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)

2009 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 information technology service, clearing and accounting and settlement service for aviation industry, etc.

The Company was incorporated in the People's Republic of China (the "PRC" or "China") on October 18, 2000. As of the date of this report, it has a direct controlling equity interest in each of the following significant subsidiaries: TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology USA Ltd, Accounting Center of China Aviation Limited Company, Shanghai TravelSky Information Technology Limited, Guangzhou TravelSky Information Technology Limited, Hainan Civil Aviation Cares Co., Ltd., Cares Shenzhen Co., Ltd., Cares Hubei Co., Ltd., Cares Chongqing Information Technology Co., Ltd., Aviation Cares of Yunnan Information Co., Ltd., Civil Aviation Cares of Xiamen Ltd., Civil Aviation Cares of Qingdao Ltd., Civil Aviation Cares Technology of Xi'an Ltd., Civil Aviation Cares Technology of Xinjiang Ltd., InfoSky Technology Co., Ltd. and TravelSky Technology (Beijing) Real Estate Limited. 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 4,097 employees as of December 31, 2009.

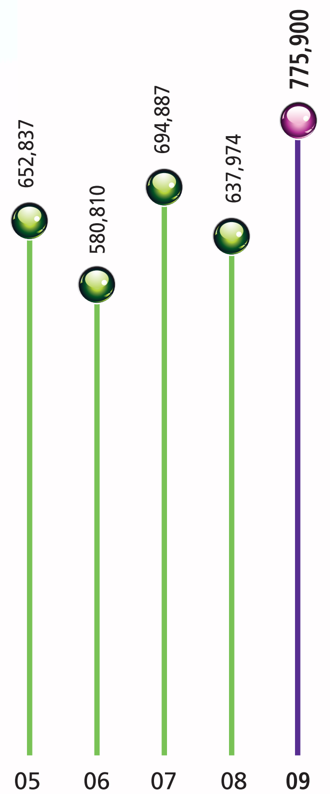
The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 7, 2001. As of the date of this report, the largest shareholder of the Company is China TravelSky Holding Company, which holds an equity interest of approximately 29.29% in the Company.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

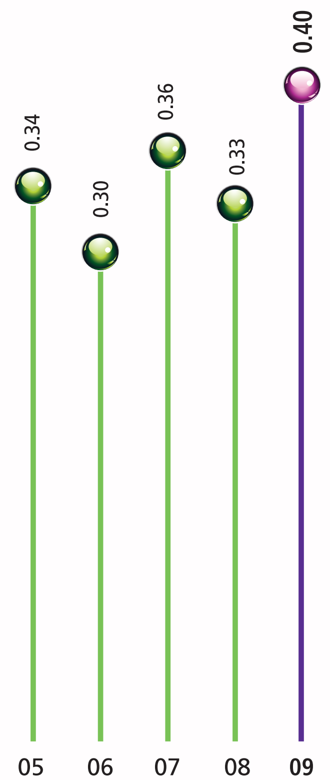
Profit Attibutable to Equity Holders of the Company

RMB'000



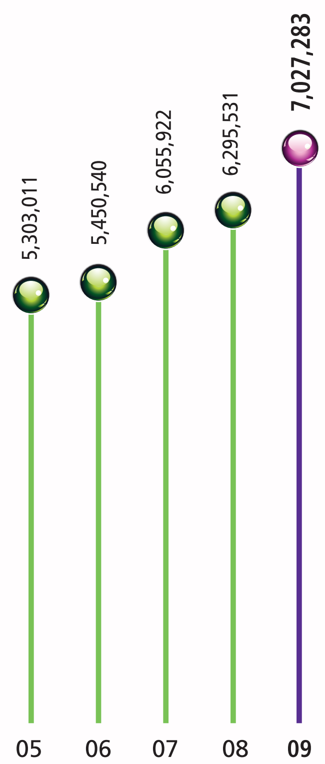
Earnings Per Share Basic and Diluted

RMB

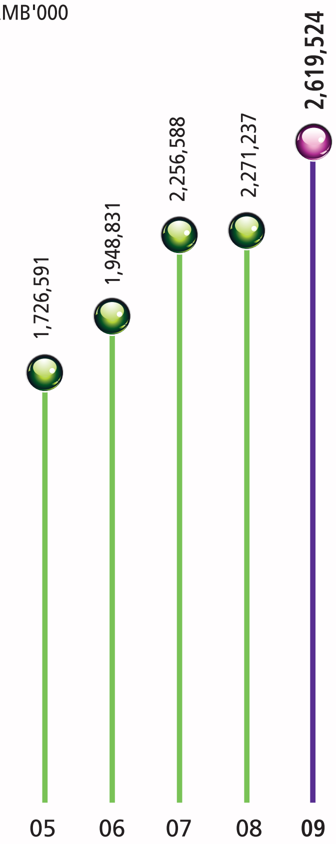


Total assets

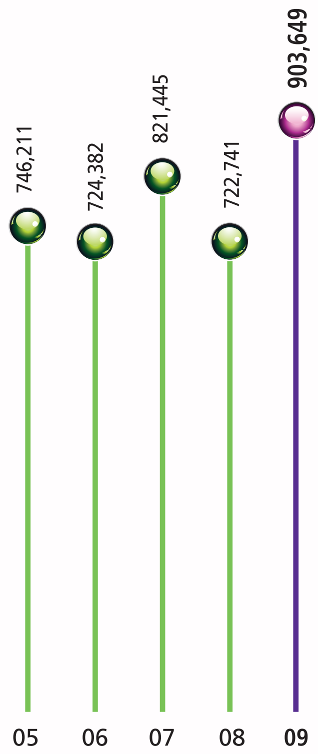
RMB'000



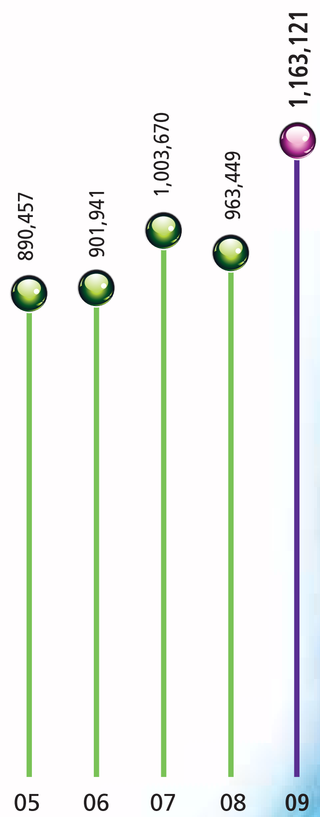
Revenues
RMB'000



Profit before taxation
RMB'000

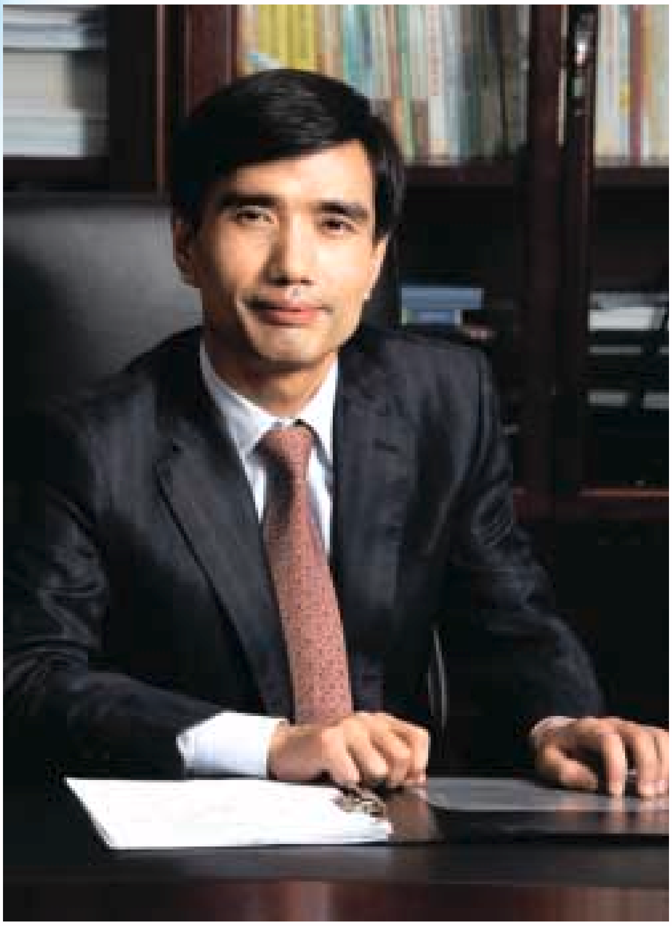


Earnings before interests, tax, depreciation and amortization
RMB'000



Note: The financial figures for the year 2005, 2006, 2007 and 2008 have been adjusted, as if ACCA had been acquired at the earliest period presented.

CHAIRMAN'S STATEMENT



Mr. Xu Qiang
Chairman

Dear Shareholders,

In terms of operation environment, 2009 was one of the most challenging years the Group has experienced since the new millennium. Dragged by the impact of the global financial crisis and the H1N1 influenza, demand for international aviation industry plunged and then recovered amid many twists. Benefiting from the appropriate policy implemented by the PRC government, and driven by the resilience in China's economy, the demand for domestic aviation was the first to rebound and thrive among its peers around the world. In 2009, the Group initiated a number of measures to cope with the financial crisis. We integrated the newly acquired accounting, settlement and clearing services with our existing core businesses, which further lowered cost expenses and improved operational efficiency. In addition, through persistent effort devoted to the implementation of our corporate strategies, we attained achievements in various aspects, including enhancement of production safety, consolidation of main businesses, development of new businesses, as well as the preliminary preparation work done for the construction of the new operating centre in Beijing. The effective measures launched by the Group, together with the cohesive and dedicated efforts of all our staff overcame the adverse impact of the financial crisis, enabling the Group to achieve gratifying operating conditions and financial performance.

Looking forward to 2010, it is predicted that the recovery of world economy will be built on shaky grounds, as countries face dilemmas over the exit strategies of their financial stimulus policies, making the outlook of international aviation industry seems not the time to be optimistic. On the other hand, despite the implementation of policies by the PRC government to stimulate consumption, which provided a favorable basis for domestic aviation industry to maintain strong growth in demand, external factors, such as oil price and exchange rate fluctuations, the launch of high-speed rails, as well as the transformation in the growth pattern of China's economy, and the structural adjustment of the industry, will bring along various changes to the domestic aviation market in different aspects, including industry structure, competitive landscape, business model and growth pattern. The Group is called to thoroughly study the repercussion of these factors on our information technology solution services, and find out the changes in demands and formulate effective measures in response. Seeing the above mentioned uncertainties in this "Post-crisis Era", the rapid development in internet, the extensive application of open technology, and the gradual relaxation in GDS restriction of major aviation markets around the world, as well as the development of new industrial participants, the Group expects greater challenges ahead.

As such, the Group will accelerate the construction of the new operating centre in Shunyi, Beijing and the development of the new generation aviation passenger service system in 2010, increase our capability of sustainable development. Through technological innovation, management innovation and enhancement of talent and team building, the Group will devote greater efforts to elevating its technological services capability, market expansion capability and operation management ability. We will leverage on organic growth in existing traditional businesses and continual exploration into new businesses, in order to realize the objective of "staying committed to becoming a leading information technology service provider with core competitiveness, sparing no effort to achieve the goal of becoming a top-tier enterprise with international competitiveness".

With respect to the construction of infrastructure, the construction of the new operating centre in Shunyi new zone will lay a good foundation for the Group's sustainable development in its main aviation business. This centre will also serve as a low cost expansion platform for the Group's expansion into new businesses and third-party public information hosting business.

With respect to the technological innovation, the Group will further reinforce the safety measures as well as accelerate the development of the new generation aviation passenger service information system and related products portfolio. We will also optimize the correlation between the sharing platform and individual services, grasping the core demand of customers, which are to gain competitive edge and minimize costs. While exploit the potential value of our existing platforms, the Group will set its eyes on the IT market covering the whole industry, and formulate an all-rounded IT platform construction strategy in line with the development direction of "boosting platform resources and enriching product offerings". Hence, the Group will create an IT service platform that encompasses the complete traveling flow of aviation passengers, and therefore set up a comprehensive airport information technology solution, so as to cultivate leapfrog development ability. We will accelerate the pace in the establishment of systems and the development of products in new businesses which are end-client facing, such as e-commerce services of aviation/non-aviation online travel product distribution, including hotels and air-tickets, aviation cargo logistics information technology service as well as public information service. By well nurturing these new growth drivers, the Group aims to expand and strengthen its core businesses.

With respect to management innovation, the Group will continue to bring customer services to the fore, improve the management system of our subsidiaries, and ramp up business activities in subsidiaries, with the aim to enhance our regional technological services and market expansion capabilities. The Group will also aim to improve its risk control capability and operational efficiency by further streamlining of internal corporate management system and workflow as well as establishment of a rational cost-management system. Meanwhile, the Group will strengthen its corporate governance, establish the duty-linked salary system to one that matches the corporate mechanism, and improve the performance management system as well as implement an equity incentive plan, so as to stimulate the creativity of its management and staff.

With respect to talent and team building, under the guidance of its people-oriented philosophy, and on the basis of its own industry features, the Group will establish a new type of corporate culture that combines innovation and co-operation to enhances strategic execution. By continuing to value talents' contribution to the corporate strength, the Group will evaluate the Company's actual development and domestic and foreign competition environment, and strengthen the education, training, incentive and management of its staff to mould a high-quality team which is dedicated to its duties while equipped with excellent skills and high proficiency, forming an elite base for the leapfrog development of the Group. To promote a mechanism that values talents, the Group will optimize the structure of the management team, enhance their collaboration ability, managerial skills and leadership, and set up a system of appraisal-advancement and rotation of duties.

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, as well as to our management and staff for the dedicated efforts devoted. With the enhanced persistence and endeavour of our management and staff, the Group is set to tackle each and every challenge, meet targets laid down and create more value for shareholders.

Xu Qiang
Chairman

April 22, 2010

Mr. Xiao Yinhong
General Manager

As the leading provider of information technology solutions for China's aviation and travel industry, the Company stands at a core tache along the value chain of China's aviation and travel service distribution. The Company has been devoted to serving the needs of all industry participants ranging from commercial airlines, airports, travel product and service suppliers to travel agents, travel service distributors, corporate clients, travelers and cargo shippers, as well as major international organizations such as IATA and government bodies, with the scope of services covering the provision of critical information systems on flight control, air ticket distribution, check-in, boarding and load planning, accounting, settlement and clearing system, etc.. With three decades of tenacious development, the Company has built up a complete industry chain for aviation and travel information technology service, established a relatively comprehensive, competitively priced product line of aviation and travel information technology service with robust functionality, aiming to help industry participants to expand their businesses, improve service quality, minimize operational costs and enhance operational efficiency, and ultimately bring benefits to travelers.

AVIATION INFORMATION TECHNOLOGY SERVICE

The aviation information technology ("AIT") services offered by the Company, which consist of a series of products and solutions, are provided to the PRC commercial airlines and more than 300 foreign and regional commercial airlines. The AIT services comprised electronic travel distribution ("ETD") 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 core businesses, including but not limited to, product service for supporting aviation alliances, solutions for developing commercial airlines' e-tickets and e-commerce, data service for supporting decision-making of commercial airlines as well as information management system for improvement of ground operational efficiency.

The global aviation industry saw the largest ever decline in demand in the first half of 2009 with the continuous spread of global financial crisis, the global economic downturn and the rapid spread of H1N1 influenza, thereby adversely affecting the performance of the Company's business that is dependent on international demand. In the latter half of the year, China's international travel and tourism market picked up as the economy of developed countries and emerging economies gradually recovered while the implementation of policies to stabilize external demand and promote exports by the PRC government had been taking effect, leading to a rebound in the number of flight bookings on foreign and regional commercial airlines processed by the Company's ETD system month after month, with a mild increase for the whole year of approximately 2.1%. As an array of proactive fiscal policies, and loosened monetary policies, as well as domestic demand expansion programs, especially in promoting consumption aiming at boosting steady economic growth, introduced in China in 2009 saw positive effect, China was one of the first countries to show signs of recovery. This, together with the measures undertaken by the Civil Aviation Administration of China ("CAAC") to tackle global financial crisis, enabled China's aviation industry to thrive under such adverse circumstances, thereby further facilitating a faster development of the Company's business dependent on domestic demand. Bookings on the PRC commercial airlines processed by its ETD system rose by approximately 18.5%. In 2009, the Company's ETD system processed approximately 249.0 million bookings on domestic and foreign commercial airlines, representing an increase of approximately 17.9% over that of 2008.

In view of the difficult operating environment faced by commercial airlines, and to cater for their increasing needs for information technology solutions for various aspects, such as facilitating fast travel, developing e-commerce, enhancing of direct sales capacity, exploring overseas market and strengthening of strategic alliance, the Group has further perfected and developed its aviation information technology service and its extended services in respect of the product lines like seat management, distribution business solutions and airfare solutions for commercial airlines in 2009.

Subsequent to the fulfillment of the goal of paperless Billing and Settlement Plan (BSP) tickets in China, the Company again co-operated with IATA in promoting the actualization of the goal of "Fast Travel" for "simplifying the business" in China's aviation industry. With the launch of the six services, including self-service check-in, self-service passport control, self-service baggage check, self-service flight rebooking, self-service boarding and self-service baggage inquiry, travelers can now enjoy the convenience of one-stop electronic self service from ticket booking to boarding. It also helped commercial airlines to minimize costs, ensured airports to utilize its scarce space more reasonably and efficiently, and offered travelers with more convenient and flexible services. In 2009, the Company formulated and promoted the application of the standard of two-dimensional (2D) Bar Coded Boarding Passes (BCBP) in the industry. Meanwhile, the fast travel product (E-trip) designed and developed by the Company had commenced operation in Shenzhen Airlines Company Limited and Hainan Airlines Company Limited; its self-designed and developed common use self-service check-in system (CUSS) that meets IATA standard have already been used in 58 major airports in China and hotels such as HNA Hotel Mingguang Haikou; the online self-service check-in service developed for major domestic commercial airlines has commenced operation in 72 foreign/domestic airports such as the Beijing Capital International Airport, Shenzhen Airport and Singapore Airport; mobile check-in products have also commenced operation in the Beijing Capital International Airport. Passenger departures processed by self-service check-in, online check-in and mobile check-in totaled approximately 13 million.

In 2009, steady progress was seen in the development of the Company's e-commerce product infrastructure. The Company provided e-commerce platform hosting service for 10 commercial airlines, and assisted China Eastern Airlines Corporation Limited and Shenzhen Airlines Company Limited to establish overseas websites. In addition, the Company designed, researched and developed an e-commerce supporting platform for commercial airlines, namely E-build, for facilitating the development of direct sales by commercial airlines. It is a brand-new product based on loosely-coupled structure comprising modules such as calendar search, up-to-date international fare rates and travelers' online value-added services, which has been widely used in websites of commercial airlines. The Company has also established e-commerce regional support centers in Guangzhou, Shanghai and Shenzhen, etc. to facilitate prompt response to clients.

In 2009, the Company engineered the seamless integration of agent terminal, e-commerce distribution platform and settlement and clearing system with "WebLink", a sales settlement and clearing product recently launched by IATA for airline ticket sales settlement and clearing between agents and commercial airlines. The integrated product served as a complete solution covering the entire process from sales to settlement and clearing for the PRC commercial airlines employing overseas agent distribution model, helped the PRC commercial airlines to minimize sales costs in opening up overseas markets, and opened up a new source of income for the Company in overseas sales of its system. In 2009, the Company also established long-term product and commercial co-operation relationship mechanisms between those PRC commercial airlines, which have joined aviation alliances, such as Star Alliance and SkyTeam, and the aviation alliances. Through active participation of the PRC commercial airlines in the business activities of aviation alliances, the Company continued to deepen and expand the scope of co-operation.

In addition to the subscription of the Company's APP service by all major commercial airlines in China, in 2009, the Company strived to fill the market gap in the face of cutting flights by overseas and regional commercial airlines at the start of the year, making the number of overseas and regional commercial airlines using our APP system service, multi-host access service and ANGEL CUTE platform access service increased to 48, which together processed up to 3.2 million passenger departures in 36 airports. Meanwhile, through continuous upgrade of direct connection with foreign and regional commercial airlines, the number of foreign and regional commercial airlines having direct connection with the Company's CRS system reached 82, with the percentage of sales by direct links accounting for over 99%, which considerably strengthened the Company's capacity to withstand market risks.

