	4,825	**9,625**	3,555

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

22. ACCOUNTS RECEIVABLE, NET *(continued)*

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**80,772**	47,353	**52,541**	26,946
HKD denominated	**17,587**	7,430	**11,485**	4,629
USD denominated	**70,267**	87,502	**60,862**	78,159
Others	**3,225**	4,105	**3,139**	4,063
	171,851	146,390	**128,027**	113,797

23. DUE FROM RELATED PARTIES, NET

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**587,667**	377,452	**579,699**	370,852
Over 6 months but within 1 year	**151,166**	10,796	**151,020**	10,721
Over 1 year but within 2 years	**1,739**	7,055	**508**	5,779
Over 2 years but within 3 years	**5,799**	1,895	**5,779**	1,858
Over 3 years	**8,904**	7,028	**8,886**	7,028
Due from related parties	**755,275**	404,226	**745,892**	396,238
Provision for impairment of receivables	**(14,665)**	(14,665)	**(14,665)**	(14,665)
Due from related parties, net	**740,610**	389,561	**731,227**	381,573

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

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

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

As of December 31, 2008, due from related parties of RMB 152,943,000 (2007: RMB 12,109,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**151,166**	10,796	**151,020**	10,721
Over 1 year but within 2 years	**1,739**	1,276	**508**	—
Over 2 years but within 3 years	**20**	37	**–**	—
Over 3 years	**18**	—	**–**	—
	152,943	12,109	**151,528**	10,721

As of December 31, 2008, due from related parties of RMB 14,665,000 (2007: RMB 14,665,000) were impaired. The amount of the provision was RMB 14,665,000 as of December 31, 2008 (2007: RMB 14,665,000) for the estimated losses resulting from the disagreement on services and payments. The ageing analysis of the receivable is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**–**	—	**–**	—
Over 1 year but within 2 years	**–**	5,779	**–**	5,779
Over 2 years but within 3 years	**5,779**	1,858	**5,779**	1,858
Over 3 years	**8,886**	7,028	**8,886**	7,028
	14,665	14,665	**14,665**	14,665

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

24. DUE FROM SUBSIDIARIES, NET

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**–**	—	**9,193**	7,111
Over 6 months but within 1 year	**–**	—	**645**	3,210
Over 1 year but within 2 years	**–**	—	**1,044**	5,751
Over 2 years but within 3 years	**–**	—	**5,716**	2,293
Over 3 years	**–**	—	**11,503**	14,428
Total	**–**	—	**28,101**	32,793
Provision for impairment of receivables	**–**	—	**(7,811)**	(7,811)
Due from subsidiaries, net	**–**	—	**20,290**	24,982

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

25. DUE FROM ASSOCIATED COMPANIES

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

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

26. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Advance payments	**105,515**	35,822	**101,282**	32,460
Interest receivable	**22,461**	34,046	**22,255**	34,046
Prepaid expenses	**12,900**	18,661	**12,900**	18,661
Other current assets	**14,766**	13,870	**6,066**	3,473
Total	**155,642**	102,399	**142,503**	88,640

27. SHORT-TERM BANK DEPOSITS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**2,186,500**	1,666,000	**2,080,000**	1,580,000
HKD denominated	**88,228**	177,949	**88,228**	177,949
	2,274,728	1,843,949	**2,168,228**	1,757,949

The annual interest rate on short-term bank deposits ranges from 1.98% to 4.14% (2007: 2.52% to 4.80%) and these deposits have a maturity period ranging from 6 to 12 months (2007: 6 to 24 months).

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

28. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash				
RMB	**512**	60	**293**	20
HKD denominated	**32**	34	**—**	—
Others	**39**	5	**—**	—
	583	99	**293**	20
Demand deposits				
RMB	**765,019**	1,094,216	**717,896**	1,051,485
USD denominated	**47,227**	78,280	**14,618**	45,797
HKD denominated	**22,469**	31,640	**5,178**	14,217
Others	**5,435**	4,917	**—**	—
	840,150	1,209,053	**737,692**	1,111,499
Total cash and cash equivalents	**840,733**	1,209,152	**737,985**	1,111,519

29. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accounts payable	**91,565**	180,255	**71,781**	163,835
Accrued departure technology support fees	**192,435**	100,443	**192,435**	100,442
Accrued technical support fees	**10,124**	17,245	**9,323**	15,902
Accrued network usage fees	**35,669**	45,113	**35,669**	45,113
Accrued bonuses and staff cost	**30,043**	49,189	**28,001**	46,060
Other taxes payable (i)	**7,769**	30,459	**7,131**	29,935
Other liabilities	**63,368**	47,508	**57,302**	41,212
Total	**430,973**	470,212	**401,642**	442,499

At December 31, 2008, approximately RMB 92,825,000 of the above balances were denominated in US dollars (2007: RMB 141,607,000).

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

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

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**14,019**	133,228	**5,314**	124,746
Over 6 months but within 1 year	**18,900**	13,078	**14,029**	11,231
Over 1 year but within 2 years	**41,845**	7,884	**39,133**	4,630
Over 2 years but within 3 years	**6,677**	17,481	**3,181**	14,644
Over 3 years	**10,124**	8,584	**10,124**	8,584
Total accounts payable	**91,565**	180,255	**71,781**	163,835
Accrued liabilities and other liabilities	**339,408**	289,957	**329,861**	278,664
Total	**430,973**	470,212	**401,642**	442,499

(i) Other taxes payables

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Business tax payable	**5,595**	24,959	**4,738**	24,034
VAT payable	**(693)**	(977)	**(70)**	(73)
Other	**2,867**	6,477	**2,463**	5,974
Total	**7,769**	30,459	**7,131**	29,935

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

30. DUE TO RELATED PARTIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**15,000**	14,069	**14,453**	14,069
Over 6 months but within 1 year	**—**	—	**—**	—
Over 1 year but within 2 years	**3,711**	—	**3,711**	—
Over 2 years but within 3 years	**—**	5,424	**—**	4,934
Over 3 years	**25,837**	20,467	**16,464**	11,530
Total	**44,548**	39,960	**34,628**	30,533

These balances comprised mainly dividend payables and service fee payable.

31. PAID-IN CAPITAL

As of December 31, 2008, all issued shares are registered and fully paid, divided into 1,776,315,000 shares (2007: 1,776,315,000 shares) of RMB 1.00 each, comprised of 1,154,607,000 Domestic Shares and 621,708,000 H Shares (2007:1,154,607,000 Domestic Shares and 621,708,000 H Shares).

	2008	**2008**
	Number of shares	**Amount**
	'000	*RMB'000*
Authorized:		
Domestic Shares of RMB 1 each	1,154,607	1,154,607
H Shares of RMB 1 each	621,708	621,708
Total shares of RMB 1 each	1,776,315	1,776,315
Issued and fully paid:		
Domestic Shares of RMB 1 each	1,154,607	1,154,607
H Shares of RMB 1 each	621,708	621,708
Total shares of RMB 1 each	1,776,315	1,776,315

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

32. RESERVES

	Capital Surplus	Statutory Surplus Reserve Fund	Discretionary Surplus Reserve Fund	Currency translation differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group					
Balance as at January 1, 2007	1,194,956	477,582	394,725	(1,151)	2,066,112
Transfer to paid-in capital (i)	(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
Transfer from retained earnings	—	53,732	118,357	—	172,089
Currency translation differences	—	—	—	(1,971)	(1,971)
Balance as at December 31, 2008	306,799	568,161	596,781	(4,789)	1,466,952

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

32. RESERVES *(continued)*

	Capital Surplus RMB'000	Statutory Surplus Reserve Fund RMB'000	Discretionary Surplus Reserve Fund RMB'000	Total RMB'000
The Company				
Balance as at January 1, 2007	1,194,956	472,960	394,307	2,062,223
Transfer to paid-in capital (i)	(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
Transfer from retained earnings	—	53,732	118,357	172,089
Balance as at December 31, 2008	306,799	568,161	596,781	1,471,741

(i) 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 RMB 1 per share to the equity holders of the Company on the basis of one bonus share for one existing share, 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.

33. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2008, 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 the following order:

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

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

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

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

The appropriation to the discretionary surplus reserve fund for the year ended December 31, 2007 was approved in the annual general meeting held on May 20, 2008. The amount was accounted for in shareholder's equity as a distribution of retained earnings in the year ended December 31, 2008.

The proposed appropriation of RMB 103,967,000 to the discretionary surplus reserve fund for the year ended December 31, 2008 is subject to shareholders' approval at the forthcoming annual general meeting. Therefore, the amount will be recorded in the Group's financial statements for year ending December 31, 2009.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2008 was approximately RMB 1,108,252,000 (2007: RMB 959,553,000).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 519,837,000 (2007: RMB 591,783,000) for the year ended December 31, 2008.

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

34. CASH GENERATED FROM OPERATING ACTIVITIES

	2008 RMB'000	2007 RMB'000
Profit before taxation	618,045	718,591
Adjustments for:		
Depreciation and amortization	312,947	243,111
Loss on disposal of property, plant and equipment	384	6,039
Interest income	(82,609)	(69,512)
Provision for impairment of receivables	6,291	1,747
Share of results from associated companies	(17,969)	(12,991)
Foreign exchange loss	4,904	19,149
Decrease (increase) in current assets:		
Accounts receivable	(25,461)	(58,430)
Inventories	(636)	(4,743)
Prepayments and other current assets	4,782	(5,370)
Due from related parties/associated companies	(351,297)	(95,526)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	54,838	33,728
Deferred revenue	(2,112)	2,726
Due to related parties	4,265	11,713
Cash generated from operations	526,372	790,232

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 program 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.