AIRPORT INFORMATION TECHNOLOGY SERVICE

In 2009, the Group further strengthened the setup of the product line of airport departure control system, information technology integration, data services platform and government information services. With the airport renovation and expansion proposed under the Central Government's RMB4 trillion infrastructure construction projects, the Group seized the opportunity by actively submitting tenders for the setup of airport information systems. In respect of the new generation APP front-end system, it has undergone an upgrade in the renovation and expansion project of 4 airports ranking top 50 airports in terms of throughput in China including Shanghai Hongqiao Airport and Pudong Airport, Urumqi Airport and Guangzhou Airport. Its application was also promoted in new airports such as Daqing Airport, and it facilitated the PRC commercial airlines in the launch of passenger check-in, transit and connecting flight services in 87 overseas or regional airports, processing approximately 10.5 million passenger departures, accounting for 79.6% of overseas arrivals of the PRC commercial airlines. Angel Lite, a passenger front-end processing system designed and developed for small airports ranking beyond the top 60 airports in terms of throughput in China, has been used in the renovation and expansion project of Fuyang Airport. Our airport security check system has been promoted to airports, such as Shenzhen Airport and Haikou Airport, and we have been awarded contracts for security check system setup and expansion for 8 airports. The Company's self-developed airport data services system has been adopted by 20 airports such as Hangzhou Airport, Tianjin Airport and Western Airport Group to provide support for the decision-making process of airports; while transit passenger information services system has been used in airports such as Dalian Airport and Kunming Airport for strengthening their operational capacity as air transportation hub and ground service quality. The Aviation Passenger Security Information System (APSIS) performed satisfactorily in Beijing Capital International Airport Terminal 3, and was subsequently adopted by Guangxi Airport Management Group Ltd. and relevant government departments, which served to strengthen the Company's position in the field of aviation information safety in China.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICE

The Group's travel service distribution network comprises nearly 60,000 sales terminals owned by more than 6,000 travel agencies and travel service distributors, with high-level networking and direct links to all Global Distribution System (GDS) around the world and 82 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 6 overseas distribution centers across Asia, Europe and North America. The network processed over 180.7 million transactions during 2009 with transaction amounting to over RMB220.4 billion.

In 2009, the Group continued to strengthen the setup of the product line of distribution information technology service. On top of its effort in perfecting its products such as TravelWeb front-end business system, IBE and E-data and rolling out new products such as short message service platform, one-stop commercial system and BlueSky, a comprehensive business platform, the Company also gradually built up a travel product segment with front-end products such as travel management consultant business platform (TMC), online booking tool business platform (OBT) and travel service data business platform (OPEN DATA) as core products, and has adopted PID, IBE product turnover billing systems, which not only enhanced the operational efficiency and service quality of travel service distributors, but also opened up new sources of income for the Company and enhanced its capacity to withstand operation risks.

TRAVEL PRODUCT DISTRIBUTION SERVICE

In 2009, by reinforcing its collaboration with foreign and domestic travel product suppliers such as the Hilton Group, developing multi-level downstream distribution channels including travel service distributors, hotel's GDS, domestic commercial airlines, travel consultants and reservation centers, and leveraging on the three product segments, namely direct links with hotels, exchange platform and distribution channels, the Group surpassed the 1-million mark by successfully distributing 1,078.6 thousand hotels' room-nights, representing an increase of 135.0% as compared with that in 2008.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICE

China's air freight market was also adversely affected by the global financial crisis in 2009, leading to a significant drop in investment amount on IT services by commercial airlines and airports in relation to freight. The Company responded flexibly by proactively working on system upgrade and product development for air freight logistics information technology systems on one hand, and by accelerating its marketing effort on the other hand. While the Company upgraded the freight systems already used by its existing airline and airport clients, it also won the tender of the air freight system building project of Urumqi Airport, which, together with the adoption by 11 airports such as Xining Airport and Nanchang Airport of the Group's air freight business system, CFPS LITE, which supports the cargo terminals of medium and small sized airports, contributed to an increase of the Group's airport clients to 49. Subsequent to the entering into air freight management agreement with Hong Kong Express Airways Limited, the Group's commercial airline clients increased to 11. In 2009, the Group processed approximately 4.9 million airway bills, an increase of 16.7% over that of 2008. The new freight logistics information technology system with a view to accommodating needs of neutral cargo terminals which require multi-tasking management, upstream-downstream cooperation and meticulous business has successfully commenced operation in the Guangzhou Baiyun International Airport. It has been the largest airport freight information system project undertaken by the Group, and also the freight system construction that covers the widest scope of business and functions, which marks a major step forward in fulfilling the Group's strategic objective of "parallel development of passenger and freight businesses". The customs platform for freight information developed by the Group has commenced operation in 4 airports such as Hangzhou Airport and Chengdu Airport, enabling users to meet the requirement of the new customs manifest system in a simple and convenient manner.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICE

The Company provided accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation corporations through Accounting Center of China Aviation Limited Company (中國航空結算有限責任公司) ("ACCA"), a wholly-owned subsidiary of the

Company. As the downstream businesses of the Company's principal activities in air travel service distribution and sales, the above businesses strengthened the Company's information technology business in the air transportation and travel industry. Apart from being the world's largest service provider of IATA BSP Data Processing ("BSP DP"), ACCA is also the largest provider of outsourced services and system products in revenue settlement and clearing in the air transportation industry in China. Its major customers include domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organizations and IATA. In 2009, there were approximately 362.5 million transactions and approximately 131.7 million BSP tickets processed with respect to the system service business of ACCA, while settlement and clearing of passenger and cargo revenues as well as international settlement fees amounted to US$3.6 billion.

In 2009, ACCA continued to consolidate its existing markets. Efforts have been put on system upgrade and renovation for international passenger transport settlement system of major domestic commercial airlines, and on expansion of market share and business scope. Three new commercial airlines, such as Okay Airways Company Limited, China Joy Air Co., Ltd. and Kunming Airlines Ltd., used ACCA's domestic settlement and clearing management system. It also won the tender of aviation settlement and clearing project of Western Airport Group, and has commenced operations in 14 airports including those in Xianyang, Yinchuan, Xining and Yanan. The settlement and clearing business operations originally self-conducted by airports, such as Beijing Capital International Airport, Harbin Airport, Changchun Airport and Changsha Airport, were transferred to ACCA. Furthermore, ACCA did the preparation work in relation to the staff, workflows and technologies associated with BSP transfer projects pursuant to the requirements set out in the agreement signed with IATA; at the end of 2009, 40 BSP companies in Asia-Pacific and Europe had switched to operate steadily on the BSP data processing system of ACCA.

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 tie in with the development trend of aviation and travel industry. In 2009, in intensifying the analysis of demand of commercial airlines, and in line with the construction principle of "self-development, gradual improvement and openness" and the construction standard of "advanced technology, flexible usage, well-equipped facilities, high cost performance and value-added data" for new generation aviation passenger service system, and pursuant to its resources contribution plan, the Group has made steady progress in the fundamental platform construction and technical development of the new generation aviation passenger service system. The Group also continued its efforts in constructing and perfecting middleware platform and its related subsystems to facilitate future development, speeding up the development of ICS system and international air tariff system, and the research in open platform and core trading platform.

INFRASTRUCTURE

The Group's infrastructure serves to achieve sustainable development for its business. Its objectives are to ensure safety in production, satisfy the needs of business development, adjust system structure and optimize resource allocation by making full use of existing technologies, business and management instruments, so as to improve operation reliability and interference-resistant ability and realize low cost operation.

In 2009, the Group continued to integrate existing resources in research and development and operation maintenance, further increased investment in infrastructure and stepped up technological renovation, optimized core resources allocation of mainframe systems and open platforms, monitored utilization of system resources such as PID and IBE, promoted the application of OPEN AV technology, renovated the machine rooms for energy-saving and consumption reduction purpose, assessed the overall security of electronic ticket system, perfected corporate information system classification management and reinforced core system disaster recovery. In addition, the Group successfully completed the civil aviation travelers information security work during the celebration of the 60th Anniversary of New China, and successfully commenced operation of the outsourcing contract items of the data center of China Galaxy Securities Company Limited. In 2009, the utilization ratios of the Group's ICS, CRS, APP and settlement and clearing mainframe systems were around 100%, 99.99%, 100% and 99.80% respectively.

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 2009, profit before taxation of the Group was approximately RMB903.6 million, representing an increase of approximately 25.0% over that in the year ended December 31, 2008 ("Year 2008"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB1,163.1 million, representing an increase of approximately 20.7% over that in Year 2008. Profit attributable to equity holders of the Company was approximately RMB775.9 million, representing an increase of approximately 21.6% over that in Year 2008 mainly due to the strict cost control amid a growth in revenue.

The basic and diluted earnings per share of the Group in Year 2009 were RMB0.40.

TOTAL REVENUE

The total revenue of the Group in Year 2009 amounted to approximately RMB2,619.5 million, representing an increase of approximately RMB348.3 million, or 15.3% from approximately RMB2,271.2 million in Year 2008. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 69.1% of the total revenue of the Group in Year 2009 as compared to 70.8% in Year 2008. Aviation information technology service revenue increased by approximately 12.4% to approximately RMB1,808.3 million in Year 2009 from approximately RMB1,609.1 million in Year 2008 mainly due to the growth in the number of air travelers.

- Accounting, settlement and clearing services revenue accounted for 9.5% of the Group's total revenue in Year 2009, as compared to 11.5% for Year 2008. Accounting, settlement and clearing services revenue decreased by approximately 4.0% to approximately RMB250.0 million in Year 2009 from approximately RMB260.5 million for Year 2008 primarily due to the decrease in business volume of international accounting, settlement and clearing services.

- Data network and other revenue represented 21.4% of the total revenue of the Group in Year 2009 as compared to17.7% in Year 2008. Data network and other revenue increased by approximately 39.7% to approximately RMB561.2 million in Year 2009 from approximately RMB401.6 million in Year 2008, mainly due to the enhance of the promotion activities by the Company.

OPERATING EXPENSES

Operating expenses for Year 2009 amounted to RMB1,821.3 million, representing an increase of RMB162.1 million, or 9.8%, from RMB1,659.2 million in Year 2008. The increase in operating expenses is reflected as follows:

- Technical support and maintenance fees decreased by 10.0% 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;

- Along with rapid growth in business volume, the Group has adopted cost control measures as such, the network usage charge decreased by 14.1%.

- Commission and promotion expenses increased by 13.6% mainly due to the increase in the APP system business volume resulting from the business development of the Group;

- Operating lease payments decreased by 6.9%, mainly due to no further payment of rentals for the property located in Dongxing Li, Chaoyang District, Beijing, the People's Republic of China ("PRC") after the completion of property acquisition by the Company on March 3, 2009 as set out in the announcement dated May 26, 2008 and the circular dated June 16, 2008;

- Staff costs increased by 15.9%, mainly due to the increase in the number of the staffs in support of the Group's business development;

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by RMB186.1 million, or 30.4% to RMB798.2 million in Year 2009 from RMB612.1 million in Year 2008.

CORPORATE INCOME TAX

The Corporate Income Tax Law of the People's Republic of China ("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" entitled to a preferential rate of corporate income tax of 15%, the Company was also approved and certified by relevant authorities as an "Important Software Enterprise" which allows the Company to enjoy a more 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 tax rate of 10% should be recognized in the year which the Company obtain its "Important Software Enterprise" certification.

The Company obtained its "Important Software Enterprise" approval and certification from the relevant authorities for 2007 in 2008 and hence had recognized the corresponding tax refund of approximately RMB 30.1 million in 2008.

The Company obtained its "Important Software Enterprise" for 2008 and 2009 approval and certification from the relevant authorities in Year 2008 and Year 2009 respectively. Accordingly, the Company had accrued its income tax expenses for 2008 and 2009 based on this preferential income tax rate of 10%.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As a result of the above factors, the profit attributable to equity holders of the Company increased by approximately 21.6% to approximately RMB775.9 million in Year 2009 from approximately RMB638.0 million in Year 2008.

PROFIT AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 34 to the financial statements) from the profit attributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2009, amounted to RMB1,220.1 million (2008: RMB1,108.3 million).

FINAL DIVIDEND

On April 22, 2010, the Board recommended the distribution of a final cash dividend of RMB261.4 million, which represented RMB0.134 per share for Year 2009. The total number of shares in issue which entitles the receipt of those dividends is 1,950,806,393 shares. Upon distribution of the above final dividend, the distributable profit as at December 31, 2009 is approximately RMB958.7 million (2008: RMB745.4 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 is 10% and the amount is withheld by the Company.

The 2009 annual general meeting of the Company (the "AGM") will be held on June 25, 2010 in Beijing, the PRC. The register of members of the Company will be closed from May 26, 2010 to June 25, 2010 (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 May 25, 2010 are entitled to attend the AGM and the proposed final dividend for Year 2009 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	
	2009 (RMB in million)	2008 (RMB in million)
Net cash generated from operating activities	700.1	470.0
Net cash used in investing activities	(157.4)	(639.0)
Net cash used in financing activities	(312.6)	(234.4)
Effect of foreign exchange rate changes on cash and cash equivalents	(0.8)	(6.9)
Net decrease in cash and cash equivalents	(229.3)	(410.3)

The Group's working capital for Year 2009 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB700.1 million.

In Year 2009, 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, 2009, cash and cash equivalents of the Group amounted to RMB1,555.7 million, of which approximately 94.5%, 4.1% and 1.0% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

HELD-TO-MATURITY FINANCIAL ASSETS

The Company did not hold any treasury bonds of China or any held-to-maturity financial assets as at December 31, 2009.

CHARGE ON ASSETS

As at December 31, 2009, the Group had no charge on its assets.

ACQUISITION

The Company completed the acquisition of 100% equity interest in Accounting Center of China Aviation Limited Company in March 2009 as detailed in the section "Movement in Share Capital" of "Report of Directors".

The Company also completed the acquisition of 49% equity interest in InfoSky Technology Co., Ltd. in 2009, as detailed in "InfoSky Equity Interest Acquisition" of "Report of Directors".

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB405.2 million in Year 2009, representing an increase of approximately RMB204.6 million as compared to that of approximately RMB200.6 million in Year 2008. The capital expenditure of the Group in Year 2009 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 2010 will amount to approximately RMB3,217.6 million, which is mainly for construction of new operating centre in Beijing (inclusive of the related expenses detailed in the paragraph below) 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 2010 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

As set out in the announcements dated January 26, 2010 and February 26, 2010, and the circular dated March 2, 2010, the Company made a successful bid for the land use right of 08, 09, 19 and 21 blocks at Xincheng 19 Street, Shunyi District, Beijing at a transfer price of RMB1,910 million at an open auction to construct a new operating centre of the Group. The Company had fully paid the land transfer price on March 12, 2010 as detailed in Note 41 to the financial statements.

EXCHANGE RISKS

The Group's foreign exchange risk arises from commercial transactions and recognized assets and liabilities denominated in foreign currencies. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

GEARING RATIO

As at December 31, 2009, the gearing ratio of the Group was approximately 12.4% (2008: 12.1%), which was computed by dividing the total amount of liabilities by the total assets of the Group as at December 31, 2009.

CONTINGENT LIABILITIES

As at December 31, 2009, the Group had no material contingent liabilities.

EMPLOYEES

As at December 31, 2009, the total number of employees of the Group was 4,097. Staff costs amounted to approximately RMB487.3 million for Year 2009, representing approximately 26.8% of the total operating cost of the Group for Year 2009.

The Group has different rates of remuneration for different employees (including Executive Directors and Staff Representative Supervisors), according to their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations, as amended from time to time. The remuneration of the employees of the Group includes salaries, bonuses and fringe benefits provided in compliance with relevant regulations in the PRC, as amended from time to time, such as medical insurance, pension, unemployment insurance, maternity insurance and housing funds.

In 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 2009, the annual corporate annuity of the Group amounted to approximately RMB19.1 million.

Relevant details of Directors' remuneration are set out in Note 8 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 director's fee, which is determined by reference to the prevailing market price, their duties and personal qualifications, 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 areas such as the aviation and travel industry, computer information technologies and business administration, and provides training on the latest development in areas such as computer information technologies, personal qualities, laws, regulations and economics.

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (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 the relevant parties.

CORPORATE GOVERNANCE PRACTICE

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

In 2009, the Company has fully complied with the Code except the code provisions A.1.1, A.4.2, D.1.1 and D.1.2. In 2009, the Company only convened three meetings that required Directors' attendance in person, which did not satisfy the requirement of at least four meetings that require attendance in person as stipulated in code provision A.1.1. However, the Board made 5 resolutions by circulation of documents. The Board will endeavour to arrange meetings appropriately for Directors' attendance in person for the purpose of satisfying the requirement of the code provision. Since election of Directors could not be arranged in time at the expiry of term of the third Board, pursuant to the relevant requirements of the PRC Company Law and the Articles, the Directors of the third Board should perform their duties until the forming of the fourth Board. As a result, certain members of the third Board held a term exceeding 3 years, which was not in full compliance with code provision A.4.2. 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 written guidelines in respect of other duties and authority delegated to the management, which deviates from code provisions D.1.1 and D.1.2 of the Code. The Board is of the opinion that the current arrangement does not prejudice the interests of the Company.

SECURITIES TRANSACTIONS OF DIRECTORS

Each Director of the Company has fulfilled their duties in a conscientious, diligent and honest manner. In 2009, the Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules, 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 2009.

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 2009, 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 2009, the Board announced annual results for 2008 and interim results for 2009 within 120 days and 60 days respectively after the end of the relevant financial periods in accordance with the requirements under the Articles.

As approved at the extraordinary general meeting of the Company held on March 3, 2009, the Articles shall be amended to adjust the structure of the Board and the Supervisory Committee (including the downsizing of the Board to 9 Directors) with a view to enhancing the efficiency of governance of the Company. Pursuant to the approval at the extraordinary general meeting held on March 3, 2009, 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 and 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 elected to be a Non-executive Director of the Company for a term ending on the expiry date of the term of the third Board. Starting from March 3, 2009, the Board comprises 9 Directors, (refer to the section of "Corporate Information" for the list of Directors), including 3 Independent Non-executive Directors.

During the reporting period, the Company 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 2009 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the above Independent Non-executive Directors are independent.

Pursuant to the Articles and the PRC Company Law, the Directors serve a term of 3 years and are subject to re-elected upon expiry. Where election cannot be arranged in time before the expiry of term, or where the number of members of the Board falls below the quorum due to resignation of Directors during the term, then, prior to assuming office by the elected Directors, the existing Directors shall continue to perform their duties in accordance with the requirements of the laws, administrative regulations and the Articles. Pursuant to this, the appointments of all Directors of the third Board of the Company (including Non-executive Directors and Independent Non-executive Directors) were effective from their appointment date (refer to the section of "Corporate Information") until the extraordinary general meeting of the Company held on March 16, 2010 where the members of the fourth Board were elected. Since election of a new Board could not be arranged in time at the expiry of term of the third Board, the term of office of the third Board slightly exceeded 3 years and was not in full compliance with code provision A.4.2.

Upon election of the extraordinary general meeting of the Company held on March 16, 2010, Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong were re-elected as Executive Directors, Mr. Wang Quanhua and Mr. Luo Chaogeng were re-elected as Non-executive Directors, Mr. Sun Yude was elected as a Non-executive Director, and Mr. Cheung Yuk Ming, Mr. Zhou Deqiang and Mr. Pan Chongyi were elected as Independent Non-executive Directors; the above 9 persons shall form the fourth Board of the Company for a term of 3 years with effect from the conclusion of the extraordinary general meeting. In addition, Mr. Cao Guangfu shall cease to be a Non-executive Director, and Mr. Yick Wing Fat, Simon, Mr. Yuan Yaohui and Mr. Chua Keng Kim shall cease to be Independent Non-executive Directors with effect from the conclusion of the extraordinary general meeting. On the same day, the fourth Board held its first meeting, Director Xu Qiang was elected as the Chairman; Director Xiao Yinhong was re-appointed as General Manager; Mr. Rong Gang, Mr. Wang Wei, Mr. Sun Yongtao, Mr. Zhu Xiaoxing and Mr. Huang Yuanchang, were appointed as Deputy General Managers; Mr. Sun Yongtao was appointed as Financial Controller; Mr Li Jinsong was appointed as General Counsel; Mr. Yu Xiaochun was appointed as Company Secretary (Secretary to the Board) and Solicitor Liu Pui Yee was engaged as Joint Company Secretary.

Biographies of each of the members of the fourth Board of the Company are set out on pages 133 to 136. Each of the Directors has extensive experience in aviation, information technology or finance, etc. 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. 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. Independent Non-executive Directors of the Company will perform their duties with care and due diligence, and with their valuable professional experience, provide guidance for operation management of the Company based on the overall interests of the Company. Moreover, being the members of the Audit Committee and the Remuneration and Evaluation Committee (the "Remuneration Committee"), they have performed their duties such as supervising financial reporting procedures and internal control.