35. FINANCIAL RISK MANAGEMENT *(continued)*

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

(i) Foreign currency risk

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

The Group's exposure to foreign exchange risk relates principally to its 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, 2008, 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 31 December 2008 would have been approximately RMB 7,282,000 lower/higher, mainly as a result of foreign exchange differences 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 82,609,000 (2007: RMB 69,512,000). 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 Notes 27 and Note 19.

The Group has no significant borrowing and non-current liabilities at December 31, 2008 and do not has significant exposure to changes in interest rates.

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. There was no material default of the balances in the past. Approximately 71% (2007: 62%) of the total amount due from related parties was due from the top 3 customers of the Group: China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited, and Air China Limited.

The Group has policies to ensure that the bank balances are placed with the banks with good reputation and credit quality. The Group also performs evaluation of credit quality of the banks periodically. Approximately 64% (2007: 67%) of the total bank balances were concentrated with 4 stated-owned banks as at December 31, 2008.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2008, approximately 60% of the Group's total assets are in cash and cash equivalents, or short-term deposits (2007: 62%). Directors believe the Group has sufficient cash balances to meet its daily operations requirements and has no significant exposure to liquidity risk.

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 approximated their fair values as at December 31, 2008 because of the short-term maturities of these instruments.

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 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, 2008 and 2007. 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.

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

37. COMMITMENTS

(a) Capital commitments

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

	2008 RMB'000	2007 RMB'000
Authorized and contracted for		
— Computer System	15,854	55,720
— Building	—	63,437
Authorized but not contracted for		
— Computer System and others	456,294	661,692
— Land use right and Building	685,000	628,962
Total	1,157,148	1,409,811

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, 2008, approximately RMB 14,431,000 of the above balance were denominated in US dollars (2007: approximately RMB 694,000).

(b) Operating lease commitments

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

	2008 RMB'000	2007 RMB'000
Within one year	39,940	58,581
Later than one year but not later than five years	10,877	68,264
Total	50,817	126,845

(c) Equipment maintenance fee commitments

As at December 31, 2008, the Group had equipment maintenance fee commitments of approximately RMB 6,663,000 (2007: RMB 14,417,000).

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 Corporation 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
Yunnan Lucky Airlines Company Limited	Subsidiary of a shareholder of the Company
Shandong Airlines Company Limited	Shareholder of the Company
Asia Technology Development Company Limited ("Asia Technology")	Indirect wholly owned subsidiary of a shareholder of the Company
Accounting Center of China Aviation Company Limited ("ACCA")	Subsidiary of a shareholder of the Company

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

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	2008 RMB'000	2007 RMB'000
China Southern Airlines Company Limited (a)	**336,495**	347,507
China Eastern Airlines Corporation Limited	**253,306**	258,585
Air China Limited	**239,727**	241,469
Hainan Airlines Company Limited	**151,594**	146,464
Shenzhen Airlines Company Limited (b)	**122,233**	101,128
China Eastern Airlines Wuhan Company Limited	**11,366**	14,753
Sichuan Airlines Company Limited	**68,071**	68,420
Shandong Airlines Company Limited	**33,427**	33,668
Shanghai Airlines Company Limited	**107,714**	99,295
Yunnan Lucky Airlines Company Limited	**8,679**	—

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

b. Included the transaction amount of its subsidiary, Kunpeng Airlines Company Limited.

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

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

38. RELATED PARTY TRANSACTIONS *(continued)*

(2) Related party transactions *(continued)*

(ii) Lease of properties from CTHC

For the year ended December 31, 2008, operating lease rentals for lease of properties from CTHC amounted to RMB 38,608,608 (2007: 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, 2008, computer software development services provided by Asia Technology amounted to RMB 18,800,000 (2007: 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.

(3) Balances with related parties

Balances due from the related parties mainly comprised:

	The Group		The Company	
	2008	2007	**2008**	2007
Name	**RMB'000**	*RMB'000*	**RMB'000**	*RMB'000*
China Southern Airlines Company Limited (a)	**281,960**	129,108	**279,400**	126,854
China Eastern Airlines Corporation Limited	**125,871**	66,214	**123,284**	63,394
Air China Limited	**127,592**	52,680	**127,330**	52,667
Hainan Airlines Company Limited	**83,708**	45,009	**83,707**	44,973
Shenzhen Airlines Company Limited (b)	**42,019**	25,482	**38,541**	23,314
China Eastern Airlines Wuhan Company Limited	**3,274**	1,629	**3,274**	1,290
Sichuan Airlines Company Limited	**34,725**	45,487	**34,495**	45,587

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

38. RELATED PARTY TRANSACTIONS *(continued)*

(3) Balances with related parties

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

b. Included the transaction balance of its subsidiary, Kunpeng Airlines 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.

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

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	**RMB'000**	*RMB'000*
Bank balances	**2,001,089**	2,058,932	**1,794,435**	1,880,290

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 CTHC established in the PRC as being the ultimate holding company.

40. EVENTS AFTER THE BALANCE SHEET DATE

(a) Significant acquisition completed after the year end

As set out in the circular of the Company dated June 16, 2008 and the announcements dated May 26, 2008 and July 31, 2008, the Company would acquire from CTHC 100% equity interest in ACCA and the property located in Dongxing Li, Chaoyang District, Beijing, the People's Republic of China ("PRC") at an aggregate consideration of RMB1 billion. Such acquisition proceeded to completion on March 3, 2009 and the consideration was satisfied by the issue and allotment to CTHC 174,491,393 new domestic shares of the Company at a price of HK$6.39 (approximately RMB5.73) per such consideration share upon completion. The related financial impact of the acquisition will be reflected in the financial statements for the year ending December 31, 2009. Management of ACCA is in the process to compile the financial statements prepared in accordance with IFRS.

At present, the total number of issued shares of the Company is 1,950,806,393 shares, comprising 1,329,098,393 domestic shares and 621,708,000 H shares.

As both the Company and ACCA are under common control of CTHC before and after the acquisition, the acquisition of ACCA will be accounted for as a common control business combination (Note 3(a) (i)).

40. EVENTS AFTER THE BALANCE SHEET DATE *(continued)*

(b) Share repurchase plan

At the extraordinary general meeting and class meetings of the Company held on March 3, 2009, a general mandate to repurchase shares of the Company was approved to be granted to the Directors.

Under the above share repurchase mandate, the Board was authorized to exercise, whether by a single exercise or otherwise, all the powers of the Company to repurchase the overseas listed foreign shares of RMB1 each in issue in the share capital of the Company ("H Shares") on The Stock Exchange of Hong Kong Limited.

The aggregate nominal value of H Shares authorized to be repurchased pursuant to the above mandate shall not exceed 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of the resolutions at the above extraordinary general meeting.

The exercise of the authority was subject to the approvals of PRC related regulations and laws.

The above share repurchase mandate will expire at the forthcoming annual general meeting of the Company.

41. RECLASSIFICATION

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

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on March 27, 2009.

SUPPLEMENTARY FINANCIAL INFORMATION PROVIDED BY THE MANAGEMENT CONSOLIDATED BALANCE SHEET

(All amounts are expressed in thousands of Renminbi)

	As at 31 December				
	2004	2005	2006	2007	**2008**
ASSETS					
Non-current assets					
Property, plant and equipment, net	475,118	728,325	661,149	1,033,148	**875,874**
Intangible assets, net	15,177	13,232	9,969	11,824	**11,952**
Investments in associated companies	42,424	53,854	68,343	85,996	**103,665**
Held-to-maturity financial assets	100,000	100,000	100,000	—	**—**
Other long-term assets	16,142	20,906	17,000	8,881	**8,962**
Deferred income tax assets	—	—	—	9,229	**6,769**
	648,861	916,317	856,461	1,149,078	**1,007,222**
Current assets					
Inventories	4,098	3,390	4,498	9,241	**9,877**
Accounts receivable, net	38,170	61,516	84,882	141,565	**160,735**
Due from associated companies	—	1,227	273	6,308	**6,556**
Due from related parties, net	112,811	272,991	300,070	389,561	**740,610**
Income tax receivable	—	—	—	—	**45,104**
Prepayments and other current assets	82,979	48,072	62,064	102,399	**155,642**
Short-term investments	1,749	—	—	—	**—**
Held-to-maturity financial assets	—	—	—	100,000	**—**
Short-term bank deposits	625,378	1,947,277	1,884,604	1,843,949	**2,274,728**
Cash and cash equivalents	2,236,843	856,811	1,233,166	1,209,152	**840,733**
	3,102,028	3,191,284	3,569,557	3,802,175	**4,233,985**
Total assets	3,750,889	4,107,601	4,426,018	4,951,253	**5,241,207**
EQUITY					
Capital and reserves attributable to equity holders					
Paid in capital	888,158	888,158	888,158	1,776,315	**1,776,315**
Reserves	1,719,540	1,911,454	2,066,112	1,296,834	**1,466,952**
Retained earnings					
— Proposed cash dividend	177,632	204,276	195,395	230,921	**362,850**
— Others	451,297	584,304	749,137	1,028,659	**1,053,829**
	3,236,627	3,588,192	3,898,802	4,332,729	**4,659,946**
Minority interest	49,456	61,296	72,523	85,997	**98,810**
Total equity	3,286,083	3,649,488	3,971,325	4,418,726	**4,758,756**
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	—	—	—	129	**180**
Current liabilities					
Accounts payable and accrued liabilities	421,821	345,000	359,200	470,212	**430,973**
Due to related parties	27,048	93,981	85,442	39,960	**44,548**
Income tax payable	12,794	17,159	7,605	17,054	**3,690**
Deferred revenue	3,143	1,973	2,446	5,172	**3,060**
	464,806	458,113	454,693	532,398	**482,271**
Total liabilities	464,806	458,113	454,693	532,527	**482,451**
Total equity and liabilities	3,750,889	4,107,601	4,426,018	4,951,253	**5,241,207**
Net current assets	2,637,222	2,733,171	3,114,864	3,269,777	**3,751,714**
Total assets less current liabilities	3,286,083	3,649,488	3,971,325	4,418,855	**4,758,936**