In 2009, the Board held a total of three meetings, with attendance of the meeting of the Board as follows:

Name	Position	Number of meetings attended *(Times)*	Number of meetings held in 2009 *(Times)*	Attendance rate
Xu Qiang	Chairman, Executive Director	3	3	100%
Cui Zhixiong	Executive Director	3 (with 2 attended by another authorised Director on his behalf)	3	100%
Xiao Yinhong	Executive Director	3 (with 2 attended by another authorized Director on his behalf)	3	100%
Wang Quanhua	Non-executive Director	3 (with 1 attended by another authorised Director on his behalf)	3	100%
Luo Chaogeng	Non-executive Director	3 (with 1 attended by another authorised Director on his behalf)	3	100%
Cao Guangfu	Non-executive Director	2	3	67%
Yick Wing Fat, Simon	Independent Non-executive Director	3	3	100%

Name	Position	Number of meetings attended *(Times)*	Number of meetings held in 2009 *(Times)*	Attendance rate
Yuan Yaohui	Independent Non-executive Director	3	3	100%
Chua Keng Kim	Independent Non-executive Director	3	3	100%

Mr. Zhu Xiaoxing, Mr. Rong Gang, Mr. Sun Yongtao, Mr. Gong Guokui, Mr. Liu Dejun, Mr. Xia Yi and Mr. Song Jian were no longer Directors of the Company on March 3, 2010. They did not attend any Board meeting at which they should be present in 2009.

In 2009, the Company only convened three meetings that required Directors' attendance in person, which did not satisfy the requirement of at least four meetings that require attendance in person as stipulated in code provision A.1.1. However, the Board made 5 resolutions by circulation of documents. The Board will endeavour to arrange meetings appropriately for Directors' attendance in person for the purpose of satisfying the requirement of the code provision.

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 the PRC Company Law 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.

The Chairman of the Board (Chairman) and the General Manager (Chief Executive Officer) of the Company are assumed by Director Xu Qiang and Director Xiao Yinhong respectively. According to the Articles, the Chairman is responsible for convening and presiding at the Board meetings, organizing and executing the duties of the Board, examining the implementation of the resolutions of the Board, signing the securities of the Company and executing other duties delegated by the Board; the General Manager is responsible for managing the Company's daily production and operation, coordinating the implementation of the resolutions passed by the Board, coordinating the implementation of the annual business plans and investment plans, formulating plans for the internal management bodies, formulating plans for the branches of the Company, establishing the basic management system, formulating the basic constitution, proposing the appointment or dismissal of the Deputy General Manager and Financial Controller of the Company, appointing or dismissing officers other than those to be appointed or dismissed by the Board and performing other duties as delegated by the Articles and the Board.

Despite the explicit requirements on the duties and the authority of 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.

In addition, at the first meeting of the fourth Board meeting held on March 16, 2010, the Board authorized General Manager to (a) determine the insignificant adjustments of the internal management bodies; (b) determine the establishment of branches of the Company; (c) determine the appointment or removal of the principal officers of the internal management bodies and branches (branch companies) of the Company; (d) appoint and change the members of the board of directors and the supervisory committee of the wholly-owned subsidiaries, appoint, change and recommend shareholder representatives, directors, supervisors and the senior management of the controlled subsidiaries and investee subsidiaries; and (e) approve and dispose of the equity investment and equity acquisition or disposal matters in respect of the principal operations of the Company or a single investment of the Company or a total investment less than RMB10,000,000 made in the same investee, including approval to the investment or transaction plans, approval to and execution of the necessary documents in the course of plan implementation and so on. If the connected transactions and notifiable transactions under the Hong Kong Listing Rules are involved in the matters, the matters shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company.

According to the Code, the Board should review the effectiveness of the Company's internal control system at least once every year. 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 2009, the Company reviewed the effectiveness of the internal control system and did not identify any significant failings or weaknesses in all material respects. The Company will continue to optimize its internal control system and made improvement of the identified insufficiency, aiming at enhancing the level of the corporate governance gradually. At the Board meeting held on April 22, 2010, the Board was of the opinion that the Group's internal control system was basically effective in 2009 after a discussion, thus providing reasonable protection against the realization of the target of overall control of the Company.

On September 28, 2009, The Stock Exchange of Hong Kong Limited published a press release of the Listing Committee criticising the Company and certain Executive Directors. The Listing Committee publicly criticised that the Company failed to establish and maintain an adequate and effective internal control system with respect to connected transactions, and directed the Company to retain an independent professional adviser within the specified period to conduct a thorough review of and make recommendations to improve the Company's internal controls, thereby ensuring the Company to be in compliance with the requirements in relation to notifiable and connected transactions under the Listing Rules; the adviser shall submit a written report to the Listing Division. At the same time, the Company shall retain a compliance adviser on an ongoing basis for consultation on Listing Rules compliance for a period of two years. The adviser shall be accountable to the Audit Committee of the Company. During the reporting period, the Company engaged an adviser within the specified period in accordance with the direction of the Listing Committee, and reviewed and reformed the internal control system and workflow regarding notifiable and connected transactions in accordance with the opinions and recommendations made by the adviser. The written report of the adviser had been submitted to the Listing Division within the required time.

AUDIT COMMITTEE

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

In 2009, the Audit Committee of the third Board comprises three Independent Non-executive Directors, namely Mr. Yick Wing Fat, Simon, Mr. Yuan Yaohui, and Mr. Chua Keng Kim. Mr. Yick Wing Fat, Simon acted as the chief member of the Audit Committee. The term of each member of the committee is the same as his term as a Director.

In 2009, the Audit Committee convened two meetings, and the attendance rate of all members in the meetings was as follows:

Name	Number of meetings attended *(Times)*	Number of meetings held in 2009 *(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 2009 is briefly described as follows:

- review of financial reports for the year ended December 31, 2008 and the six months ended June 30, 2009. 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, conducting discussion with auditors about the nature and scope of auditing and reporting obligation;
- consideration and approval of remuneration for auditing services and terms of engagement of external auditors for 2009, supervision on whether any non-auditing services has been provided by external auditors and giving of advice to the Board on engagement 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 procedures 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.

On March 16, 2010, upon the decision of the first meeting of the fourth Board, three Independent Non-executive Directors, namely Mr. Cheung Yuk Ming, Mr. Zhou Deqiang and Mr. Pan Chongyi were appointed to form the new Audit Committee, and Mr. Cheung Yuk Ming was appointed as the chief member of the committee. The new Audit Committee held a meeting on April 21, 2010, during which the Audit Committee reviewed and discussed the 2009 audited financial statements and risk control of the Company, discussed the relevant financial reporting work with the external auditors and reviewed work reports and recommendations of the compliance adviser.

The new Audit Committee also advised to re-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 auditors respectively for Year 2010.

REMUNERATION COMMITTEE

The Remuneration Committee shall be composed of at least three Directors of which a majority should be Independent Non-executive Directors. The term of each member of the Remuneration Committee is the same as his term as a Director. One Independent Non-executive Director serves 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: studying appraisal criteria for Directors and senior management, giving advice and carrying out appraisal according to the Company's actual operation; studying and reviewing remuneration policies and proposals of Directors and senior management, and evaluating 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; monitoring the implementation of the Company's remuneration policies; determining specific remuneration of all Executive Directors and senior management and advising the Board on the remuneration of Non-executive Directors; reviewing and approving performance-linked remuneration in accordance with the corporate goals as from time to time approved by the Board; reviewing and approving 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; reviewing and approving the compensation arrangement for dismissal or removal of Directors for their misconducts to ensure such arrangement is made in accordance with contract terms; ensuring 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.

In 2009, 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 served as the chief member of the Remuneration Committee. The Remuneration Committee did not convene any meeting during 2009.

On March 16, 2010, upon the decision of the first meeting of the fourth Board, three Independent Non-executive Directors, namely Mr. Cheung Yuk Ming, Mr. Zhou Deqiang, Mr. Pan Chongyi, a Non-executive Director, Mr. Wang Quanhua and an Executive Director, Mr. Cui Zhixiong, were appointed to form the new Remuneration and Evaluation Committee, and Mr. Zhou Deqiang was appointed as the chief member of the committee.

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 2010 will be RMB120,000 (Inclusive of tax), 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 and duties of the Independent Non-executive Directors. The Executive Directors and Non-executive Directors are not entitled to such fees and/or bonus. However, Executive Directors are entitled to the remuneration for their full-time service if they are full-time employees of the Company. Such remuneration includes salaries, benefits, subsidies and retirement benefit scheme contribution as determined in accordance with the laws and regulations of the PRC and the policy guidance issued by the upper regulatory authorities as amended from time to time and their respective work duties, performance and working experience, as well as the discretionary bonus paid to employees based on the performance and financial position of the Company in accordance with the employees' remuneration scheme. The Company also bears the reasonable costs incurred by the Directors during their service in the Company and the Directors are entitled to liability insurance (if any) 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 8 to the financial statements.

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 procedures of the Directors are 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 selection of candidates of Directors (including Independent Non-executive Directors) by the Board in accordance with the relevant requirements of the PRC Company Law, the Listing Rules, Chapter 14 of the Articles "Eligibility and obligations of Directors, Supervisors, Managers and other senior management of the Company", the election of proposed Directors will be put forward for approval at the general meeting; the Director serves for 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 session of the Board comprises 9 Directors, of which at least one-half of the Directors are external Directors (including at least three Independent Non-executive Directors); directors shall be elected by way of ordinary resolution in the general meeting; in case more than 9 Directors are approved, those who have got the highest votes 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 conducted in accordance with the relevant provisions of laws and administrative rules.

Members of professional committees under the Board shall be nominated by either the Chairman, more than half of the Independent Non-executive Directors or one-third of all the Directors, and subsequently elected by the Board. Chief members of all committees shall be appointed by the Board. Members of the committees shall satisfy the qualification requirements set out in the working rules of the respective committees.

In 2009, the Board and the substantial shareholders had exchanges on the nomination of the Directors for a new session of the Board but did not have any related discussion during the year.

As stated in the announcement and circular of the Company dated January 29, 2009, the Board proposed to the general meeting regarding the candidates for election of Directors based on the suggestions from major promoter shareholders. Such proposal was approved by shareholders at the extraordinary general meeting of the Company held on March 16, 2010.

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 Group for Year 2009 amounted to RMB1.94 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. The Strategic Committee of the Company comprises six Directors. The term of each member of the Committee is the same as his term as a Director.

On March 3, 2009, upon the decision of the third Board, six Directors, namely Xu Qiang, Cui Zhixiong, Xiao Yinhong, Wang Quanhua, Luo Chaogeng and Cao Guangfu were appointed to form the Strategic Committee of the Company, and Director Xu Qiang was appointed as the chief member of the committee. In 2009, the Strategic Committee held one meeting in total, and reported to the Board.

Attendance of each member at the Strategic Committee meetings was as follows:

Name	Number of meetings attended *(Times)*	Number of meetings held in 2009 *(Times)*	Attendance rate
Xu Qiang (chief member of the Strategic Committee)	1	1	100%
Cui Zhixiong	1 (attended by another authorized member on his behalf)	1	100%
Xiao Yinhong	1	1	100%
Wang Quanhua	1	1	100%
Luo Chaogeng	1	1	100%
Cao Guangfu	1	1	100%

On March 16, 2010, upon the decision of the first meeting of the fourth Board, six Directors, namely Xu Qiang, Cui Zhixiong, Xiao Yinhong, Wang Quanhua, Luo Chaogeng and Sun Yude were appointed to form the new Strategic Committee of the Company, and Director Xu Qiang was appointed as the chief member of the committee.

EXECUTIVE COMMITTEE

At the meeting of the fourth Board of the Company held on March 16, 2010, it was resolved to set up an executive committee (the "Executive Committee") to be responsible for examining, supervising and implementing the resolutions of the Board; regularly listening to the report on the operation and management of the Company by the General Manager; regularly reporting its works to the Board and making recommendations and plans on important issues which shall be discussed and determined by the Board. Its duties are available at the Company's website.

The Executive Committee comprises all Executive Directors with the Chairman appointed as the chief member of the Executive Committee (chairman). The term of each member of the Committee is the same as his term as a Director. On March 16, 2010, the fourth Board appointed three Executive Directors, namely Xu Qiang, Cui Zhixiong and Xiao Yinhong to form the Executive Committee with Director Xu Qiang appointed as the chief member of the Executive Committee (chairman).

On March 16, 2010, the fourth Board authorized the Executive Committee to approve and dispose of the equity investment and equity acquisition or disposal matters in respect of the principal operations of the Company or a single investment of the Company or a total investment over RMB10,000,000 made in the same investee but within 1% of the total assets of the Group (the Company and subsidiaries), including approval to the investment or transaction plans, approval to and execution of the necessary documents in the course of plan implementation and so on. If the connected transactions and notifiable transactions under the Hong Kong Listing Rules are involved in the matters, the matters shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company.

SUPERVISORY COMMITTEE

In accordance with the PRC Company Law and the Articles, the Supervisory Committee comprises five Supervisors, including two Shareholder Representative Supervisors, one Independent Supervisor and two Staff Representative Supervisors. Other supervisors are all elected, appointed and removed at the general meeting of the Company, except Staff Supervisors are elected, appointed or removed at the staff representative meeting of the Company. The term of each of the Supervisors of the Supervisory Committee of the Company is three years. Biographies of each of the Supervisors are set out on pages 137 to 138.

Supervisory Committee reviews the Company's financial position in accordance with the Articles and supervises the operation management activities of the Board and senior management. The Supervisory Committee is responsible 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 2009, the third Supervisory Committee held two meetings. It reviewed financial information relating to the annual results for the year ended December 31, 2008 and the interim results for the six months ended June 30, 2009, supervised over operation and management activities of the Board and senior management and made recommendations to the management.

In 2009, attendance of each of the Supervisors of the third Supervisory Committee at the Supervisory Committee meetings was as follows:

Name	Position	Number of meetings attended *(Times)*	Number of meetings held in 2009 *(Times)*	Attendance rate
Li Xiaojun	Chairperson of the Supervisory Committee, Staff Representative Supervisor	2	2	100%
Du Hongying	Vice Chairperson of the Supervisory Committee	2	2	100%
Yu Yanbing	Supervisor	2	2	100%
Gao Jingping	Staff Representative Supervisor	2	2	100%
Rao Geping	Independent Supervisor	2	2	100%

In 2009, all Supervisors of the Supervisory Committee fully complied with the requirements of the Model Code.

Upon election at the extraordinary general meeting held on March 16, 2010, Mr. Yu Yanbing was re-elected as a Supervisor of the Company, Mr. Rao Geping was re-elected as an Independent Supervisor of the Company, Ms. Zeng Yiwei was elected as a Supervisor and Ms. Du Hongying ceased to be a Supervisor. In addition, as decided by the staff representative meeting of the Company, Ms. Li Xiaojun was re-elected as a staff representative Supervisor, Mr. Xiao Wei was appointed as staff representative Supervisor and Ms. Gao Jingping ceased to be a staff representative Supervisor. Ms. Li Xiaojun, Ms. Zeng Yiwei, Mr. Yu Yanbing, Mr. Rao Geping and Mr. Xiao Wei shall form the fourth Supervisory Committee of the Company. On the same day, the fourth Supervisory Committee held its first meeting, and Ms. Li Xiaojun was elected as the Chairperson of the Supervisory Committee.

By Order of the Board
Yu Xiaochun
Company Secretary

April 22, 2010

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 2009.

GROUP ACTIVITIES

The Group is the dominant provider of information technology solutions for China's aviation and travel industries. The core businesses of the Group include aviation information technology service, distribution of information technology service, as well as accounting, settlement and clearing services, etc..

The analysis of the Group's financial performance is set out under the section "Management Discussion and Analysis of Financial Condition and Results of Operations".

No analysis of the Group's revenues and contribution to operating profit by geographical areas is presented, as revenues and results of the Group during Year 2009 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, 2009 amounted to 1,950,806,393 shares, with a par value of RMB1.00 each. As at December 31, 2009, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage to the total number of shares in issue
Domestic Shares	1,329,098,393	68.13
H Shares	621,708,000	31.87
Total	1,950,806,393	100

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2009, the interests and short positions of any persons (other than Directors, Supervisors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "Ordinance") are set out as follows:

Name of shareholder	Number and class of shares *(Note 1)*	Capacity	Approximate percentage of respective class of share capital	Approximate percentage of total share capital *(Note 2)*
Platinum Investment Management Limited	16,911,668 H shares of RMB1 each (L)	Investment manager	2.72%	0.87%
	50,326,184 H shares of RMB1 each (L) *(Note 3)*	Trustee (other than a bare trustee)	8.09%	2.58%
GMT Capital Corp.	56,291,000 H shares of RMB1 each (L) *(Note 4)*	Beneficial owner	9.05%	2.89%
Platinum International Fund	43,426,984 H shares of RMB1 each (L)	Beneficial owner	6.99%	2.23%
JPMorgan Chase & Co	44,599,000 H shares of RMB1 each (L) *(Note 5)*	Custodian-corporation/ approved lending agent	7.17%	2.29%
	44,599,000 H shares of RMB1 each (P)		7.17%	2.29%

Name of shareholder	Number and class of shares *(Note 1)*	Capacity	Approximate percentage of respective class of share capital	Approximate percentage of total share capital *(Note 2)*
Templeton Asset Management Ltd.	37,376,861 H shares of RMB1 each (L)	Investment manager	6.01%	1.92%
Keywise Capital Management (HK) Limited	38,069,000 H shares of RMB1 each (L)	Beneficial owner	6.12%	1.95%
Oppenheimer Developing Markets Fund	31,259,000 H shares of RMB1 each (L)	Investment manager	5.03%	1.60%
Prudential Plc	31,079,000 H shares of RMB1 each (L) *(Note 6)*	Interest of controlled corporation	5.00%	1.59%
China TravelSky Holding Company	571,484,393 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Southern Air Holding Company	232,921,000 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	43,849,000 domestic shares of RMB1 each (L) *(Note 7)*	Interest of controlled corporation	3.30%	2.25%

Name of shareholder	Number and class of shares *(Note 1)*	Capacity	Approximate percentage of respective class of share capital	Approximate percentage of total share capital *(Note 2)*
China Eastern Air Holding Company	218,829,000 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	5,317,000 domestic shares of RMB1 each (L) *(Note 8)*	Interest of controlled corporation	0.40%	0.27%
	2,600,000 domestic shares of RMB1 each (L) *(Note 9)*	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company	178,867,000 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	8,697,000 domestic shares of RMB1 each (L) *(Note 10)*	Interest of controlled corporation	0.65%	0.45%

Notes:

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

(2) Percentage of total share capital is based on 1,950,806,393 shares of the total issued share capital of the Company as at December 31, 2009.

(3) 9,388,200 H shares and 40,937,984 H shares of these shares were held by Platinum Investment Management Limited as the trustee of Platinum Asia Fund and Platinum International Fund respectively.

(4) Based on the latest Corporate Substantial Shareholder Notice filed by GMT Capital Corp. on September 2, 2009, the 56,291,000 H shares in which GMT Capital Corp. was deemed to be interested were held through Bay II Resources Partners, LP, Bay Resources Partners, LP, Bay Offshore Resource Partners, Lyxor (such companies were 100% controlled by GMT Capital Corp.) and Thomas E. Claugus.

(5) These shares were held by JPMorgan Chase Bank, N.A. which was 100% controlled by JPMorgan Chase & Co. JPMorgan Chase & Co. was deemed to be interested in the shares held by JPMorgan Chase Bank, N.A. by virtue of the Ordinance.

(6) 31,079,000 H shares were held by Prudential Plc through its controlled companies. The shares were held by Prudential Asset Management (Hong Kong) Ltd, which was 100% controlled by Prudential Corporation Holdings Ltd, which was 100% controlled by Prudential Holdings Ltd, which was 100% controlled by Prudential Plc.

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

(8) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the Ordinance.

(9) These shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the Ordinance.

(10) These shares were held by Shandong Airlines Company Limited, 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 Company Limited by virtue of the Ordinance.

(11) Based on the latest Corporate Substantial Shareholder Notice filed by J.P. Morgan Fleming Asset Management Holdings Inc. (''J.P. Morgan Holdings") on April 7, 2003, J.P. Morgan Holdings was a substantial shareholder of the Company being interested in 22,199,000 H shares through its controlled corporation. These shares were held by JF Asset Management Limited, which was 99.99% controlled by J.P. Morgan Fleming Asset Management (Asia) Inc., which was in turn 100% controlled by J.P. Morgan Holdings.

(12) For the latest disclosure of interests of the Company's substantial shareholders, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkex.com.hk).

Save as the above, as at December 31, 2009, no persons (other than Directors, Supervisors or chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Ordinance.

MOVEMENT IN SHARE CAPITAL

As set out in the circular of the Company dated June 16, 2008 and the announcements of the Company dated May 26, 2008 and July 31, 2008, the Company would acquire from China TravelSky Holding Company 100% equity interest in ACCA and the property located in Dongxing Li, Chaoyang District, Beijing, the PRC at an aggregate consideration of RMB1 billion. The consideration was satisfied by the issue and allotment to China TravelSky Holding Company 174,491,393 new domestic shares of the Company at a price of HK$6.39 (approximately RMB5.73) per consideration share. Upon the completion of such acquisition on March 3, 2009, the Company had a total of 1,950,806,393 shares in issue, of which 1,329,098,393 shares were domestic shares and 621,708,000 shares were H shares.

PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the corporate information available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report.