SUPPLEMENTARY FINANCIAL INFORMATION PROVIDED BY THE MANAGEMENT CONSOLIDATED INCOME STATEMENT

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

	For the year ended December 31				
	2004	2005	2006	2007	**2008**
Revenues					
Aviation information technology services	1,025,725	1,238,003	1,395,172	1,601,160	**1,609,115**
Data network and others	257,125	258,781	316,533	400,743	**396,053**
Total revenues	1,282,850	1,496,784	1,711,705	2,001,903	**2,005,168**
Operating expenses					
Business taxes and other surcharges	(42,277)	(49,764)	(56,358)	(65,795)	**(66,957)**
Depreciation and amortisation	(166,741)	(182,015)	(229,178)	(243,111)	**(312,947)**
Network usage	(70,671)	(59,982)	(76,529)	(83,562)	**(94,410)**
Personnel	(154,068)	(199,497)	(239,743)	(271,689)	**(316,821)**
Operating lease rentals	(49,406)	(61,878)	(63,658)	(68,607)	**(71,890)**
Technical support and maintenance fees	(40,456)	(68,138)	(99,801)	(154,459)	**(178,323)**
Commission and promotion expenses	(155,702)	(148,004)	(194,095)	(248,075)	**(239,570)**
Other operating expenses	(152,423)	(182,502)	(188,534)	(209,701)	**(201,879)**
Total operating expenses	(831,744)	(951,780)	(1,147,896)	(1,344,999)	**(1,482,797)**
Operating profit	451,106	545,004	563,809	656,904	**522,371**
Financial income, net	37,558	38,441	52,406	48,696	**77,705**
Share of results of associated companies	10,934	11,312	11,727	12,991	**17,969**
Profit before taxation	499,598	594,757	627,942	718,591	**618,045**
Income tax	(40,188)	(51,063)	(98,421)	(69,941)	**(41,280)**
Profit after taxation	459,410	543,694	529,521	648,650	**576,765**
Attributable to:					
Equity holders of the Company	449,181	529,647	515,587	630,989	**560,109**
Minority interest	10,229	14,047	13,934	17,661	**16,656**
	459,410	543,694	529,521	648,650	**576,765**
Earnings per share for profit attributable to the equity holders of the Company					
Basic and diluted *(RMB)*	0.25	0.30	0.29	0.36	**0.32**
Cash dividend	177,632	204,276	195,395	230,921	**362,850**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Xu Qiang	Chairman, Executive Director (appointed on May 20, 2008)
Cui Zhixiong	Executive Director (appointed on October 17, 2008)
Xiao Yinhong	Executive Director, General Manager (appointed on October 17, 2008)
Wang Quanhua	Non-executive Director (appointed on January 9, 2007)
Luo Chaogeng	Non-executive Director (appointed on June 5, 2007)
Cao Guangfu	Non-executive Director (appointed on March 3, 2009)
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)

DIRECTORS RESIGNED FOR LESS THAN 12 MONTHS:

Zhu Yong	Non-executive Director (appointed as an executive Director on January 9, 2007, re-designated as a non-executive Director on March 28, 2008, resigned on May 20, 2008)
Ding Weiping	Executive Director (appointed on January 9, 2007, resigned on October 17, 2008)
Song Jinxiang	Executive Director (appointed on January 9, 2007, resigned on October 17, 2008)
Zhu Xiaoxing	Executive Director (appointed on January 9, 2007, resigned on March 3, 2009)
Sun Yongtao	Non-executive Director (appointed on January 9, 2007, resigned on March 3, 2009)
Rong Gang	Non-executive Director (appointed on January 9, 2007, resigned on March 3, 2009)
Gong Guokui	Non-executive Director (appointed on January 9, 2007, resigned on March 3, 2009)
Liu Dejun	Non-executive Director (appointed on January 9, 2007, resigned on March 3, 2009)
Xia Yi	Non-executive Director (appointed on January 9, 2007, resigned on March 3, 2009)
Song Jian	Non-executive Director (appointed on January 9, 2007, resigned on March 3, 2009)

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)

STRATEGIC COMMITTEE

Luo Chaogeng	Chief Member (Chairman) (appointed on June 5, 2007)
Wang Quanhua	Member (appointed on January 9, 2007)
Zhu Yong	Member (appointed on January 9, 2007, resigned on May 20, 2008)
Ding Weiping	Member (appointed on January 9, 2007, resigned on October 17, 2008)
Gong Guokui	Member (appointed on January 9, 2007, resigned on March 3, 2009)
Rong Gang	Member (appointed on January 9, 2007, resigned on March 3, 2009)

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, resigned on March 3, 2009)

SUPERVISORY COMMITTEE

Li Xiaojun	Chairperson of Supervisory Committee, Staff Representative Supervisor (appointed on January 9, 2007 and March 3, 2009 respectively)
Du Hongying	Vice Chairperson of Supervisor Committee, Supervisor (appointed on January 9, 2007)
Yu Yanbing	Supervisor (appointed on January 9, 2007)
Gao Jingping	Staff Representative Supervisor (appointed on January 9, 2007)
Rao Geping	Independent Supervisor (appointed on January 9, 2007)
Jing Gongbin	Supervisor (appointed on January 9, 2007, resigned on March 3, 2009)
Zhang Yakun	Supervisor (appointed on January 9, 2007, resigned on March 3, 2009)
Wang Xiaomin	Staff Representative Supervisor (appointed on January 9, 2007, resigned on March 3, 2009)
Zhang Xin	Staff Representative Supervisor (appointed on January 9, 2007, resigned on March 3 2009)

COMPANY SECRETARY

Ding Weiping	(appointed on January 13, 2001)

CORPORATE INFORMATION

COMPANY'S WEBSITES

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

Website established in accordance with Rule 2.07C(6)(a) of the Listing Rules:
http://travelsky.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
11/F, PricewaterhouseCoopers Centre
202 Hu Bin Road
Shanghai 200021
PRC

LEGAL ADVISERS

as to Hong Kong law:
Chiu & Partners
41/F, Jardine House
1 Connaught Place
Central, Hong Kong

as to the PRC law:
Jingtian & Gongcheng
15/F, The Union Plaza
20 Chaoyangmenwai Dajie
Beijing 100020, PRC

REGISTERED ADDRESS AND CONTACT DETAILS

TravelSky Technology Limited
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Raycom InfoTech Park
No. 2, Ke Xue Yuan South Road
Haidian District, Beijing 100190, PRC
Telephone: (8610) 8409 9655
Fascimile: (8610) 8409 9689

PLACE OF BUSINESS IN HONG KONG

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Covention Plaza
1 Harbour Road
Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 0696

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

DIRECTORS

Xu Qiang, the Chairman and an executive Director of the Company. Mr. Xu, born in 1962, graduated from First Research Institute of Ministry of Aviation and Aerospace Industry and got Doctor of Philosophy Degree. From November 1990 to May 1999, Mr. Xu served at the Ministry of Aero-Space Industry, China Aerospace Industry Corporation as engineer, vice-director and director of research office as well as vice director and director of 13th Institute in succession. From May 1995 to May 2007, Mr. Xu served at China Aerospace Science and Technology (CASA), held the position of assistant to president and vice president of First Research Institute, president of 10th Research Institute and general engineer of CASA. Mr Xu Qiang served as general manager and deputy party secretary of China TravelSky Holding Company since May 2007. Mr. Xu served as an executive Director and Chairman of the third Board of the Company since May 2008. From August 2008, Mr. Xu served as the deputy secretary of the Communist Party Committee of the Company. Mr. Xu is holding positions as the chairman of TravelSky Technology (Hong Kong) Limited and the chairman of Shanghai TravelSky Information Technology Limited (上海民航信息科技有限公司), the subsidiaries of the Company.

Cui Zhixiong, an executive Director of the Company. Mr. Cui, born in 1960, a postgraduate graduated from the Party School of the Central Committee of the CPC(中央黨校)as a major of Global Economics. From December 1976 to September 1989, he served as an army officer. From September 1989 to February 1993, he worked in the Government Offices Administration of the State Council (國務院機關事務管理局)and had held positions as an deputy supervisor, deputy secretary and secretary of the State Organs of the CPC. From February 1993 to April 2004, worked in the Communist Youth League Work Committee of the State Organs of the CPC(共青團中央國家機關工作委員會) and had served as deputy secretary and secretary. In June 2000, he served as the Chairman of the State Organs Youth Federation of the CPC(中央國家機關青年聯合會). Meanwhile, from November 2001 to October 2003, he served as Deputy Secretary-General of Gansu Provincial Committee and Deputy Secretary of Municipal Committee of Jiayuguan, Gansu Province. Since April 2004, he has served as the party secretary of China TravelSky Holding Company and deputy general manager of China TravelSky Holding Company from April 2004 to June 2008. Since August 2008, he has been the Deputy Party Secretary of the Company. Since October 2008, Mr. Cui served as an executive Director of the third Board of the Company.