INTERESTS AND SHORT 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, 2009, the interests and short positions of Directors, Supervisors and chief executives of the Company 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) as recorded in the register required to be kept under Section 352 of the Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules are set out as follows:

Name of Director	**Number and class of shares** *(Note 1)*	**Capacity**	**Approximate percentage of repepective class of share capital**	**Approximate percentage of total share capital** *(Note 2)*
Chua Keng Kim	417,000 H shares of RMB1 each (L)	Interest of spouse	0.07%	0.02%

Notes:

(1) (L) - Long position

(2) The percentage of total share capital is calculated based on the total number of 1,950,806,393 shares of the Company issued as at December 31, 2009.

(3) For the latest disclosure of interests filings of the Company's Directors, Supervisors and chief executives, please refer to the "Disclosure of Interests" section on the website of HKEx (www.hkex.com.hk).

Save as set out above, as at December 31, 2009, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Ordinance) as recorded in the register required to be kept under Section 352 of the Ordinance, or as otherwise notified to the

Company and the Stock Exchange pursuant to the Model Code. None of the Directors, Supervisors or chief executives of the Company or their respective associates had been granted or had exercised any rights to subscribe the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Ordinance) for the year ended December 31, 2009.

As at December 31, 2009, each of China TravelSky Holding Company, China Southern Air Holding Company, China Eastern Air Holding Limited and China National Aviation Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at December 31, 2009,

(a) Mr Xu Qiang (Chairman of the Company and an executive Director) was an employee of China TravelSky Holding Company;

(b) Mr Wang Quanhua (a non-executive Director) was an employee of China Southern Air Holding Company;

(c) Mr Luo Chaogeng (a non-executive Director) was an employee of China Eastern Air Holding Limited; and

(d) Mr Cao Guangfu (a non-executive Director) was an employee of China National Aviation Holding Company;

Save as disclosed above, as at December 31, 2009, none of the existing and proposed Directors or Supervisors of the Company was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All members of the third Board and the third Supervisory Committee of the Company have entered into service contracts with the Company. The term for the third Board and the third Supervisory Committee is 3 years, commencing from January 9, 2007 and ending on January 8, 2010 or at the expiry of the term of the third Board. Pursuant to the relevant requirements of the PRC Company Law and the Articles, the respective term of the Directors and Supervisors shall commence from the conclusion of the general meeting at which such Directors and Supervisors are elected until the forming of the next Board and Supervisory Committee upon election by a general meeting.

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. Their term of office ended upon the conclusion of the extraordinary general meeting. Meanwhile, as approved at the extraordinary general meeting, Mr. Cao Guangfu had 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. Their term of office ended upon the conclusion of the extraordinary general meeting.

For the year ended December 31, 2009, 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 PRC commercial airlines which are shareholders of the Company. The contracts or transactions entered into between the Company or any of its subsidiaries and such airline shareholders have been referred to in the section "Connected Transactions" of this Report of Directors. Save as disclosed in that section, none of the Directors or Supervisors were materially interested, either directly or indirectly in any contract of significance to which the Company or any of its subsidiaries was a party during, or at the end of, Year 2009.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of Directors and Supervisors are set out in Note 8 to the financial statements.

INTEREST CAPITALIZED

No interest was capitalized for the Group in Year 2009.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2009 are summarised in Note 14 to the financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2009 are set out in the consolidated statement of changes in shareholders' equity.

DIVIDENDS

The Board recommends the payment of a final cash dividend amounting to RMB0.134 per share for Year 2009. For details, please refer to the section headed "Final Dividend" in "Management Discussion and Analysis of Financial Condition and Results of Operation".

EMPLOYEES' RETIREMENT SCHEME

Details of the employees' retirement scheme of the Group are set out in the section headed "Employees" in "Management Discussion and Analysis of Financial Condition and Results of Operation" and Note 9 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

Sociètè Internationale de Tèlècommunications Aeronautiques S.C.("SITA S.C.") was the largest supplier to the Group for the Year 2009 and the total network usage fees paid by the Group to SITA S.C. in Year 2009 accounted for 4.1% of the Group's total operating expenses (excluding depreciation and amortization expenses). During Year 2009, the total amount paid to the five largest suppliers of the Group accounted for 10.4% 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 15.3% of the Group's total revenues for Year 2009. During Year 2009, total sales to the Group's five largest customers accounted for 53.4% of the Group's total revenues. Three of these top five customers were China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited and Air China Limited. Their respective substantial shareholders, namely China Southern Air Holding Company, China Eastern Air Holding Company, and China National Aviation Holding Company, are the promoters and substantial shareholders of the Company, holding an aggregate of approximately 32.33% of the issued share capital of the Company as at December 31, 2009. The revenue derived from the above major customers is set out in Note 39 to the financial statements.

Save as disclosed in this report and in Note 39 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, 2009 are set out in Note 1 to the financial statements.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During Year 2009, the Group continued to carry out the following transactions, which constitute continuing connected transactions as defined in the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(a) *Provision of Services and Technological Support by the Group (other than ACCA) to the Promoters and the Associates of the Promoters of the Group*

During Year 2009, the Group continued to provide certain promoters of the Company (including Hainan Airlines Company Limited ("Hainan Airlines"), Shandong Airlines Company Limited ("Shandong Airlines"), Xiamen Airlines Company Limited ("Xiamen Airlines"), Shanghai Airlines Company Limited ("Shanghai Airlines"), Shenzhen Airlines Company Limited ("Shenzhen Airlines")) or the associates of the promoters (including China Southern Airlines Company Limited ("Southern Airlines"), China Eastern Airlines Corporation Limited ("Eastern Airlines"), Air China Limited ("Air China"), Sichuan Airlines Company Limited ("Sichuan Airlines"), China Eastern Airlines Wuhan Company Limited ("CEA Wuhan"), Yunnan Lucky Airlines Company Limited ("Lucky Airlines"), China Joy Air Co., Ltd. ("Joy Air"), Chongqing Airlines Company Limited, Kun Ming Airlines Co., Ltd., Kun Peng Airlines Company Limited and Da Xin Hua Holding Limited) (the "Airlines"), with aviation information technology service and technical support and its related business services, including:

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

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

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

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

The Airlines are connected persons (as defined under the Listing Rules) of the Company. In accordance with the prescribed prices of Civil Aviation Administration of China ("CAAC") determined through amicable negotiation between both parties, depending on the types of system through which the transactions were processed, the aforesaid Airlines were required to pay service fees to the Group on monthly basis including:

(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.

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 February 13, 2007, September 19, 2007, December 31, 2008, January 5, 2009, January 21, 2009 and May 12, 2009, and circulars of the Company dated March 7, 2007, October 10, 2007 and January 12, 2009, February 4, 2009 and May 25, 2009. The respective annual caps and transaction amounts of the above continuing connected transactions for the financial year ended December 31, 2009 were as follows:

Airlines *(connected persons)*	**Agreement date**	**Year 2009 Annual caps** *(RMB'000)*	**Transaction amounts** *(RMB'000)*
Southern Airlines (including Xiamen Airlines, Chongqing Airlines Company Limited)	May 7, 2009	403,794	366,837
Eastern Airlines	June 30, 2007	502,585	287,892
Air China	December 30, 2008	347,716	260,473
Hainan Airlines (including Da Xin Hua Holding Limited)	January 20, 2009	210,908	181,674
Shandong Airlines	December 30, 2008	48,482	43,530
Sichuan Airlines	December 30, 2008	98,525	90,321
CEA Wuhan	December 31, 2008	21,245	14,040
Joy Air	January 5, 2009	3,960	439
Lucky Airlines	December 30, 2008	19,200	19,040
Shanghai Airlines	November 5, 2004	119,154 *(Note 1)*	104,025 *(Note 2)*
Shenzhen Airlines (including Kun Ming Airlines Co., Ltd. and Kun Peng Airlines Company Limited)	January 23, 2007	175,760	148,693

Note 1: The cap for the 10 months ended October 31, 2009

Note 2: The transaction amounts for the 10 months ended October 31, 2009

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

The Company continued to lease the two properties in Dongxingli and Dongsi, Beijing (as stated in circular of the Company dated March 7, 2007) from China TravelSky Holding Company in 2009 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 and is paid quarterly. From 2007 to 2009, the average rental (including property management fee) of the two properties was RMB3.8 and RMB4.5 per square meter per day. The annual cap in the above continuing connected transaction for Year 2009 was RMB40,000,000.

Since the Company completed the acquisition of the Dongxingli, Beijing property in March 2009, the Company ceased to pay rents to China TravelSky Holding Company with respect to the leasing of the Dongxingli, Beijing property since March 3, 2009.

For Year 2009, total rental and usage fees paid by the Company to China TravelSky Holding Company under the above tenancy agreements amounted to approximately RMB23,373,000.

(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., Shenyang Civil Aviation Cares of Northeast China, Ltd., (the "Service Companies") are the joint ventures established between the Company and certain promoters of the Company or the associates (as defined under the Listing Rules) of the promoters (China Southern Air Holding Company, Eastern Airlines, Air China, Hainan Airlines, Shenzhen Airlines, Xiamen Airlines, Sichuan Air Group Company, China Xinhua Airlines Company Limited and CEA Wuhan) for distributing the products of the Company and providing better service to customers in different regions. Since such promoters or associates of the promoters are entitled to exercise, or control the exercise of 10% (or 30%) or more of the voting power at any general meeting of the Service Companies, the Service Companies are regarded as connected persons (as defined under the Listing Rules) of the Company (Shenyang Civil Aviation Cares of Northeast China, Ltd. was a connected person for the purpose of Rule 14A.11(4) of the Listing Rules of the Company and other Service Companies were connected persons for the purpose of Rule 14A.11(5) of the Listing Rules of the Company).

The Service Companies paid 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 CAAC or on a cost basis if applicable. If the Service Companies also provided front end technical supports for airport passenger processing system (APP system), they were entitled to share the revenue generated from APP system with the Company. The agreement dated December 30, 2006 relating to the above continuing connected transactions was entered into between the Company and certain subsidiaries and associated companies of the Company (including the Service Companies) was effective for the period from January 1, 2007 to December 31, 2009 and the agreed fee was paid monthly or paid pursuant to the terms and conditions as agreed by the parties. The annual cap in the above continuing connected transaction for Year 2009 was RMB53,568,000.

During Year 2009, the transaction amounts between the Group and the Service Companies aggregated to RMB45,329,000.

(d) *Transaction between SITA Information Networking Computing (UK) Limited ("SITA INC. UK") and InfoSky Technology Company Limited ("InfoSky"), a subsidiary of the Company ("InfoSky Cargo Services Agreement")*

As Socièté Internationale de Tèlècommunications Aeronautiques Greater China Holdings Limited ("SITAGCH") was a substantial shareholder of InfoSky (a subsidiary of the Company), SITAGCH was a connected person of the Company, and as SITA INC. UK was a fellow subsidiary of SITAGCH, SITA INC. UK was a connected person (as defined under the Listing Rules) of the Company. As set out in the announcement of the Company dated February 13, 2007, InfoSky and SITA INC. UK entered into the InfoSky Cargo Services Agreement on December 5, 2002, pursuant to which, SITA INC. UK provided cargo services to InfoSky. The service fee under the agreement was determined based on the rate as mutually agreed with reference to the usage and calculated and paid monthly. The annual cap of the continuing connected transaction under InfoSky Cargo Services Agreement for Year 2009 was US$4,614,000.

Pursuant the announcement of the Company dated May 15, 2009, the Company acquired 49% equity interest in InfoSky from SITAGCH through TravelSky Technology (Hong Kong) Limited (a wholly owned subsidiary of the Company) at the consideration of US$1,100,000 ("InfoSky Equity Interest Acquisition"). The InfoSky Equity Interest Acquisition was completed on December 4, 2009. SITA INC. UK ceased to be a connected person of the Group for the purpose of the Listing Rules starting from the completion date of the acquisition.

As of December 4, 2009, the total transaction amounted in relation to air cargo services between InfoSky and SITA INC. UK during the year amounted to US$717,224 based on the charges agreed by both parties with reference to usage.

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

During Year 2009, 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 paid monthly and 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., Sociètè Internationale de Tèlècommunications 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 (a connected person of the Company as detailed in (d) above) and SITA S.C. were collectively owned, directly or indirectly, by the members of the Air Transport Community (a group formed by many communities of interest within the air transport industry, the members of which include the members of SITA S.C. and customers, and many associations, councils and committees of the industry across the world), SITA S.C. was therefore considered as a connected person of the Company. As set out in the announcement of the Company dated February 13, 2007 and the circular of the Company dated March 7, 2007. The Company and SITA S.C. entered into a service agreement on July 30, 2004. The annual cap in the above continuing connected transaction for Year 2009 was RMB96,000,000.

As InfoSky Equity Interest Acquisition was completed on December 4, 2009, SITA S.C. ceased to be a connected person of the Group for the purpose of the Listing Rules starting from the completion date of the acquisition.

For Year 2009, the membership fee and data network service usage fees payable by the Company to SITA S.C. amounted to RMB56,640,000.

(f) *Technological Development Services Provided by Xinan Cares to the Company*

As set out in the announcement of the Company dated August 31, 2009, the Company entered into the Technology Services Agreement with Aviation Cares of Southwest Chengdu, Ltd. ("Xinan Cares") on August 31, 2009 for a term of two years. The Company was provided with software technology services personnel by Xinan Cares and the Company paid to Xinan Cares a start-up fee of RMB120,000 in 2009 and monthly service fees (inclusive of fees for technology personnal and venue rentals) calculated at the rate as required in the agreement. Since Xinan Cares was owned as to 35% by Air China, which is a subsidiary of China National Aviation Holding Company (one of the promoters of the Company), Xinan Cares was an associate of a promoter and therefore a connected person of the Company for the purpose of Rule 14A.11(4) of the Listing Rules. Under the Technology Services Agreement, the annual cap in the transaction between the Company and Xinan Cares for Year 2009 was RMB1,500,000.

In Year 2009, the Company paid Xinan Cares RMB724,000 in respect of the above technological services fees.

(g) *Provision of Services by ACCA to the Promoters and the Associates of the Promoters of the Company*

In March 2009, the Company completed the acquisition of 100% equity interest in ACCA. As a wholly owned subsidiary of the Company, the provision of services by ACCA to the connected persons of the Company are also subject to the relevant requirements applicable under Chapter 14A of the Listing Rules. The connected persons included certain promoters of the Company (including Xiamen Airlines, Hainan Airlines, Shandong Airlines, Shanghai Airlines and Shenzhen Airlines) and the associates of the promoters of the Company (including Southern Airlines, Sichuan Airlines, Eastern Airlines, Air China and Air Macau Company Limited).

(i) Revenue Accounting Systems Development and Support Services; and/or Passenger and Cargo Revenue Accounting and Settlement Services.

Scope of services includes: (1) provision of computer system application development and support services including self-developed computer application systems in respect of both international and domestic passengers revenue accounting system, international and domestic cargo revenue accounting system, mail revenue accounting system, airport miscellaneous charges accounting system, data service system, international and domestic clearing and settlement system by ACCA; service fees varied depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate) as expressly stipulated in the agreement, and such fees would be collected on a monthly basis; (2) provision of data capturing, sales reporting control, sales auditing, prorating, uplift processing, outward and inward billing, coupon matching, accounting, reconciliation and management reporting services for passenger and cargo (as the case may be) revenue accounting and settlement services by ACCA; service fees would be determined with reference to the rates and rules prescribed in the relevant documents of the industrial regulatory authorities, and the pricing of services provided would be expressly stipulated in the relevant agreements based on a percentage rate of the total accounting amount and/or the transaction volume times unit price; the service fees were paid monthly.

In Year 2009, the transaction amounts and annual caps in the above continuing connected transactions between ACCA and the below connected persons were as follows:

Airlines *(connected persons)*	**Agreement date**	**Annual caps** *(RMB'000)*	**Transaction amounts** *(RMB'000)*
Southern Airlines	September 22, 2009	32,500	29,068
Xiamen Airlines*	December 21, 2007	2,435	779
Hainan Airlines*	January 6, 2009	7,559	5,293
Sichuan Airlines	December 1, 2007	3,934	2,897
Eastern Airlines	February 27, 2008	77,048	44,478
Air China	February 28, 2008	69,166	43,150
Shandong Airlines	September 7, 2007	4,156	3,002
Air Macau Company Limited*	December 31, 2006	14,089	5,379
Shanghai Airlines*	December 9, 2008	12,752	7,399
Shenzhen Airlines	January 29, 2008	5,430	5,363

* The executed agreements only relate to passenger and cargo revenue accounting and settlement services.

(Please refer to the announcements of the Company dated May 26, 2008, May 12, 2009, September 3, 2009 and September 22, 2009 and the circular of the Company dated June 16, 2008 for the details)

(ii) Interline Data Exchange Services

Scope of services includes: receiving interline outward billing data from various airline companies by ACCA, identifying the airlines to be charged for receipt of such services ("Billed Airlines"), consolidating the data from all of the airline companies on behalf of the Billed Airlines and delivering the data to such Billed Airlines. Under the agreement, apart for the one-time membership fee, there was a fixed annual service fee of RMB120,000.

In 2009, the transaction amount between ACCA and each of Hainan Airlines (the agreement date was September 18, 2006), Xiamen Airlines (the agreement date was September 26, 2006) and Shanghai Airlines (the agreement date was March 22, 2007) under the above continuing connected transactions was RMB120,000. (Please refer to the announcement of the Company dated May 26, 2008 and the circular of the Company dated June 16, 2008 for the details. The annual cap in the above continuing connected transactions between ACCA and each of Hainan Airlines, Xiamen Airlines, Shanghai Airlines was RMB120,000.)

(iii) IATA (International Air Transport Association)-BSP Services (Provision of Sales Data Processing and Settlement Service)

Scope of services includes: provision of sales data processing and capital settlement service between the agencies and certain airline companies to IATA in the PRC, Hong Kong, Macau and Taiwan, and supply of software application support, development and maintenance services. Pursuant to the service fee basis defined in the agreement dated March 27, 2008 between ACCA and IATA, service fees were charged on the airlines the basis of a "Standard Charging Unit" per processing transaction. Transactions are defined in Renminbi for transactions in the PRC, in Hong Kong Dollars for Hong Kong, Macau and in United Stated Dollars for other territories, subject to exchange rate fluctuation which will be adjusted in accordance with the terms of the agreement.

In 2009, the total transaction amount under the above agreement between ACCA and IATA was RMB52,369,000, which included the transaction amount of RMB43,497,000 between ACCA and the connected persons (as defined under the Listing Rules) of the Company (Southern Airlines, Eastern Airlines, Air China, Xiamen Airlines, Hainan Airlines, Shandong Airlines, Sichuan Airlines, Shanghai Airlines, Shenzhen Airlines and Air Macau Company Limited) according to the statistics of ACCA. (As set out in the announcement of the Company dated May 26, 2008 and the circular of the Company dated June 16, 2008, the annual cap in the above continuing connected transaction for Year 2009 was RMB75,464,000.)

(iv) Domestic Mail Revenue Accounting and Settlement

Scope of services includes: provision of stock control, sales control, sales audit, uplift revenue proration, accounting processing, sales and uplift matching, clearing and settlement services by ACCA to the airlines. The system service fee was charged on a monthly basis. The service fee was based on the rate as set out in the agreement in which ACCA received payment of 1.5% handling charges from the airlines, and such fee was charged by reference to the relevant documents issued by the industry regulatory authorities.

In 2009, the domestic mail revenue accounting and settlement transaction amount between ACCA and Southern Airlines (the agreement date was November 5, 2008), Eastern Airlines (the agreement date was December 11, 2008), Air China (the agreement signed by its subsidiary Air China Cargo Co., Ltd. on September 21, 2008), Hainan Airlines (the agreement date was December 4, 2008), Shandong Airlines (the agreement date was September 3, 2008), Sichuan Airlines (the agreement date was September 10, 2008), Xiamen Airlines (the agreement date was October 23, 2008), Shanghai Airlines (the agreement date was September 11, 2008) and Shenzhen Airlines (the agreement signed by its subsidiary Shenzhen Airlines Cargo Co., Ltd. on December 2, 2008) for Year 2009 was RMB9,529,000. (As set out in the announcement of the Company dated May 12, 2009, the agreement was entered into by ACCA and each party between September and December, 2008 and the annual cap in the above continuing connected transactions for Year 2009 was RMB10,000,000.)

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

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

(b) 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;

(c) 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

(d) did not exceed the annual cap amounts disclosed in the previous announcements and circulars during the financial year ended December 31, 2009.

The Board has received a letter of confirmation from the auditors stating that the above items (a) to (g) 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 2009 have not exceeded the respective annual caps disclosed in previous announcements and/or circulars.

Waivers in relation to connected transactions

As set out in the announcement of the Company dated September 2, 2009, upon the approval of the Stock Exchange, the Company was: (1) granted a waiver to exempt the promoter shareholders of the Company, namely Shanghai Airlines, Shenzhen Airlines, Sichuan Air Group Company, Shanxi Airlines Co., and their respective associates from being regarded as connected persons of the Company for the purpose of Rule 14A.11(3) of the Listing Rules; (2) granted a waiver from strict compliance with the requirement of having written agreements under Rule 14A.35(1) of the Listing Rules in respect of certain continuing connected transactions (that have their existing terms expiring on or before 31 December 2009 but will continue after such date) between the Group on the one part and the promoters and/or their respective associates on the other part, including continuing connected transactions under item (a) above between the Company and each of Southern Arilines, Air China, Shandong Airlines and Lucky Airlines; continuing connected transactions under item (g)(i) above between ACCA and each of Eastern Airlines, Air China, Air Macau Company Limited and Shandong Airlines, and; continuing connected transactions under item (g)(ii) above between ACCA and each of Hainan Airlines and Xiamen Airlines. Such waivers are for a three-year term ending on December 31, 2012 in order to continue such continuing connected transactions under the waivers. In the event that the terms of new written agreements are materially different from those being approved by the independent shareholders of the Company, the Company will re-comply with the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had been granted a general mandate with a three-year term ending December 31, 2012 as approved by the independent shareholders to carry out the continuing connected transactions under the (2) waiver above at the extraordinary general meeting held on December 30, 2009.

Connected Transactions

(a) *InfoSky Equity Interest Acquisition*

As set out in the announcement of the Company dated May 15, 2009, the Company acquired 49% equity interest in InfoSky from SITAGCH through TravelSky Technology (Hong Kong) Limited (a wholly owned subsidiary of the Company) at the consideration of US$1,100,000 and the transaction therefore constituted a connected transaction of the Company. The acquisition agreement was entered into on May 13, 2009. The InfoSky Equity Interest Acquisition was completed on December 4, 2009.

The relationship between InfoSky and SITAGCH is described in (d) above.

(b) *NewAPP System Construction Services*

As set out in the announcement of the Company dated May 22, 2009, the Company entered into service agreements with Huadong Cares and Xinjiang Cares, respectively on that day, in relation to the construction of NewAPP System in the airports in Shanghai and Xinjiang. Some NewAPP System construction works were subcontracted to Huadong Cares and Xinjiang Cares. The amounts under the agreements were RMB6,820,395 and RMB3,888,806 respectively determined by negotiation based on the prevailing market conditions.

Xinjiang Cares and Huadong Cares are the joint ventures of the Company and a promoter or an associate of a promoter, (China Southern Air Holding Company and Eastern Airlines respectively) respectively; Xinjiang Cares constitutes a connected person (for the purpose of Rule 14A.11(5) of the Listing Rules) and Huadong Cares constitutes a connected person (for the purpose of Rule 14A.11(4) of the Listing Rules) of the Company. Therefore, the above transactions are connected transactions of the Company.

The Directors confirm that the above transactions are connected transactions or continuing connected transactions of the Company (some of them are also the related party transactions as set out in Note 39(2) to the financial statements) which are the connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2009, 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, 2009, the Company and any of its subsidiaries did not purchase, sell or redeem any of its securities.

AUDIT COMMITTEE AND COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Audit Committee has reviewed the accounting policy and practice adopted by the Group and has also discussed certain other matters relating to audit, internal control and financial reporting including the review of the audited consolidated financial statements of the Group for the year ended December 31, 2009. Details of the Company's compliance with the requirements of the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for Year 2009 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 2009.

AUDITORS

PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Limited Co. (Certified Public Accountants in the PRC) are the Company's international and PRC auditors respectively for Year 2009.

A resolution relating to the appointment of PricewaterhouseCoopers (Certified Public Accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Limited Co.(Certified Public Accountants in the PRC) as the Company's International and PRC auditors for the year ending December 31, 2010 respectively will be proposed at the Year 2009 annual general meeting of the Company.

By order of the Board
Xu Qiang
Chairman

April 22, 2010

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended December 31, 2009, 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 laws 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 third Supervisory Committee of the Company convened two meetings during Year 2009 and reviewed the Company's financial statements for Year 2008 and interim financial statements for 2009, 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.

On March 16, 2010, upon the approval of the extraordinary general meeting of the Company, Ms. Zeng Yiwei and Mr. Yu Yanbing were appointed as Supervisors of the fourth Supervisory Committee of the Company and Mr. Rao Geping was appointed as an independent Supervisor of the fourth Supervisory Committee of the Company, each for a term of three years with effect from the conclusion of the extraordinary general meeting. Pursuant to the resolution of the staff representative meeting of the Company held on October 22, 2009, Ms. Li Xiaojun and Mr. Xiao Wei were appointed as staff representative Supervisors of the fourth Supervisory Committee of the Company, each for a term same as that of the fourth Supervisory Committee of the Company. (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 137 to 138).

The term of the third Supervisory Committee of the Company ended at the conclusion of the extraordinary general meeting held on March 16, 2010.

The fourth Supervisory Committee of the Company convened its first meeting on March 16, 2010, and Ms. Li Xiaojun was elected to be the Chairperson of the fourth Supervisory Committee of the Company.

On April 22, 2010, the fourth Supervisory Committee of the Company has reviewed the Company's financial statements for Year 2009 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 fourth 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 2009.

The fourth 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 2009, 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, 2009 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

April 22, 2010

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

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 58 to 126, which comprise the consolidated and company balance sheets as of December 31, 2009, and the consolidated statement of comprehensive income, 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, 2009 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
April 22, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	Year ended December 31, 2009	2008
Revenues			
Aviation information technology services		**1,808,335**	1,609,115
Accounting, settlement and clearing services		**249,983**	260,530
Data network and others		**561,206**	401,592
Total revenues	5	**2,619,524**	2,271,237
Operating expenses			
Business taxes and other surcharges		**(92,170)**	(82,016)
Depreciation and amortisation		**(340,660)**	(332,681)
Network usage fees		**(81,114)**	(94,410)
Personnel expenses		**(487,304)**	(429,880)
Operating lease payments		**(73,172)**	(78,630)
Technical support and maintenance fees		**(153,528)**	(170,676)
Commission and promotion expenses		**(273,448)**	(240,803)
Other operating expenses		**(319,882)**	(230,087)
Total operating expenses		**(1,821,278)**	(1,659,183)
Operating profit		**798,246**	612,054
Financial income, net		**84,313**	92,718
Share of results of associated companies		**21,090**	17,969
Profit before taxation	7	**903,649**	722,741
Taxation	11	**(109,167)**	(68,111)
Profit after taxation		**794,482**	654,630
Other comprehensive income			
Currency translation differences		**342**	(1,971)
Other comprehensive income, net of tax		**342**	(1,971)
Total comprehensive income		**794,824**	652,659
Profit after taxation attributable to			
Equity holders of the Company		**775,900**	637,974
Minority interest		**18,582**	16,656
		794,482	654,630
Total comprehensive income attributable to			
Equity holders of the Company		**776,242**	636,003
Minority interest		**18,582**	16,656
		794,824	652,659
Earnings per share for profit attributable to the equity holders of the Company			
Basic and diluted (RMB)	13	**0.40**	0.33
Cash Dividends	12	**261,408**	362,850

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, 2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment, net	14	**891,985**	1,004,445
Lease prepayment for land use right, net	15	**109,236**	19,314
Intangible assets, net	16	**82,559**	17,070
Investments in associated companies	18	**123,835**	103,665
Deferred income tax assets	20	**10,006**	6,810
Other long-term assets	21	**2,786**	8,962
		1,220,407	1,160,266
Current assets			
Inventories	22	**8,095**	9,877
Accounts receivable, net	23	**185,550**	164,400
Due from related parties, net	24, 39(3)	**1,362,615**	944,759
Due from associated companies	26	**13,010**	6,556
Income tax receivable		**35,212**	45,104
Prepayments and other current assets	27	**343,717**	313,368
Short-term bank deposits	28	**2,302,954**	2,324,728
Cash and cash equivalents	29	**1,555,723**	1,326,473
		5,806,876	5,135,265
Total assets		**7,027,283**	6,295,531
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Paid-In capital	32	**1,950,806**	1,776,315
Reserves	33	**2,367,208**	2,171,729
Retained earnings	34		
– Proposed final cash dividend	12	**261,408**	362,850
– Others		**1,469,581**	1,126,290
		6,049,003	5,437,184
Minority interests		**109,664**	98,810
Total equity		**6,158,667**	5,535,994
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities	20	**131**	180
Current liabilities			
Accounts payable and accrual liabilities	30	**768,529**	696,607
Due to related parties	31	**92,550**	47,428
Income tax payable		**4,419**	12,138
Deferred revenue		**2,987**	3,184
		868,485	759,357
Total liabilities		**868,616**	759,537
Total equity and liabilities		**7,027,283**	6,295,531
Net current assets		**4,938,391**	4,375,908
Total assets less current liabilities		**6,158,798**	5,536,174

Approved by the Board of Directors on April 22, 2010.

Xu Qiang
Chairman

Xiao Yinhong
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, 2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment, net	14	**722,983**	821,951
Lease prepayment for land use right, net	15	**90,326**	—
Intangible assets, net	16	**77,512**	10,129
Investments in subsidiaries	17	**399,986**	53,709
Investments in associated companies	18	**27,290**	27,290
Deferred income tax assets	20	**8,465**	5,974
Other long-term assets	21	**2,698**	8,881
		1,329,260	927,934
Current assets			
Accounts receivable, net	23	**138,727**	118,402
Due from related parties, net	24, 39(3)	**1,193,564**	731,227
Due from subsidiaries, net	25	**20,280**	20,290
Due from associated companies	26	**10,478**	4,291
Income tax receivable		**29,094**	45,104
Prepayments and other current assets	27	**195,770**	142,503
Short-term bank deposits	28	**1,989,038**	2,168,228
Cash and cash equivalents	29	**968,193**	737,985
		4,545,144	3,968,030
Total assets		**5,874,404**	4,895,964
EQUITY			
Capital and reserves attributable toequity holders of the Company			
Paid-in capital	32	**1,950,806**	1,776,315
Reserves	33	**1,998,075**	1,471,741
Retained earnings	34		
– Proposed final cash dividend	12	**261,408**	362,850
– Others		**1,057,325**	837,888
Total equity		**5,267,614**	4,448,794
LIABILITIES			
Current liabilities			
Accounts payable and accrual liabilities	30	**509,281**	401,642
Due to related parties	31	**73,519**	34,628
Due to subsidiaries		**23,990**	10,900
		606,790	447,170
Total equity and liabilities		**5,874,404**	4,895,964
Net current assets		**3,938,354**	3,520,860
Total assets less current liabilities		**5,267,614**	4,448,794

Approved by the Board of Directors on April 22, 2010.

Xu Qiang
Chairman

Xiao Yinhong
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, 2008 (As previously reported)		1,776,315	1,296,834	1,259,580	85,997	4,418,726
Adjusted as a result of acquisition of ACCA	6	—	697,496	1,878	—	699,374
Balance at January 1, 2008 (As restated)		1,776,315	1,994,330	1,261,458	85,997	5,118,100
Profit for the year		—	—	637,973	16,656	654,629
Other comprehensive income:						
Currency translation differences	33	—	(1,971)	—	—	(1,971)
Total comprehensive income		—	(1,971)	637,973	16,656	652,658
Dividend relating to year 2007		—	—	(230,921)	—	(230,921)
Dividends payable to minority shareholders of subsidiaries		—	—	—	(3,843)	(3,843)
Appropriation to reserves	33,34	—	179,370	(179,370)	—	—
Balance at December 31, 2008 (As restated)		1,776,315	2,171,729	1,489,140	98,810	5,535,994

		Attributable to equity holders of the Company			Minority Interest	Total
	Note	Paid-In capital	Reserves	Retained earnings		
Balance at January 1, 2009 (As previously reported)		**1,776,315**	**1,466,952**	**1,416,679**	**98,810**	**4,758,756**
Adjusted as a result of acquisition of ACCA	6	**—**	**704,777**	**72,461**	**—**	**777,238**
Balance at January 1, 2009 (As restated)		**1,776,315**	**2,171,729**	**1,489,140**	**98,810**	**5,535,994**
Profit for the year		**—**	**—**	**775,900**	**18,582**	**794,482**
Other comprehensive income:						
Currency translation differences	33	**—**	**342**	**—**	**—**	**342**
Total comprehensive income		**—**	**342**	**775,900**	**18,582**	**794,824**
Issuance of shares for acquisition of Property	6	**36,992**	**164,449**	**—**	**—**	**201,441**
Issuance of shares for acquisition of ACCA	6	**137,499**	**(137,499)**	**—**	**—**	**—**
Transaction with minority interest		**—**	**(3,014)**	**—**	**(4,540)**	**(7,554)**
Dividend relating to year 2008	12	**—**	**—**	**(362,850)**	**—**	**(362,850)**
Dividends payable to minority shareholders of subsidiaries		**—**	**—**	**—**	**(3,188)**	**(3,188)**
Appropriation to reserves	33,34	**—**	**171,201**	**(171,201)**	**—**	**—**
Balance at December 31, 2009		**1,950,806**	**2,367,208**	**1,730,989**	**109,664**	**6,158,667**

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, 2009	2008
Cash flows from operating activities			
Cash generated from operations	35	**810,301**	648,992
Refund of enterprise income tax		**82,511**	30,114
Enterprise income tax paid		**(192,750)**	(209,118)
Net cash generated from operating activities		**700,062**	469,988
Cash flows from investing activities			
Purchases of property, plant, equipment and intangible assets		**(258,815)**	(362,542)
Maturities of short-term bank deposits		**3,059,728**	1,923,320
Placements of short-term bank deposits		**(3,037,954)**	(2,404,099)
Interest received		**85,925**	103,558
Cash paid to acquire the minority of a subsidiary		**(7,554)**	—
Dividends received from associated companies		**920**	300
Proceeds from disposal of property, plant and equipment		**310**	505
Maturities of held-to-maturity treasury bonds		**—**	100,000
Net cash used in investing activities		**(157,440)**	(638,958)
Cash flows from financing activities			
Dividend paid to group shareholders		**(309,364)**	(230,921)
Dividend paid to minority shareholders of subsidiaries		**(3,188)**	(3,519)
Net cash used in financing activities		**(312,552)**	(234,440)
Effect of foreign exchange rate changes on cash and cash equivalents		**(820)**	(6,875)
Net increase (decrease) in cash and cash equivalents		**229,250**	(410,285)
Cash and cash equivalents at beginning of the year		**1,326,473**	1,736,758
Cash and cash equivalents at end of the year	29	**1,555,723**	1,326,473

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

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES

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

The Company was listed on The Stock Exchange of Hong Kong Limited on February 7, 2001. The address of its registered office is 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, 2009, the Company had direct or indirect interests in the following subsidiaries and associated companies. All of these subsidiaries and associated companies are limited liability companies incorporated and operated in the PRC except for TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited , TravelSky Technology (Europe) GmbH and TravelSky Technology (USA) Ltd. which are limited liability companies incorporated and operated in Hong Kong, Singapore, Korea, Japan, Europe and the United States 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 (continued)					
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%	49%	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	Percentage of equity interest held Indirect	Issued and fully paid capital RMB	Principal activities
Subsidiaries (continued)					
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%	—	10,000,000	Computer hardware and software development and data network services
Civil Aviation Cares of Qingdao Ltd. ("Qingdao Cares")	January 11, 2002	51%	—	9,990,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xi'an Ltd. ("Xi'an Cares")	July 9, 2002	51%	—	5,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xinjiang Ltd. ("Xinjiang Cares")	August 16, 2002	51%	—	5,000,000	Computer hardware and software development and data network services
TravelSky Technology (Singapore) Limited ("Singapore Company")	October 21, 2005	100%	—	481,568	Computer hardware and system consulting services
TravelSky Technology (Korea) Limited ("Korea Company")	December 28, 2005	100%	—	403,677	Computer hardware and software development and data network services
TravelSky Technology (Japan) Limited ("Japan Company")	December 16, 2005	100%	—	670,121	Software development and computer equipment maintenance services
Shanghai TravelSky Information Technology Limited ("Shanghai Company")	July 1, 2008	100%	—	4,000,000	Computer hardware and software development and data network services

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

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

Name	Date of incorporation	Percentage of equity interest held		Issued and fully paid capital	Principal activities
		Direct	Indirect	*RMB*	
Subsidiaries (continued)					
Guangzhou TravelSky Information Technology Limited ("Guangzhou Company")	September 28, 2008	100%	—	4,000,000	Computer hardware and software development and data network services
Accounting Center of China Aviation Company Limited ("ACCA")	October 26, 2007	100%	—	759,785,000	Accounting, settlement and clearing services, and related information system development and support services
Beijing Aisa Technology Development Company Limited ("ATDC")	October 30, 2007	—	100%	16,121,600	Provision of information system development and related services
Beijing HangYuan Air Service Limited Company ("BHYC")	October 31, 2007	—	100%	1,500,000	Provision of booking services for travellings and hotels
TravelSky Technology (Europe) GmbH ("Europe Company")	March 23, 2009	100%	—	4,680,000	Technology services and technology support
TravelSky Technology (Beijing) Real Estate Limited ("Real Estate Company")	August 28, 2009	100%	—	10,000,000	Real estate development, sales of commercial and residential building, professional contracting, labor subcontracting and investment management
TravelSky Technology (USA) Ltd. ("USA Company")	September 8, 2009	100%	—	3,413,600	Technology services and technology support

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

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

On March 3, 2009, the Company acquired 100% equity interest in ACCA and it subsidiaries ATDC and BHYC. Please refer to Note 6 for details.

On December 4, 2009, HongKong Company acquired 49% equity interest in InfoSky from the minority shareholder of InfoSky.

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

Name	Date of incorporation	Percentage of equity interest held		Issued and fully paid capital	Principal activities
		Direct	Indirect	*RMB*	
Associated Companies					
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("Huadong Cares")	May 21, 1999	41%	—	10,000,000	Computer hardware and software development and data network services
Shenyang Civil Aviation Cares of Northeast China, Ltd. ("Dongbei Cares")	November 2, 1999	46%	—	2,000,000	Computer hardware and software development and data network services
Aviation Cares of Southwest Chengdu,Ltd. ("Xinan Cares")	November 28, 1999	44%	—	10,000,000	Computer hardware and software development and data network services
Yunnan TravelSky Airport Technology Limited ("Yunnan Cares")	April 1, 2003	40%	—	15,000,000	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		Issued and fully paid capital	Principal activities
		Direct	Indirect	*RMB*	
Associated Companies (continued)					
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.

The Company adopted merger accounting for the common control business combination in its acquisition of ACCA (Note 3(a)(i)). As a result, the comparative amounts in the consolidated financial statement have been restated as if ACCA had been acquired at the earliest period presented. Please refer to Note 6 for details.

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 judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Standards, amendments effective in 2009

The Group has adopted the following new and amended IFRS as of January 1, 2009:

- IFRS 7 'Financial Instruments - Disclosures' (amendment) - effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share;

- IAS 1 (revised). 'Presentation of financial statements' - effective January 1, 2009. The revised standard prohibits 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 in a statement of comprehensive income. As a result the Group presented in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been revised so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share;

- IFRS 8, 'Operating segments' (effective 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;

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the general manager of the Company.

2. BASIS OF PRESENTATION *(continued)*

(b) Standards that are not yet effective and have not been early adopted by the Group

- IAS 24 (revised), 'Related parties disclosure", (effective for annual periods beginning on or after January 1, 2011). The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose: the name of the government and the nature of their relationship; and the nature and amount of any individually-significant transactions; and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

(c) Standards that are not yet effective and have been early adopted by the Group

- IFRS 3 (revised), 'Business combinations' was early adopted by the Group in 2009 and applied prospectively from January 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 recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. 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. There has been no impact of IFRS 3 (revised) on the current period as no business combination other than the common control combination(Note 6);

- As the Group has early adopted IFRS 3 (revised) in 2009, it is required to early adopt IAS 27 (revised), 'Consolidated and separate financial statements' at the same time. IAS 27 (revised) requires the effects of all transactions with minority interest 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. There has been no material impact of IAS 27 (revised) on the current period.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Merger accounting for common control combination

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous 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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(ii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group other than the common control combination (Note 3(a)(i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(iii) Transactions with minority interests

The Group treats transactions with non-controlling interest as transactions with equity holders of the Company. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interest are also recorded in equity.

(iv) Associated companies

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in 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 recognised in the statement of comprehensive income.

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Except for Hong Kong Company, Singapore Company, Korea Company, Japan Company, Europe Company and USA Company, the functional currency of the Company's subsidiaries is also Renminbi.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Foreign currencies *(continued)*

(iii) Group companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised 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 statement of comprehensive income 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	20-30 years
Computer systems and software	3-11 years
Motor vehicles	6 years
Furniture, fixtures and other equipment	4-9 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(g)).

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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 3-5 years.

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

(e) Lease prepayments for land use rights

Lease prepayments for land use rights represent purchase cost of land use rights in the PRC and are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land in the PRC. Amortisation of lease prepayments for land use rights is calculated on a straight-line basis over the period of the lease.

(f) 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, 2009, no development costs were capitalized as they did not meet all the criteria listed above (2008: nil).

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) 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)*

(h) 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 way 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 statement of comprehensive income. 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 statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive incomes 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; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Financial assets *(continued)*

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 statement of comprehensive income - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of accounts receivable is described in Note 3(k).