Xiao Yinhong, an executive Director and the general manager of the Company. Mr. Xiao, born in 1962, was awarded a Master Degree of Beihang University and was a senior engineer with over 20 years of management experience in the aviation industry of the PRC. From July 1984 to October 2000, Mr Xiao had consecutively held positions such as the deputy director of Application Office (應用室), director, assistant to general manager and deputy general manager of Information Office (信息室)of Civil Aviation Computer Information Center(中國民航計算機信息中心). Mr. Xiao served as an executive Director of the first Board of the Company from October 2000 to December 2003. From October 2000 to August 2008, Mr. Xiao had served as a deputy general manager of the Company and has served as the general manager of the Company since August 2008. Since October 2008, Mr. Xiao served as the executive Director of the third Board of the Company. Mr. Xiao is also the Chairman of InfoSky Technology Co., Ltd., the chairman of Guangzhou TravelSky Information Technology Limited (廣州民航信息技術有限公司), the chairman of Civil Aviation Cares of Qingdao Ltd., the director of Shanghai TravelSky Information Technology Limited (上海民航信息科技有限公司) and the director of TravelSky Technology (Hong Kong) Limited, all of which are subsidiaries of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Wang Quanhua, a non-executive Director of the Company. Mr. Wang, born in 1954, 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 of the Company's third Board and a member of the Strategic Committee and the Remuneration and Evaluation Committee. From January 2007 to March 2009, Mr. Wang served as the Vice Chairman of the third Board of the Company. As at December 31, 2008, China Southern Air Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Wang Quanhua was an employee of China Southern Air Holding Company.

Luo Chaogeng, a non-executive Director of the Company. Mr. Luo, born in 1950, 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. From June 2007 to March 2009, Mr. Luo served as a Vice Chairman of the Company's third Board and the Chief Member (Chairman) of the Strategic Committee. Since June 2007, Mr. Luo served as a non-executive Director of the third Board of the Company and the Chief Member of the Strategic Committee. As at December 31, 2008, China Eastern Air Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Luo Chaogeng was an employee of China Eastern Air Holding Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Cao Guangfu, a non-executive Director of the Company. Mr. Cao, born in 1954, senior economist, graduated from 西安外國語學院 (Xi'an International Studies University) in specialized studies in French and graduated as a postgraduate from 中央黨校研究生院 (Postgraduate Institute of Central Party) in specialized studies in economic management. He has more than 30 years' extensive management experience in civil aviation industry. Mr. Cao worked in 民航北京管理局運輸服務處 (the Transportation Business Division of Beijing Administrative Bureau of Civil Aviation Administration of China) from December 1973 to December 1988, and served as the Deputy Director and the Director in 民航華北管理局企業管理處 (the Corporate Management Office of CAAC North China Regional Administrative Bureau) from December 1988 to September 1996. He served as the Deputy Chief of 民航天津市管理局 (CAAC Tianjin Administrative Bureau) from September 1996 to October 1999 and the General Manager of 民航快遞有限責任公司 (China Air Express Co., Ltd.) from October 1999 to August 2003. From August 2003 to October 2008, Mr. Cao worked in China National Aviation Holding Company（中國航空集團公司）(one of the promoters and a substantial shareholder (as defined in the Listing Rules) of the Company) as the Assistant to the General Manager and the General Manager of Corporate Supervision Division. He has been the Assistant to the General Manager and the Director of the General Office of CNAC since October 2008. Since March 2009, Mr. Cao served as a non-executive Director of the third Board of the Company. As at December 31, 2008, China National Aviation Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Cao Guangfu was an employee of China National Aviation Holding Company.

Yick Wing Fat, **Simon**, an independent non-executive Director of the Company. Mr. Yick, born in 1958, graduated from faculty of Business Administration from Chinese University of Hong Kong. He is currently the 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 and chairman Audit Committee of China- Biotics, Inc, (a company listed on the Nasdaq Global Market in the USA). Mr. Yick is also 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 January 13, 2009, Mr. Yick served as an independent non-executive Director and chairman of the audit committee of China Singyes Solar Technologies Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited). Since August 2005, Mr. Yick has been appointed as an independent non-executive Director of the second Board and 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, an independent non-executive Director of the Company. Mr. Yuan, born in 1945, 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.

Chua Keng Kim, an independent non-executive Director of the Company. Mr. Chua, born in 1956, 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. He is presently Managing Director of Real Estate Capital Asia Partners, a real estate private equity fund. 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, the Chairperson and a Staff Representative Supervisor of the Supervisory Committee of the Company. Ms. Li, born in 1956, 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, the Deputy General Manager and Deputy Party Secretary of the Company. She has also been the Deputy Party Secretary and Secretary of the Disciplinary Committee of China TravelSky Holding Company, a promoter of the Company, since September 2002. Since August 2008, she has served as the Deputy Party Secretary of the Company and Secretary of the Disciplinary Committee. She was an executive Director of the first Board. Since December 2003, Ms. Li has served as a Supervisor and the Chairperson of the second Supervisory Committee, and was re-appointed as a Supervisor and the Chairperson of the third Supervisory Committee in January 2007.

Du Hongying, the Vice Chairperson of the Supervisory Committee of the Company. Ms. Du, born in 1959, 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.

Yu Yanbing, a Supervisor of the Company, Mr. Yu, born in 1978, 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 was 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.

Gao Jingping, a Staff Representative Supervisor of the Company. Ms. Gao, born in 1955, graduated from Peking University. Ms. Gao has nearly 30 years of management experience in China's civil aviation industry. From August 1980 to January 1989, 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. Ms. Gao has been the Chairman of Labour Union of the Company since December 2004 and a Staff Representative Supervisor of the third Supervisory Committee of since January 2007.

Rao Geping, an independent Supervisor of the Company. Mr. Rao, born in 1948, 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.

SENIOR MANAGEMENT

Rong Gang, born in 1962, 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 September 2002, Mr. Rong served as the Vice President of Civil Aviation Computer Information Centre (currently known as China TravelSky Holding Company). He has been the Deputy General Manager of China TravelSky Holding Company, a promoter of the Company, from September 2002 to June 2008. From October 2000 to March 2009, Mr. Rong acted as a non-executive Director of the Company. He also served as a member of the Company's Strategic Committee from March 2004 to March 2009. Mr. Rong has been a Deputy General Manager of the Company since December 2008.

Wang Wei, born in 1960, is a senior engineer. He holds a master degree in business administration from the China Europe International Business School. From July 1993 to April 2002, he served as the Deputy General Manager of the Beijing branch company of China Aviation Supplies Import and Export Corporation. He was the assistant to the General Manager of China Aviation Supplies Import and Export Corporation from April 2002 to September 2002. From September 2002 to March 2008, Mr. Wang served as the Deputy General Manager of China Aviation Supplies Import and Export Group Corporation. From March 2008 to June 2008, he served as the Deputy General Manager of China TravelSky Holding Company, a promoter of the Company. Mr. Wang has been a Deputy General Manager of the Company since December 2008.

Sun Yongtao, born in 1957, 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, from November 2004 to June 2008. From March 2008 to May 2008, Mr. Sun served as the acting chairman of the Company. From January 2007 to March 2009, Mr. Sun served as a non-executive Director of the Company and a member of the Remuneration and Evaluation Committee. Mr. Sun has been a Deputy General Manager of the Company since December 2008.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Zhu Xiaoxing, born in 1964, graduated from Jilin University majoring in computer software and graduated from Tsinghua University with a master's degree in business administration. Mr. Zhu has nearly 20 years of experience in management and technological support in China's civil aviation industry. Mr. Zhu held the positions including the Head of the Operation Department and the Customer Service Department of Civil Aviation Computer Information Centre from August 1987 to October 2000. Since the establishment of the Company in October 2000, Mr. Zhu had been the General Manager of the Operation Department, the Customer Service Department and the Technical Management Department of the Company. From August 2004 to August 2008, Mr. Zhu has served as the General Manager of the Company. From October 2004 to March 2009, he has served as an executive Director of the Company. Mr. Zhu has been a Deputy General Manager of the Company since August 2008.

Huang Yuanchang, born in 1962, graduated from Nanjing Institute of Technology, and holds a master degree of administration from Beijing University of Aeronautics and Astronautics. Mr. Huang is currently a senior engineer and has more than twenty years of management and technical support experience in China's aviation industry. From January 1989 to October 2000, Mr. Huang served as the Deputy Head and the Head of Operation Room of Civil Aviation Computer Information Centre, as well as the Head, assistant to the General Manager and Deputy General Manager of the Production Management Department. Mr. Huang served as the executive director of the first Board of the Company from October 2000 to December 2003. Mr. Huang served as the Deputy General Manager of the Company from October 2000 to November 2006. From August 2007 to August 2008, Mr. Huang was the General Manager of the Marketing and Research & Development Department of China TravelSky Holding Company. Mr. Huang also serves as the chairman of Cares Hubei Co., Ltd. and Civil Aviation Cares Technology of Xi'an Ltd., the director of Shanghai TravelSky Information Technology Limited (上海民航信息科技有限公司), all of which are subsidiaries of the Company, as well as he chairman of Shanghai Civil Aviation East China Cares System Integration Co., Ltd., Shenyang Civil Aviation Cares of Northeast China Ltd. and Shanghai Dongmei Aviation Tourism Online Co., Ltd, all of which are associated companies of the Company. Mr. Huang has been a Deputy General Manager of the Company since August 2008.

COMPANY SECRETARY

Ding Weiping, Company Secretary of the Company (Secretary to the Board). Mr. Ding, born in 1951, 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 August 2000, he worked in Civil Aviation Computer Information Centre, currently known as China TravelSky Holding Company, a promoter of the Company as the head of the Planning Department and the Vice Chief Engineer. 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 October 2008, Mr. Ding had served as an executive Director of the first Board, the second Board and the third Board. From December 2003 to October 2008, Mr. Ding was appointed by the Board as a member of the Strategic Committee. Since the Company was established, Mr. Ding was appointed by the Board as the Company Secretary (Secretary to the Board). Mr. Ding also holds positions in subsidiaries of the Company, including 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 and Hebei TravelSky Airport Technology Limited.