(i) 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.

(j) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Accounts receivable and other receivables

Accounts receivable and other receivables are recognised 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 recognised in the statement of comprehensive income. 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 statement of comprehensive income.

(l) 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.

(m) Accounts payables and other payables

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) 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 recognised 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(iii) Other tax

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Employee benefits

(i) Pension

The full-time employees of the Group are covered by government-sponsored pension plan under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans.

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

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

(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.

(p) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimation can be made for the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, sales discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Revenue for aviation information technology services, data network services and accounting supports, settlement and clearing services are recognised when the services are rendered;
- Sale of equipment is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Revenue for equipment installation project and non-proprietary customer's information system development project are recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined in the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable. In the period in which it is determined that a loss will result from the performance of the contract, the entire amount of the estimated ultimate loss is charged against income;
- Interest income is recognised on a time-proportion basis, taking into account the principal amounts outstanding and the applicable interest rates; and
- Dividend income is recognised when the right to receive payment is established.

(r) Dividend distribution

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) 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.

(t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the general manager of the Company.

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.

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

(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 recognised to reduce the carrying amount of the asset to its recoverable amount. Accordingly, there will be an impact to the future results if there is a significant change in the recoverable amounts of the assets.

(c) Income taxes and deferred taxes

The Group is subject to income taxes in both PRC and other jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group 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.

(d) Departure technology support fees

The departure technology support fees are subject to discussion with airports. In certain cases, in situation where final agreement has not been reached, management makes estimates of the fees with reference to the status of negotiation and taking into accounts of historical experiences and industry performance.

5. REVENUES

Revenues primarily comprise the service fees earned by the Group for the provision of the Group's aviation information technology services, accounting, settlement and clearing services and related data network services. A major portion of these revenues was generated from the shareholders of the Company.

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

6. BUSINESS COMBINATION

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 China TravelSky Holding Company ("CTHC") 100% equity interest in ACCA and the property located in Dongxing Li, Chaoyang District, Beijing, PRC ("Property"). ACCA is engaged in the provision of accounting, settlement and clearing services, and related information system development and support services to commercial airlines and other aviation companies. The acquisition was completed on March 3, 2009 and the consideration was satisfied by the issue and allotment of 174,491,393 new domestic shares of the Company to CTHC (137,499,218 shares for the acquisition of ACCA, and 36,992,175 shares for the acquisition of the Property).

As both the Company and ACCA are under common control of CTHC before and after the acquisition, the acquisition of ACCA is accounted for as a common control business combination. The Company adopts merger accounting for common control combination (Note 3(a)(i)). Hence, the comparative amounts in the consolidated financial statement are presented as if ACCA had been acquired at the earliest period presented. Below is the impact of the acquisition to the financial statements.

	December 31, 2009				
	The Group before acquiring ACCA *RMB'000*	**ACCA** *RMB'000*	**Adjustments** *RMB'000*	*(Note)*	**Consolidated** *RMB'000*
Assets					
Non-current assets	1,407,099	141,491	(328,183)	(ii)	1,220,107
Current assets	4,844,643	968,128	(5,895)	(i)	5,806,876
Total assets	6,251,742	1,109,619	(334,078)		7,027,283
Equity					
Paid in capital	1,950,806	759,785	(759,785)	(ii)	1,950,806
Reserve	1,990,614	(46,094)	422,688	(ii)	2,367,208
Retained earnings	1,566,787	155,288	8,914	(ii)	1,730,989
Minority interest	109,664	—	—		109,664
Total equity	5,617,871	868,979	(328,183)		6,158,667
Liability					
Non-current liabilities	131	—	—		131
Current liabilities	633,740	240,640	(5,895)	(i)	868,485
Total liabilities	633,871	240,640	(5,895)		868,616
Total equity and liabilities	6,251,742	1,109,619	(334,078)		7,027,283

Note: The above adjustments were i) the adjustment to eliminate the inter-company balance of current assets and liabilities between the Company and ACCA; and ii) the adjustment to offset the long-term investment in ACCA.

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

6. BUSINESS COMBINATION *(continued)*

	December 31, 2008				
	The Group before acquiring ACCA	**ACCA**	**Adjustments**		**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***(Note)***	***RMB'000***
Assets					
Non-current assets	1,007,222	153,044	—		1,160,266
Current assets	4,233,985	906,180	(4,900)	(i)	5,135,265
Total assets	5,241,207	1,059,224	(4,900)		6,295,531
Equity					
Paid in capital	1,776,315	759,785	(759,785)	(ii)	1,776,315
Reserve	1,466,952	(55,008)	759,785	(ii)	2,171,729
Retained earnings	1,416,679	72,461	—		1,489,140
Minority interest	98,810	—	—		98,810
Total equity	4,758,756	777,238	—		5,535,994
Liability					
Non-current liabilities	180	—	—		180
Current liabilities	482,271	281,986	(4,900)	(i)	759,357
Total liabilities	482,451	281,986	(4,900)		759,537
Total equity and liabilities	5,241,207	1,059,224	(4,900)		6,295,531

Note: The above adjustments were i) the adjustment to eliminate the inter-company balance of current assets and liabilities between the Company and ACCA; and ii) the adjustment to eliminate the paid in capital of ACCA against reserves as a result of the acquisition of ACCA.

The purchase consideration for the Property is allocated into the building element and land element of RMB 109 million and RMB 92 million respectively, by the directors of the Company, with reference to their relative fair values. The building element is recognised as a property, plant and equipment and the land element is recognised as lease prepayment for land use right.

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

7. PROFIT BEFORE TAXATION

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

	2009	2008
	RMB'000	*RMB'000*
After charging:		
Depreciation	296,134	317,120
Amortization of intangible assets	35,994	8,267
Amortization of leasehold improvements	6,025	6,890
Amortization of lease prepayments for land use right	2,057	404
Loss on disposal of property, plant and equipment	546	609
Provision for impairment of receivables	29,418	6,125
Provision for impairment of property, plant and equipment	20,748	—
Cost of equipment sold	45,409	27,761
Retirement benefits	60,976	50,993
Auditors' remuneration	2,371	2,238
Contribution to housing fund	27,347	22,784
Research and development expenses	292,162	295,725
After crediting:		
Interest income	(81,188)	(91,973)
Exchange gain	(4,264)	(5,649)

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

8. 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, 2009 (tax inclusive):

	Year ended December 31, 2009					
Name of Director and Supervisor	Remuneration for Director	Bonus for Director	Salary of employee, Allowances and Benefits (employer's contribution inclusive)	Employees' Discretionary bonuses	Employer's contribution to pension scheme for employee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Xu Qiang **(Chairman) (i)	—	—	261	—	40	301
Mr. Cui Zhixiong **(ii)	—	—	261	—	51	312
Mr. Xiao Yinhong (ii)	—	—	233	321	45	599
Mr. Zhu Xiaoxing (vi)	—	—	222	277	47	546
Non-Executive Directors						
Mr. Wang Quanhua *	—	—	—	—	—	—
Mr. Luo Chaogeng *	—	—	—	—	—	—
Mr. Cao Guangfu*(v)	—	—	—	—	—	—
Mr. Rong Gang**(vi)	—	—	233	—	48	281
Mr. Sun Yongtao**(vi)	—	—	233	—	48	281
Mr. Liu Dejun*(vi)	—	—	—	—	—	—
Mr. Xia Yi*(vi)	—	—	—	—	—	—
Mr. Song Jian*(vi)	—	—	—	—	—	—
Mr. Gong Guokui*(vi)	—	—	—	—	—	—

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

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

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

	Year ended December 31, 2009					
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*
Independent Non-Executive directors						
Mr. Yick Wing Fat, Simon	120	—	—	—	—	120
Mr. Chua Keng Kim	120	—	—	—	—	120
Mr. Yuan Yaohui	120	—	—	—	—	120
Supervisors						
Ms. Li Xiaojun **	—	—	233	—	48	281
Ms. Du Hongying *	—	—	—	—	—	—
Mr. Jing Gongbin *(vi)	—	—	—	—	—	—
Mr. Zhang Yakun *(vi)	—	—	—	—	—	—
Mr. Yu Yanbin *	—	—	—	—	—	—
Ms. Gao Jingping (Staff Representative Supervisor)	—	—	193	260	45	498
Ms. Wang Xiaomin (Staff Representative Supervisor) (vi)	—	—	326	58	41	425
Mr. Zhang Xin (Staff Representative Supervisor) (vi)	—	—	192	37	34	263
Mr. Rao Geping (Independent Supervisor)	50	—	—	—	—	50

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

8. 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, 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 (vi)	—	—	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 *(vi)	—	—	—	—	—	—
Mr. Rong Gang **(vi)	—	—	—	—	—	—
Mr. Sun Yongtao **(vi)	—	—	—	—	—	—
Mr. Liu Dejun *(vi)	—	—	—	—	—	—
Mr. Xia Yi *(vi)	—	—	—	—	—	—
Mr. Song Jian *(vi)	—	—	—	—	—	—
Mr. Zhu Yong * (iii)	—	—	—	—	—	—

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

8. 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	Bonus for Director	Salary of employee, Allowances and Benefits (employer's contribution inclusive)	Employees' Discretionary bonuses	Employer's contribution to pension scheme for employee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Independent Non-Executive directors						
Mr. Yick Wing Fat, Simon	120	—	—	—	—	120
Mr. Chua Keng Kim	120	—	—	—	—	120
Mr. Yuan Yaohui	120	—	—	—	—	120
Supervisors						
Ms. Li Xiaojun **	—	—	—	—	—	—
Ms. Du Hongying *	—	—	—	—	—	—
Mr. Jing Gongbin *(vi)	—	—	—	—	—	—
Mr. Zhang Yakun *(vi)	—	—	—	—	—	—
Mr. Yu Yanbin *	—	—	—	—	—	—
Ms. Gao Jingping (Staff Representative Supervisor)	—	—	191	244	42	477
Ms. Wang Xiaomin (Staff Representative Supervisor) (vi)	—	—	93	269	39	401
Mr. Zhang Xin (Staff Representative Supervisor) (vi)	—	—	77	131	32	240
Mr. Rao Geping (Independent Supervisor)	50	—	—	—	—	50

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

8. 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.

** These directors and supervisors are employees of CTHC for the year 2008, and obtain emoluments from them. From the year 2009, these directors and supervisors are employees of the Company, and obtain emoluments from the Company.

(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 March 3, 2009
(vi) Resigned on March 3, 2009

(2) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2008: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2008: three) individuals during the year are as follows:

	2009 *RMB'000*	2008 *RMB'000*
Basic salaries and allowances	1,150	574
Bonuses	657	732
Retirement benefits	177	125
	1,984	1,431

The annual emoluments paid during the year ended December 31, 2009 to each of the directors and the five highest paid employees fell within the band from RMB nil to RMB 1 million(2008: from RMB nil to RMB 1 million).

During the year ended December 31, 2009, no director and the five highest paid employees had waived or agreed to waive any emolument (2008: nil). No emolument was paid to any of the directors and the five highest paid employees as an inducement to join or upon joining the Company or as compensation for loss of office (2008: nil).

9. 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, 2009 (2008: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2009 amounted to approximately RMB 41.9 million (2008: RMB 33.8 million). This amount was recorded in personnel expenses.

In addition, starting from January 1, 2007, a supplementary defined contribution pension plan managed by an insurance company was established. The annual contributions to this plan made by the Group for the year ended December 31, 2009 amounted to approximately RMB 19.1 million (2008: RMB 17.2 million). These amounts were recorded in personnel expenses.

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

As at December 31, 2009, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2008: Nil).

10. 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, 2009 amounted to approximately RMB 27.3 million (2008: RMB 22.8 million). This amount was recorded in personnel expenses.

As of December 31, 2009, the total number of employees of the Group was 4,097 (2008: 3,621).

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

11. TAXATION

Income Tax

	2009	2008
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax expenses	112,333	61,826
Overseas income tax expenses	80	869
Deferred tax	(3,246)	5,416
	109,167	68,111

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

Starting from January 1, 2008, the Corporate Income Tax Law of the People's Republic of China ("new CIT law") unified the income tax rate of enterprises in China to 25%.

Enterprises recognised 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)

11. 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:

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation	**903,649**	722,741
Weighted average statutory tax rate	**25%**	25%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**227,988**	180,205
Non-taxable income	**—**	(300)
Tax refund (i)	**—**	(30,114)
Non-deductible expense	**7,770**	5,052
Effect of preferential tax rates	**(126,591)**	(86,732)
Tax charge	**109,167**	68,111

(i) Tax refund

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

The Company obtained its "Important Software Enterprise" approval and certification from the relevant authorities for 2007 in 2008 and hence had recognised the corresponding tax refund of approximately RMB 30.1 million in 2008.

The Company obtained its "Important Software Enterprise" approval and certification from the relevant authorities for 2008 and 2009 in 2008 and 2009 respectively. Accordingly, the Company had accrued its income tax expenses for 2008 and 2009 based on this preferential income tax rate of 10% in its financial statements.

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

11. 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%
Accounting, settlement and clearing services	5%

Value-Added Tax ("VAT")

The Group's sales of equipment and software 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.

12. DIVIDENDS DISTRIBUTION

The equity holders in the annual general meeting of the Company held on June 5, 2009 approved the distribution of a final dividend of RMB 206.9 million and a special dividend of RMB 156 million in cash, aggregating to RMB 362.9 million (RMB0.186 per share) for Year 2008. The dividends are related to the undistributed profit generated before January 1, 2008. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2009.

As at April 22, 2010, the Board recommended the distribution of a final cash dividend of RMB261.4 million, for Year 2009 (RMB 0.134 per share). The total numbers of shares in issue which entitle the receipt of those dividends are 1,950,806,393 shares. The proposed final dividend distribution is subject to shareholders' approval in their next general meeting and will be recorded in the Group's financial statements for the year ending December 31, 2010.

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

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following:

	2009	2008
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**775,900**	637,974
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue *(Note)*	**1,944,641**	1,913,814
Earnings per share (RMB)		
Basic and dilutive	**0.40**	0.33

Note: The numbers of shares in issue for year ended December 31, 2009 and 2008 have been adjusted for the 137,499,218 shares issued to CTHC on March 3, 2009 (Note 6) for the acquisition of ACCA as if these shares were issued for all years presented.

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2009 and 2008.

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

14. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, property, plant and equipment comprised:

The Group:

	Buildings	Computer systems and software	Motor vehicles	Furniture, fixtures and other equipment	Assets under construction	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at January 1, 2008	226,613	2,135,019	55,114	72,096	3,000	19,649	2,511,491
Transfer upon completion	3,000	—	—	—	(3,000)	—	—
Purchases	1,920	169,612	4,350	12,567	—	3,197	191,646
Disposals / write off	—	(13,135)	(3,431)	(3,579)	—	—	(20,145)
As at December 31, 2008	231,533	2,291,496	56,033	81,084	—	22,846	2,682,992
Purchases	**115,878**	**59,259**	**4,814**	**24,221**	**2,165**	**4,966**	**211,303**
Disposals / write off	**—**	**(23,296)**	**(2,252)**	**(4,377)**	**—**	**—**	**(29,925)**
As at December 31, 2009	**347,411**	**2,327,459**	**58,595**	**100,928**	**2,165**	**27,812**	**2,864,370**
Accumulated depreciation							
As at January 1, 2008	(57,227)	(1,221,044)	(33,242)	(53,209)	—	(8,846)	(1,373,568)
Charge for the year	(9,637)	(285,166)	(6,058)	(16,259)	—	(6,890)	(324,010)
Disposals / write off	—	12,448	3,161	3,422	—	—	19,031
As at December 31, 2008	(66,864)	(1,493,762)	(36,139)	(66,046)	—	(15,736)	(1,678,547)
Charge for the year	**(15,353)**	**(258,622)**	**(5,742)**	**(16,417)**	**—**	**(6,025)**	**(302,159)**
Disposals / write off	**—**	**22,692**	**2,175**	**4,202**	**—**	**—**	**29,069**
As at December 31, 2009	**(82,217)**	**(1,729,692)**	**(39,706)**	**(78,261)**	**—**	**(21,761)**	**(1,951,637)**
Provision							
As at December 31, 2008	—	—	—	—	—	—	—
Charge for the year	**—**	**(20,748)**	**—**	**—**	**—**	**—**	**(20,748)**
As at December 31, 2009	**—**	**(20,748)**	**—**	**—**	**—**	**—**	**(20,748)**
Net book value							
As at December 31, 2008	164,669	797,734	19,894	15,038	—	7,110	1,004,445
As at December 31, 2009	**265,194**	**577,019**	**18,889**	**22,667**	**2,165**	**6,051**	**891,985**

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

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

The Company:

	Buildings	Computer systems and software	Motor vehicles	Furniture, fixtures and other equipment	Leasehold Improve-ments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at January 1, 2008	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
Purchases	**115,374**	**49,537**	**3,698**	**22,039**	**4,889**	**195,537**
Disposals / write off	**—**	**(21,454)**	**(82)**	**—**	**—**	**(21,536)**
As at December 31, 2009	**181,857**	**2,152,961**	**33,057**	**59,518**	**25,584**	**2,452,977**
Accumulated depreciation						
As at January 1, 2008	(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)
Charge for the year	**(8,685)**	**(242,805)**	**(3,459)**	**(12,506)**	**(5,765)**	**(273,220)**
Disposals / write off	**—**	**20,926**	**73**	**—**	**—**	**20,999**
As at December 31, 2009	**(18,815)**	**(1,603,680)**	**(20,241)**	**(46,842)**	**(19,668)**	**(1,709,246)**
Provision						
As at December 31, 2008	—	—	—	—	—	—
Charge for the year	**—**	**(20,748)**	**—**	**—**	**—**	**(20,748)**
As at December 31, 2009	**—**	**(20,748)**	**—**	**—**	**—**	**(20,748)**
Net book value						
As at December 31, 2008	56,353	743,077	12,586	3,143	6,792	821,951
As at December 31, 2009	**163,042**	**528,533**	**12,816**	**12,676**	**5,916**	**722,983**

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

15. LEASE PREPATMENT FOR LAND USE RIGHT, NET

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost				
As at January 1	**20,189**	20,189	**—**	—
Additions	**92,429**	—	**92,427**	—
As at December 31	**112,618**	20,189	**92,427**	—
Accumulated amortisation				
As at January 1	**(875)**	(471)	**—**	—
Amortisation for the year	**(2,507)**	(404)	**(2,101)**	—
As at December 31	**(3,382)**	(875)	**(2,101)**	—
Net book value				
As at December 31	**109,236**	19,314	**90,326**	—

16. INTANGIBLE ASSETS, NET

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost				
As at January 1	**81,321**	108,854	**62,593**	56,441
Additions	**101,483**	8,908	**100,974**	6,152
Disposals/write off	**—**	(36,441)	**—**	—
As at December 31	**182,804**	81,321	**163,567**	62,593
Accumulated amortization				
As at January 1	**(64,251)**	(92,425)	**(52,464)**	(46,425)
Amortization for the year	**(35,994)**	(8,267)	**(33,591)**	(6,039)
Disposals/write off	**—**	36,441	**—**	—
As at December 31	**(100,245)**	(64,251)	**(86,055)**	(52,464)
Net book value				
As at December 31	**82,559**	17,070	**77,512**	10,129

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

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

17. INVESTMENTS IN SUBSIDIARIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investments, at cost:	**—**	—	**399,986**	53,709

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

The increase of investments in subsidiaries is mainly due to the investment to ACCA of RMB328.2 million. The investment to ACCA was recorded as the fair value of 137,499,218 domestic shares issued to CTHC for acquisition of ACCA as described in Note 6.

18. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beginning of the year	**103,665**	85,996	**27,290**	27,290
Share of profit	**21,090**	17,969	**—**	—
Dividend received from associated companies	**(920)**	(300)	**—**	—
End of the year	**123,835**	103,665	**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*
2008	135,009	31,344	306,681	17,969
2009	**177,399**	**53,564**	**392,363**	**21,090**

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

19. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Assets as per balance sheet:				
Accounts receivable *(Note 23)*	**185,550**	164,400	**138,727**	118,402
Due from related parties *(Note 24)*	**1,362,615**	944,759	**1,193,564**	731,227
Due from subsidiaries, net *(Note 25)*	**—**	—	**20,280**	20,290
Due from associated companies *(Note 26)*	**13,010**	6,556	**10,478**	4,291
Interest receivable and other current assets *(Note 27)*	**103,168**	49,402	**81,281**	28,321
Short-term bank deposits *(Note 28)*	**2,302,954**	2,324,728	**1,989,038**	2,168,228
Cash and cash equivalents *(Note 29)*	**1,555,723**	1,326,473	**968,193**	737,985
Loans and receivables	**5,523,020**	4,816,318	**4,401,561**	3,808,744

20. DEFERRED INCOME TAX

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**6,896**	4,821	**6,772**	4,780
– Deferred tax assets to be recovered within 12 months	**3,110**	1,989	**1,693**	1,194
	10,006	6,810	**8,465**	5,974
Deferred tax liabilities:				
– Deferred tax liabilities to be settled within 12 months	**(131)**	(180)	**—**	—
	(131)	(180)	**—**	—

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

20. DEFERRED INCOME TAX *(continued)*

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

The Group:

	Depreciation and Amortization *RMB'000*	Provision and Others *RMB'000*	Total *RMB'000*
As at January 1, 2008	7,647	4,399	12,046
Recognised in the statement of comprehensive income	(1,583)	(3,833)	(5,416)
As at December 31, 2008	6,064	566	6,630
Recognised in the statement of comprehensive income	**2,460**	**785**	**3,245**
As at December 31, 2009	**8,524**	**1,351**	**9,875**

The Company:

	Depreciation and Amortization *RMB'000*	Provision and Others *RMB'000*	Total *RMB'000*
As at January 1, 2008	7,614	448	8,062
Recognised in the statement of comprehensive income	(1,640)	(448)	(2,088)
As at December 31, 2008	5,974	—	5,974
Recognised in the statement of comprehensive income	**2,491**	**—**	**2,491**
As at December 31, 2009	**8,465**	**—**	**8,465**

21. 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)

22. INVENTORIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Equipment for sale	**5,204**	9,390	**—**	—
Spare parts	**6**	9	**—**	—
Others	**2,991**	584	**—**	—
Total	**8,201**	9,983	**—**	—
Provision for impairment of inventories (Equipment for sale)	**(106)**	(106)	**—**	—
	8,095	9,877	**—**	—

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

23. ACCOUNTS RECEIVABLE, NET

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accounts receivable	**227,476**	177,051	**175,854**	128,027
Provision for impairment of receivables	**(41,926)**	(12,651)	**(37,127)**	(9,625)
Accounts receivable, net	**185,550**	164,400	**138,727**	118,402

The carrying amounts of the Group's accounts receivable approximated its fair value as at December 31, 2009 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)

23. ACCOUNTS RECEIVABLE, NET *(continued)*

As of December 31, 2009 and 2008, the ageing analysis of the accounts receivable was as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**154,690**	130,562	**118,493**	105,638
Over 6 months but within 1 year	**33,947**	22,285	**26,920**	10,781
Over 1 year but within 2 years	**22,305**	15,952	**18,939**	9,358
Over 2 years but within 3 years	**9,469**	868	**9,290**	285
Over 3 years	**7,065**	7,384	**2,212**	1,965
Accounts receivable	**227,476**	177,051	**175,854**	128,027
Provision for impairment of receivables	**(41,926)**	(12,651)	**(37,127)**	(9,625)
Accounts receivable, net	**185,550**	164,400	**138,727**	118,402

As of December 31, 2009, accounts receivable of RMB8.9 million (2008: RMB 17.7 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**5,994**	10,645	**—**	—
Over 1 year but within 2 years	**2,835**	6,519	**—**	—
Over 2 years but within 3 years	**105**	583	**—**	—
	8,934	17,747	**—**	—

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

23. ACCOUNTS RECEIVABLE, NET *(continued)*

As of December 31, 2009, accounts receivable of RMB63.9 million (2008: RMB 28.7 million) were impaired. The amount of the provision was RMB41.9 million as of December 31, 2009 (2008: RMB 12.7 million). 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**27,953**	11,640	**26,920**	10,781
Over 1 year but within 2 years	**19,470**	9,433	**18,939**	9,358
Over 2 years but within 3 years	**9,364**	285	**9,290**	285
Over 3 years	**7,065**	7,384	**2,212**	1,965
	63,852	28,742	**57,361**	22,389

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at beginning of year	**12,651**	6,526	**9,625**	3,555
Provision	**29,275**	6,125	**27,502**	6,070
Balance at end of year	**41,926**	12,651	**37,127**	9,625

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**136,397**	85,972	**100,368**	52,541
HKD denominated	**17,587**	17,587	**11,485**	11,485
USD denominated	**70,267**	70,267	**60,862**	60,862
Others	**3,225**	3,225	**3,139**	3,139
	227,476	177,051	**175,854**	128,027

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

24. DUE FROM RELATED PARTIES, NET

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**1,151,939**	791,559	**990,077**	579,699
Over 6 months but within 1 year	**209,145**	151,166	**202,919**	151,020
Over 1 year but within 2 years	**904**	1,996	**60**	508
Over 2 years but within 3 years	**590**	5,799	**508**	5,779
Over 3 years	**37**	8,904	**—**	8,886
Due from related parties	**1,362,615**	959,424	**1,193,564**	745,892
Provision for impairment of receivables	**—**	(14,665)	**—**	(14,665)
Due from related parties, net	**1,362,615**	944,759	**1,193,564**	731,227

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

As of December 31, 2009, notes receivable of RMB241.7 million was included in the above balances.

As of December 31, 2009, due from related parties of RMB210.7 million (2008: RMB 153.2 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over 6 months but within 1 year	**209,145**	151,166	**202,919**	151,020
Over 1 year but within 2 years	**904**	1,996	**60**	508
Over 2 years but within 3 years	**590**	20	**508**	—
Over 3 years	**37**	18	**—**	—
	210,676	153,200	**203,487**	151,528

The amount of the provision of RMB14.7 million was for the estimated losses resulting from the disagreement on services and payments, and such balance was written off in 2009. No additional impairment provision has been made in 2009.

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

25. DUE FROM SUBSIDIARIES, NET

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**—**	—	**8,596**	9,193
Over 6 months but within 1 year	**—**	—	**2,820**	645
Over 1 year but within 2 years	**—**	—	**4,261**	1,044
Over 2 years but within 3 years	**—**	—	**577**	5,716
Over 3 years	**—**	—	**11,837**	11,503
Total	**—**	—	**28,091**	28,101
Provision for impairment of receivables	**—**	—	**(7,811)**	(7,811)
Due from subsidiaries, net	**—**	—	**20,280**	20,290

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

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

26. DUE FROM ASSOCIATED COMPANIES

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

27. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Advance payments	**110,714**	108,381	**108,222**	101,282
Interest receivable	**17,724**	22,461	**17,677**	22,255
Prepaid expenses	**6,267**	12,900	**6,267**	12,900
Other receivables (i)	**123,568**	142,685	**—**	—
Other current assets	**85,444**	26,941	**63,604**	6,066
Total	**343,717**	313,368	**195,770**	142,503

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

28. SHORT-TERM BANK DEPOSITS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**2,300,900**	2,236,500	**1,989,000**	2,080,000
HKD denominated	**38**	88,228	**38**	88,228
Others	**2,016**	—	**—**	—
	2,302,954	2,324,728	**1,989,038**	2,168,228

The annual interest rate on short-term bank deposits ranges from 1.98% to 2.25% (2008: 1.98% to 4.14%) and these deposits have a maturity period ranging from 6 to 12 months (2008: 6 to 12 months).

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

29. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash				
RMB	**363**	513	**113**	293
Others	**75**	71	**—**	—
	438	584	**113**	293
Demand deposits				
RMB	**1,469,365**	1,250,758	**924,752**	717,896
USD denominated	**64,018**	47,227	**37,243**	14,618
HKD denominated	**15,351**	22,469	**6,085**	5,178
Others	**6,551**	5,435	**—**	—
	1,555,285	1,325,889	**968,080**	737,692
Total cash and cash equivalents	**1,555,723**	1,326,473	**968,193**	737,985

30. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accounts payable	**78,234**	99,546	**57,095**	71,781
Accrued departure technology support fees	**254,600**	192,435	**254,600**	192,435
Accrued technical support fees	**24,143**	10,124	**21,638**	9,323
Accrued network usage fees	**42,466**	35,669	**42,466**	35,669
Accrued bonuses and staff cost	**35,715**	30,043	**34,004**	28,001
Other taxes payable (i)	**22,183**	10,873	**18,847**	7,131
Other payables (ii)	**217,373**	248,318	**—**	—
Other liabilities	**93,815**	69,599	**80,631**	57,302
Total	**768,529**	696,607	**509,281**	401,642

At December 31, 2009, approximately RMB83.3 million of the above balances were denominated in US dollars (2008: RMB 92.9 million).

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

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

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**29,226**	20,882	**14,310**	5,314
Over 6 months but within 1 year	**2,823**	20,018	**984**	14,029
Over 1 year but within 2 years	**10,342**	41,845	**6,264**	39,133
Over 2 years but within 3 years	**24,649**	6,677	**24,649**	3,181
Over 3 years	**11,194**	10,124	**10,888**	10,124
Total accounts payable	**78,234**	99,546	**57,095**	71,781
Accrued liabilities and other liabilities	**690,295**	597,061	**452,186**	329,861
Total	**768,529**	696,607	**509,281**	401,642

(i) Other taxes payables

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Business tax payable	**13,274**	7,659	**11,026**	4,738
VAT payable	**(896)**	(693)	**(451)**	(70)
Other	**9,805**	3,907	**8,272**	2,463
Total	**22,183**	10,873	**18,847**	7,131

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

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

31. DUE TO RELATED PARTIES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 6 months	**9,546**	17,880	**—**	14,453
Over 6 months but within 1 year	**53,732**	—	**53,634**	—
Over 1 year but within 2 years	**3,491**	3,711	**3,470**	3,711
Over 2 years but within 3 years	**—**	—	**—**	—
Over 3 years	**25,781**	25,837	**16,415**	16,464
Total	**92,550**	47,428	**73,519**	34,628

These balances comprised mainly dividend payables and service fee payable.

32. PAID-IN CAPITAL

As of December 31, 2009, all issued shares are registered and fully paid, divided into 1,950,806,393 shares (2008: 1,776,315,000 shares) of RMB 1.00 each, comprised of 1,329,098,393 Domestic Shares and 621,708,000 H Shares (2008:1,154,607,000 Domestic Shares and 621,708,000H Shares). The Company issued 174,491,393 domestic shares in year 2009 for the acquisition of ACCA and the Property as described in Note 6.

	2009 Number of shares	**2009 Amount**
	'000	*RMB'000*
Authorized:		
Domestic Shares of RMB 1 each	1,329,098	1,329,098
H Shares of RMB 1 each	621,708	621,708
Total shares of RMB 1 each	1,950,806	1,950,806
Issued and fully paid:		
Domestic Shares of RMB 1 each	1,329,098	1,329,098
H Shares of RMB 1 each	621,708	621,708
Total shares of RMB 1 each	1,950,806	1,950,806

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

33. RESERVES

The Group

	Capital Surplus	Statutory Surplus Reserve Fund	Merger Reserve (i)	Discretionary Surplus Reserve Fund	Currency translation differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2008 (As previously reported)	306,799	514,429	—	478,424	(2,818)	1,296,834
Adjustment as a result of acquisition of ACCA	—	—	697,496	—	—	697,496
Balance as at January 1, 2008 (As restated)	306,799	514,429	697,496	478,424	(2,818)	1,994,330
Transfer from retained earnings	—	61,013	—	118,357	—	179,370
Currency translation differences	—	—	—	—	(1,971)	(1,971)
Balance as at December 31, 2008	306,799	575,442	697,496	596,781	(4,789)	2,171,729
Issuance of shares for the acquisition of Property	164,449	—	—	—	—	164,449
Issuance of shares for the acquisition of ACCA	190,684	—	(328,183)	—	—	(137,499)
Transaction with minority interest	(3,014)	—	—	—	—	(3,014)
Transfer from retained earnings	—	67,234	—	103,967	—	171,201
Currency translation differences	—	—	—	—	342	342
Balance as at December 31, 2009	**658,918**	**642,676**	**369,313**	**700,748**	**(4,447)**	**2,367,208**

(i) Merger reserve represents the difference between the carrying value of the acquired subsidiary - ACCA and the fair value of the domestic shares issued for the acquisition of ACCA at the acquisition date.

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

33. RESERVES *(continued)*

The Company

	Capital Surplus	Statutory Surplus Reserve Fund	Discretionary Surplus Reserve Fund	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at January 1, 2008	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
Issuance of shares for the acquisition of Property	164,449	—	—	164,449
Issuance of shares for the acquisition of ACCA	190,684	—	—	190,684
Transfer from retained earnings	—	67,234	103,967	171,201
Balance as at December 31, 2009	**661,932**	**635,395**	**700,748**	**1,998,075**

34. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2009, 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) distribution of dividends for ordinary shares to equity holders.

34. APPROPRIATIONS AND DISTRIBUTION OF PROFIT *(continued)*

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

The appropriation of 20% of its net profit to the discretionary surplus reserve fund for the year ended December 31, 2008 was approved in the annual general meeting held on June 5, 2009. The amount was accounted for in shareholder's equity as a distribution of retained earnings in the year ended December 31, 2009.

The proposed appropriation of 20% of its net profit amount to RMB130.4 million to the discretionary surplus reserve fund for the year ended December 31, 2009 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, 2010.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2009 was approximately RMB1,220.1 million (2008: RMB 1,108.3 million).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB652.0 million (2008: RMB 519.8 million) for the year ended December 31, 2009.

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

35. CASH GENERATED FROM OPERATING ACTIVITIES

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation	**903,649**	722,741
Adjustments for:		
Depreciation and amortization	**340,660**	332,681
Loss on disposal of property, plant and equipment	**546**	609
Interest income	**(81,188)**	(91,973)
Provision for impairment of receivables	**29,418**	6,125
Provision for impairment of property, plant and equipment	**20,748**	—
Share of results from associated companies	**(21,090)**	(17,969)
Foreign exchange loss	**1,162**	4,904
Decrease (increase) in current assets:		
Accounts receivable	**(50,425)**	(21,442)
Inventories	**1,782**	(636)
Prepayments and other current assets	**14,136**	40,368
Due from related parties/associated companies	**(424,310)**	(308,891)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	**83,773**	35,261
Deferred revenue	**(197)**	(2,108)
Due to related parties	**(8,363)**	(50,678)
Cash generated from operations	**810,301**	648,992

36. 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.

(i) Foreign currency risk

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

The Group's exposure to foreign exchange risk relates principally to its 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 23, 29, 28, and 30 respectively.

As at December 31, 2009, 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 year ended December 31, 2009 would have been approximately RMB7.2 million 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 and bank deposits. Interest income is approximately RMB81.2 million (2008: RMB 92.0 million). Apart from this, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates and maturities of the Group's short-term bank deposits are disclosed in Notes 28.

The Group has no significant borrowing or non-current liabilities at December 31, 2009 and therefore do not have significant exposure to changes in interest rates.

36. 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 61% (2008: 56%) 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 53% (2008: 68%) of the total bank balances were concentrated with 4 stated-owned banks as at December 31, 2009.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2009, approximately 55% of the Group's total assets are in cash and cash equivalents, or short-term deposits (2008: 58%). Directors believe the Group has sufficient cash balances to meet its daily operations requirements and has no significant exposure to liquidity risk.

- **Capital risk management**

The Group's objective is to maintain an optimal capital structure and reduce the cost of capital.

The Group reviews and manages its capital structure actively and regularly to ensure optimal capital structure and shareholder returns, taking into account the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

- **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, accounts payables, and due to related parties.

The carrying amounts of the Group's financial instruments approximated their fair values as at December 31, 2009 because of the short-term maturities of these instruments.

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

37. SEGMENT REPORTING

The Group conducts its business within one business segment - the business of providing aviation information technology and related services in the PRC. The Group's chief decision maker for operation is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the statement of comprehensive income. No segment income statement has been prepared by the Group for the year ended December 31, 2009 and 2008. 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.

Certain customers accounted for greater than 10% of the Group's total revenues, please refer to Note 39 for details.

38. COMMITMENTS

(a) Capital commitments

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

	2009	2008
	RMB'000	*RMB'000*
Authorized and contracted for		
– Computer System	18,672	15,854
– Building	7,497	—
Authorized but not contracted for		
– Computer System and others	729,800	456,294
– Land use right and Building (i)	2,487,800	685,000
Total	3,243,769	1,157,148

(i) Included the land transfer price in Note 41.

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, 2009, no balance was denominated in US dollars (2008: approximately RMB 14.4 million).

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

38. COMMITMENTS *(continued)*

(b) Operating lease commitments

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

	2009 *RMB'000*	2008 *RMB'000*
Within one year	**28,406**	39,940
Later than one year but not later than five years	**23,397**	10,877
Total	**51,803**	50,817

(c) Equipment maintenance fee commitments

As at December 31, 2009, the Group had equipment maintenance fee commitments of approximately RMB9.0 million (2008: RMB 6.7 million).

39. 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.

39. RELATED PARTY TRANSACTIONS *(continued)*

(1) Related parties

The major related parties of the Company and the Group are as follows:

Name	Relationship with the Company
CTHC	Shareholder of the Company, ultimate holding Company
China Southern Air Holding Company	Shareholder of the Company
China Southern Airlines Company Limited	Subsidiary of a shareholder of the Company
China Eastern Air Holding Company	Shareholder of the Company
China Eastern Airlines Corporation Limited	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

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

39. RELATED PARTY TRANSACTIONS *(continued)*

(2) Related party transactions

The following is a summary of significant recurring transactions carried out with the Group's related parties.

(i) Revenue for aviation information technology, data network and accounting, settlement and clearing services

The pricing was based on either contractual arrangements or negotiated prices with these related parties with reference to the pricing standards prescribed by Civil Aviation Administration of China ("CAAC") where applicable.

Name		2009	2008
		RMB'000	*RMB'000*
China Southern Airlines Company Limited	(a)	**400,703**	368,998
China Eastern Airlines Corporation Limited	(b)	**347,916**	315,181
Air China Limited		**306,221**	287,590
Hainan Airlines Company Limited		**188,140**	154,705
Shenzhen Airlines Company Limited	(c)	**155,374**	126,823
Shanghai Airlines Company Limited		**133,419**	118,776

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

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

c. 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.

(ii) Lease of properties from CTHC

For the year ended December 31, 2009, operating lease rentals for lease of properties from CTHC amounted to RMB23.4 million (2008: RMB 38.6 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

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

39. RELATED PARTY TRANSACTIONS *(continued)*

(3) Balances with related parties

Balances due from the related parties mainly comprised:

Name		The Group 2009 RMB'000	The Group 2008 RMB'000	The Company 2009 RMB'000	The Company 2008 RMB'000
- Trade related balances(i)					
China Southern Airlines Company Limited	(a)	**269,295**	282,752	**266,800**	279,400
China Eastern Airlines Corporation Limited	(b)	**388,898**	129,147	**387,941**	126,558
Air China Limited		**172,027**	128,395	**171,082**	127,330
Hainan Airlines Company Limited		**126,629**	83,834	**120,311**	83,707
Shenzhen Airlines Company Limited	(c)	**63,485**	42,019	**60,138**	38,541
Shanghai Airlines Company Limited		**76,049**	24,900	**75,240**	23,799
- Other balances(ii)					
China Southern Airlines Company Limited	(a)	**11,886**	10,404	**—**	—
China Eastern Airlines Corporation Limited	(b)	**31,981**	37,262	**—**	—
Air China Limited		**109,003**	107,856	**—**	—

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

(i) The trade related balances with related parties primarily arose from the above related party transactions.

(ii) The other balances represented the payment made on behalf of related parties, which are part of the ACCA's settlement and clearing services business.

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

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

c. Included the transaction balance of its subsidiary, Kunpeng Airlines Company Limited.

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

39. RELATED PARTY TRANSACTIONS *(continued)*

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

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank balances	**2,048,643**	2,466,640	**1,537,875**	1,794,435

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.

40. ULTIMATE HOLDING COMPANY

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

41. SUBSEQUENT EVENTS

(a) Significant acquisition completed after the year end

As set out in the Company's announcement dated January 26, 2010 and the circular dated March 2, 2010, the Company made a successful bid for the land use right of the land located in Shunyi District, Beijing, 19 blocks 08, 09, 19 and 21 (the "Land") at the land transfer price of RMB 1,910 million at an open auction held on January 14, 2010. The Company intends to build a new operating centre comprising a database centre and the headquarters office building of the Company.

As of the report date, the Land Transfer Contract was signed by the Company and Beijing Land Bureau, and the Development Compensation Contract was signed by the Company and Beijing Shunyi Land Reserve Centre respectively. The total land transfer price has been paid by the Company to the Beijing Land Bureau on March 12, 2010.

(b) Supplemental housing fund

The Group, together with CTHC, has obtained an approval from the relevant government authority in February 2010 to establish a supplemental housing fund for their employees. This supplemental housing fund will be utilized to provide supplemental housing benefits to existing employees for both the Group and CTHC who have met certain pre-requisite criteria. The Group is in the process of establishing the plan and evaluating its financial impact.

42. APPROVAL OF FIANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on April 22, 2010.

Five Year Financial Summary

For the year ended December 31, 2009

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

	Year ended December 31,				
	2005	2006	2007	2008	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(restated)	*(restated)*	*(restated)*	*(restated)*	
Revenues	1,726,591	1,948,831	2,256,588	2,271,237	**2,619,524**
Profit before taxation	746,211	724,382	821,445	722,741	**903,649**
Profit attributable to equity holders of the Company	652,837	580,810	694,887	637,974	**775,900**
Earnings before interests, tax, depreciation and amortization	890,457	901,941	1,003,670	963,449	**1,163,121**
Earnings per share (Basic and diluted) (RMB)	0.34	0.30	0.36	0.33	**0.40**

	As at December 31,				
	2005	2006	2007	2008	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(restated)	*(restated)*	*(restated)*	*(restated)*	
Total assets	5,303,011	5,450,540	6,055,922	6,295,531	**7,027,283**
Total liabilities	1,305,071	1,063,162	937,822	759,537	**868,616**
Total equity	3,997,940	4,387,378	5,118,100	5,535,994	**6,158,667**

Notes:

(a) The financial figures for the year 2008 and 2009 are extracted from the Consolidated Financial Statements.

(b) The financial statements for the year 2005, 2006 and 2007 have been adjusted, as if ACCA had been acquired at the earliest period presented.

CORPORATE INFORMATION

(as of the issue date of this annual report)

BOARD OF DIRECTORS

Xu Qiang	*Chairman, Executive Director* (appointed on March 16, 2010)
Cui Zhixiong	*Executive Director* (appointed on March 16, 2010)
Xiao Yinhong	*Executive Director, General Manager* (appointed on March 16, 2010)
Wang Quanhua	*Non-executive Director* (appointed on March 16, 2010)
Luo Chaogeng	*Non-executive Director* (appointed on March 16, 2010)
Sun Yude	*Non-executive Director* (appointed on March 16, 2010)
Zhou Deqiang	*Independent Non-executive Director* (appointed on March 16, 2010)
Pan Chongyi	*Independent Non-executive Director* (appointed on March 16, 2010)
Cheung Yuk Ming	*Independent Non-executive Director* (appointed on March 16, 2010)

Resigned Directors:

Cao Guangfu	*Non-executive Director* (appointed on March 3, 2009, resigned on March 16, 2010)
Yick Wing Fat, Simon	Independent Non-executive Director (appointed on January 9, 2007, resigned on March 16, 2010)
Yuan Yaohui	Independent Non-executive Director (appointed on January 9, 2007, resigned on March 16, 2010)
Chua Keng Kim	Independent Non-executive Director (appointed on June 5, 2007, resigned on March 16, 2010)

AUDIT COMMITTEE

Cheung Yuk Ming	*Chief Member (Chairman)* (appointed on March 16, 2010)
Zhou Deqiang	*Member* (appointed on March 16, 2010)
Pan Chongyi	*Member* (appointed on March 16, 2010)

Resigned Members:

Yick Wing Fat, Simon	*Independent Non-executive Director* (appointed on January 9, 2007, resigned on March 16, 2010)
Yuan Yaohui	*Independent Non-executive Director* (appointed on January 9, 2007, resigned on March 16, 2010)
Chua Keng Kim	*Independent Non-executive Director* (appointed on June 5, 2007, resigned on March 16, 2010)

STRATEGIC COMMITTEE

Xu Qiang	*Chief Member (Chairman)* (appointed on March 16, 2010)
Wang Quanhua	*Member* (appointed on March 16, 2010)
Luo Chaogeng	*Member* (appointed on March 16, 2010)
Sun Yude	*Member* (appointed on March 16, 2010)
Cui Zhixiong	*Member* (appointed on March 16, 2010)
Xiao Yinhong	*Member* (appointed on March 16, 2010)

Resigned Members:

Cao Guangfu	*Non-executive Director* (appointed on March 3, 2009, resigned on March 16, 2009)

REMUNERATION AND EVALUATION COMMITTEE

Zhou Deqiang	*Chief Member (Chairman)* (appointed on March 16, 2010)
Pan Chongyi	*Member* (appointed on March 16, 2010)
Cheung Yuk Ming	*Member* (appointed on March 16, 2010)
Wang Quanhua	*Member* (appointed on March 16, 2010)
Cui Zhixiong	*Member* (appointed on March 16, 2010)

Resigned Memebers:

Yick Wing Fat, Simon	Independent Non-executive Director (appointed on January 9, 2007, resigned on March 16, 2010)
Yuan Yaohui	*Independent Non-executive Director* (appointed on January 9, 2007, resigned on March 16, 2010)
Chua Keng Kim	*Independent Non-executive Director* (appointed on June 5, 2007, resigned on March 16, 2010)

EXECUTIVE COMMITTEE

Xu Qiang	*Chief Member (Chairman)* (appointed on March 16, 2010)
Cui Zhixiong	*Member* (appointed on March 16, 2010)
Xiao Yinhong	*Member* (appointed on March 16, 2010)

SUPERVISORY COMMITTEE

Li Xiaojun	*Chairperson of Supervisory Committee, Staff Representative Supervisor* (appointed on March 16, 2010)
Zeng Yiwei	*Supervisor* (appointed on March 16, 2010)
Yu Yanbing	*Supervisor* (appointed on March 16, 2010)
Xiao Wei	*Staff Representative Supervisor* (appointed on March 16, 2010)
Rao Geping	*Independent Supervisor* (appointed on March 16, 2010)

Resigned Supervisors:

Du Hongying	*Vice Chairperson of Supervisory Committee, Supervisor* (appointed on January 9, 2007, resigned on March 16, 2010)
Gao Jingping	*Staff Representative Supervisor* (appointed on January 9, 2007, resigned on March 16, 2010)

SENIOR MANAGEMENT

Rong Gang	*Deputy General Manager* (appointed on March 16, 2010)
Wang Wei	*Deputy General Manager* (appointed on March 16, 2010)
Sun Yongtao	*Deputy General Manager and Financial Controller* (appointed on March 16, 2010)
Zhu Xiaoxing	*Deputy General Manager* (appointed on March 16, 2010)
Huang Yuanchang	*Deputy General Manager* (appointed on March 16, 2010)
Li Jinsong	*General Counsel* (appointed on March 16, 2010)

JOINT COMPANY SECRETARIES

Yu Xiaochun	(appointed on March 16, 2010)
Liu Pui Yee	(appointed on March 16, 2010)

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.todayir.com

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:
JSM
16th-19th Floors
Prince's building
10 Chater Road
Central, Hong Kong

as to the PRC law:
Jingtian & Gongcheng
34/F, Tower 3,
China Central Place,
77 Jianguo Road,
Chaoyang District,
Beijing 100025, China

COMPLIANCE ADVISOR

Shenyin Wanguo Capital (H.K.) Limited
28th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Hong Kong

LEGALLY REGISTERED ADDRESS AND CONTACT DETAILS

Registered address:
18-20/F, South Wing, Park C
Raycom InfoTech Park
No. 2, Ke Xue Yuan South Road
Haidian District, Beijing 100190, PRC
Contact details:
Postal address:
No.157 Dongsi West Street
Dongcheng District
Beijing 10010, PRC
Telephone: (8610) 8409 9658
Fascimile: (8610) 8409 9689

PLACE OF BUSINESS IN HONG KONG

Area L, 49/F A & 50/F
Office Tower
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.todayir.com.

DIRECTORS

Mr Xu Qiang, aged 48, the Chairman and an executive Director of the Company. Mr Xu graduated from First Research Institute of Ministry of Aviation and Aerospace Industry（航空航天部第一研究院）and got Ph.D. Degree. From November 1990 to May 1999, Mr Xu served at the Ministry of Aero-Space Industry(航空航天部), China Aerospace Industry Corporation (中國航天工業總公司)as engineer, vice-director and director of research office as well as vice director and director of 13th Institute in succession. From May 1999 to May 2007, Mr Xu served at China Aerospace Science and Technology Corporation（中國航天科技集團公司）, held the position of assistant to president and vice president of First Research Institute（第一研究院）, president of 10th Research Institute(第十研究院)and general engineer of China Aerospace Science and Technology Corporation. Mr Xu served as general manager and deputy party secretary of China TravelSky Holding Company(中國民航信息集團公司）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. Since March 2010, Mr Xu has served as an executive Director and the Chairman of the fourth Board of the Company, and the Chief Member (Chairman) of the Strategic Committee and the Executive Committee. Mr Xu is holding positions as the chairman of TravelSky Technology (Hong Kong) Limited（中國民航信息網絡股份（香港）有限公司）, the chairman of Shanghai TravelSky Information Technology Limited(上海民航信息科技有限公司), and a director of Travelsky Cares (Beijing) Real Estate Co. Limited（中航信凱亞（北京）置業有限公司）, all of which are subsidiaries of the Company. China TravelSky Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr Xu was an employee of China TravelSky Holding Company.

Mr Cui Zhixiong, aged 49, an executive Director of the Company. Mr Cui a postgraduate, graduated from the Party School of the Central Committee of the CPC（中央黨校）majoring in Global Economics and had an EMBA degree from Nankai University. From December 1976 to September 1989, he served as an army officer. From September 1989 to February 1993, he worked in the Government Offices Administration of the State Council(國務院機關事務管理局)and had held positions as an deputy supervisor, deputy secretary and secretary of the State Organs of the CPC. From February 1993 to April 2004, he worked in the Communist Youth League Work Committee of the State Organs of the CPC(共青團中央國家機關工作委員會)and had served as deputy secretary and secretary. In June 2000, he served as the Chairman of the State Organs Youth Federation of the CPC（中央國家機關青年聯合會）. Meanwhile, from November 2001 to October 2003, he served as Deputy Secretary-General of Gansu Provincial Committee and Deputy Secretary of Municipal Committee of Jiayuguan, Gansu Province. Since April 2004, he has served as the party secretary of China TravelSky Holding Company(中國民航信息集團公司)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. Since March 2010, Mr Cui has served as an executive Director of the fourth Board of the Company, and a member of the Remuneration and Evaluation Committee, the Strategic Committee and the Executive Committee.

Mr Xiao Yinhong, aged 47, an executive Director and the general manager of the Company. Mr Xiao was awarded a Master Degree of Beihang University（北京航空航天大學）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 of Information Office（信息室）, assistant to general manager and deputy general manager of China Civil Aviation Computer Information Center（中國民航計算機信息中心）. Mr Xiao served as an executive Director of the first 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. Since March 2010, Mr Xiao has served as an executive Director of the fourth Board of the Company, and a member of the Strategic Committee and the Executive Committee. Mr Xiao is also the Chairman of InfoSky Technology Co., Ltd.（天信達信息技術有限公司）, 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.（青島民航凱亞系統集成有限公司）, the director of Shanghai TravelSky Information Technology Limited（上海民航信息科技公司）and the director of TravelSky Technology (Hong Kong) Limited（中國民航信息網絡股份（香港）有限公司）, all of which are subsidiaries of the Company.

Mr Wang Quanhua, aged 55, a non-executive Director of the Company. Mr Wang is a university graduate and has about 30 years of management experience in China's civil aviation industry. He joined China Southern Airlines Company（中國南方航空公司）in June 1991. Since June 1998, he had served as the General Manager of the Strategic Planning and Development Department, and then as the Assistant to the President and the Vice President of Southern Air (Holding) Company（南方航空（集團）公司）, a promoter of the Company. He has been the Deputy General Manager of China Southern Air Holding Company（中國南方航空集團公司） since October 2002 and a director of China Southern Airlines Company Limited（中國南方航空股份有限公司）(a company listed on the Main Board of the Stock Exchange and a subsidiary of China Southern Air Holding Company) since March 2003. Since December 2003, Mr Wang has served as a non-executive Director and a Vice Chairman of the second Board of the Company. In March 2004, Mr Wang was appointed by the Board as a member of the Strategic Committee and the Remuneration and Evaluation Committee of the second Board. 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. Since March 2010, Mr Wang has served as a non-executive Director of the fourth Board of the Company, and a member of the Remuneration and Evaluation Committee and the Strategic Committee. China Southern Air Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr Wang was an employee of China Southern Air Holding Company.

Mr Luo Chaogeng, aged 59, a non-executive Director of the Company. Mr Luo 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（民航蘭州管理局）from August 1970 to August 1972. From September 1972 to March 1989, he was the flight mechanic of the 8th Civil Aviation Flight Team（中國民航第八飛行大隊）. From March 1989 to August 1994, he was the deputy commissar, commissar and party secretary of the Xian Flight Team of China Northwest Airlines Co., Ltd.（中國西北航空公司）. From August 1994 to October 1996, he was the party secretary of the aircraft maintenance plant of China Northwest Airlines Co., Ltd. From October 1996 to March 1997, he was the party secretary and deputy general manager of the aircraft maintenance base of China Northwest Airlines Co., Ltd. From March 1997 to December 2000, he was the deputy director of the Civil Aviation Administration Bureau of Xibei （民航西北管理局）. From December 2000 to November 2001, he was the general manager of Yunnan Airlines Co., Ltd.（雲南航空公司）and a director and the deputy party secretary of Civil Aviation Administration Bureau of Yunan（民航雲南省管理局）. From November 2001 to September 2002, he was the general manager and deputy party secretary of Yunnan Airlines Co., Ltd. From September 2002 to September 2004, he has also been serving concurrently as the general manager of China Eastern Airlines, Yunnan Branch（中國東方航空雲南公司）. From September 2004 to October 2006, Mr Luo was a director, the General Manager and the deputy party secretary of China Eastern Airlines Corporation Limited（中國東方航空股份有限公司）, a company listed on the Main Board of the Stock Exchange and a subsidiary of China Eastern Air Holding Company (中國東方航空集團公司)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. Since March 2010, Mr Luo has served as a non-executive Director of the fourth Board of the Company, and a member of the Strategic Committee. 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 was an employee of China Eastern Air Holding Company.

Mr Sun Yude, aged 56, a non-executive Director of the Company, graduated from Civil Aviation Institute of China(中國民航學院）(currently known as Civil Aviation University of China（中國民航大學）) majoring in economic management. He started his career in China's civil aviation industry in 1972 and served as the Deputy Head of CAAC Taiyuan Terminal（民航太原航站）and Head of Ningbo Terminal （寧波航站）, as well as General Manager of CNAC Zhejiang Airlines（中航浙江航空公司）. In October 2002, Mr Sun joined Air China International Corporation （中國國際航空公司） as Vice President and General Manager of Zhejiang branch, and has been serving as Vice President of Air China Limited(中國國際航空股份有限公司) (a company listed on the Main Board of the Stock Exchange and a subsidiary of China National Aviation Holding Company （中國航空集團公司）(a promoter and a substantial shareholder of the Company); stock code: 0753 (HKSE); 601111 (Shanghai Stock Exchange); AIRC (London Stock Exchange)) since September 2004. Mr Sun has been serving as Chairman of Shandong Aviation Group(山東航空集團有限公司)since November 2004, as well as President and the deputy party secretary since December 2005. Mr Sun served as a director, the president and party secretary of China National Aviation Corporation (Group) Limited since March 2007. He was the chairperson of the supervisory committee of Air China Limited since October 2007. He was appointed as deputy General Manager and a party constitution member of China National Aviation Holding Company, a director and the president of China National Aviation Corporation (Group) Limited and the chairperson of the supervisory committee of Air China Limited in May 2009. Since March 2010, Mr Sun has served as a non-executive Director of the fourth Board of the Company, and a member of the Strategic Committee. China National Aviation Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr Sun was an employee of China National Aviation Holding Company.

Mr Cheung Yuk Ming, aged 57, an independent non-executive Director of the Company, is a certified public accountant registered in Hong Kong and a fellow of the Hong Kong Institute of Certified Public Accountants（香港會計師公會）, a member of the Hong Kong Institute of Bankers（香港銀行學會）, a member of the Institute of Internal Auditors of the United States, a member of the Alliance of Merger and Acquisition Advisors (Chicago, the United States), an associate of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Securities Institute(香港證券專業學會）. He obtained a Master's degree in business administration from the University of East Asia, Macau（澳門東亞大學)in 1987. Prior to June 2009, Mr Cheung had served as assistant auditor and senior accountant at PriceWaterhouse, and was a partner of Lau, Cheung, Fung & Chan. Since January 2005, he has been an executive director of Lawrence CPA Limited. Mr Cheung was appointed as an independent non-executive Director of Metallurgical Corporation of China Ltd.（中國冶金科工股份有限公司）(HKSE stock code:1618) in June 2009. Since March 2010, Mr Cheung has served as an independent non-executive Director of the fourth Board of the Company, the Chief Member (Chairman) of the Audit Committee and a member of the Remuneration and Evaluation Committee.

Mr Zhou Deqiang, aged 68, an independent non-executive Director of the Company, is a professor-level Senior Engineer. He graduated from Nanjing Institute of Posts and Telecommunications(南京郵電學院）and was engaged in telecommunications technology and management for a long time. Mr Zhou served as Director General of Anhui Post and Telecommunications Administration（安徽省郵電管理局）from September 1984 to October 1994, and Vice Minister of the Ministry of Posts and Telecommunications（郵電部）and the Ministry of Information Industry（信息產業部）from October 1994 to April 2000. He served as President of China Telecommunications Corporation（中國電信集團公司）from April 2000 to November 2004, and Chairman of the Board of Directors and CEO of China Telecom Corporation Limited（中國電信股份有限公司）(HKSE stock code: 0728) from September 2002 to December 2004. Mr Zhou was a member of CPPCC （全國政協）and the Economics Committee of CPPCC （全國政協經濟委員會） from March 2003 to March 2008. He is now Chairman of China Institute of Communications（中國通信學會）, Honorary Chairman of Association of Communications Across Taiwan Straits（海峽兩岸通信交流協會）, an external director of China Shenhua Group（中國神華集團公司）and an independent director of China PTAC Communications Services Co., Ltd.（中郵普泰通信服務股份有限公司）. Since March 2010, Mr Zhou has served as an independent non-executive Director of the fourth Board of the Company, a member of the Audit Committee and the Chief Member (Chairman) of the Remuneration and Evaluation Committee.

Mr Pan Chongyi, aged 64, an independent non-executive Director of the Company, is a professor-level Senior Engineer. Mr Pan graduated from University of Shanghai for Science and Technology（上海理工大學）. Mr Pan served as vice factory director of Harbin Turbine Company（哈爾濱汽輪機廠）, Director of the Light Industry Bureau of Harbin（哈爾濱市輕工業局）and deputy general manager of HPEGC（哈爾濱電站設備集團公司）from December 1968 to October 1994. He served as vice chairman and general manager of Harbin Power Equipment Company Limited（哈爾濱動力設備股份有限公司）(HKSE stock code:1133) from October 1994 to April 1997. Mr Pan served as deputy general manager of China National Machinery Industry Corporation（中國機械工業集團公司）and general manager of China National Electric Equipment Corporation（中國電工設備總公司）from April 1997 to August 2005. From 2005 to now, Mr Pan has taken the positions as the Chairman of China Perfect Machinery Industry Corp., Ltd.（中國浦發機械工業股份有限公司）, an external director of China Railway Communication Co. Ltd.（中國鐵通集團公司）and an external director of China National Real Estate Group Corporation(中國房地產集團公司）in chronological order. Since March 2010, Mr Zhou has served as an independent non-executive Director of the fourth Board of the Company, a member of the Audit Committee and the Remuneration and Evaluation Committee.

SUPERVISORS

Ms Li Xiaojun, aged 54, Chairperson of the Supervisory Committee of the Company, is a senior economist who graduated from People's University of China(中國人民大學)and has over 20 years of management experience in China's civil aviation industry. From March 1983 to May 1988, Ms Li worked in the Planning Department of the Beijing Bureau of General Administration of Civil Aviation of China(中國民用航空總局北京管理局計劃處). From May 1988 to December 1997, she held the positions of the Deputy Head and then the Head of the Planning Department of Air China International Corporation (中國國際航空公司). Ms Li was the Head of Enterprise & Institute Personnel Division of Personnel and Education Department of General Administration of Civil Aviation of China (中國民用航空總局人事教育司企事業人事處) from December 1997 to August 2000. From October 2000 to August 2004, she had been a Director, 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 (中國民航信息集團公司), 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. Since March 2010, she was re-appointed as a staff representative Supervisor and the Chairperson of the fourth Supervisory Committee of the Company.

Ms Zeng Yiwei, aged 38, a Supervisor of the Company, graduated from Xiamen University with a master's degree. Ms Zeng has being working as the deputy manager and manager of the Finance Division of the Finance and Accounting Department of Xiamen Airlines (廈門航空有限公司)since 1993, she was promoted to the position of and has been the deputy general manager of the Finance and Accounting Department of Xiamen Airlines since April 2004 till now. Since March 2010, Ms Zeng has served as a Supervisor of the fourth Supervisory Committee of the Company.

Mr Yu Yanbing, aged 33, a Supervisor of the Company, graduated from Civil Aviation Institute of China (中國民航學院) (currently known as Civil Aviation University of China (中國民航大學)), majoring in computer science. Mr Yu joined the Computer Centre of Hainan Airlines Company Limited(海南航空股份有限公司), a promoter of the Company, immediately after graduation. Since May 2000, he has worked in HNA Systems Company Limited (海南海航航空信息系統有限公司). From July 2004 to September 2007, he was the deputy general manager of HNA Systems Company Limited. From September 2007 to January 2010, Mr Yu has served as the General Manager of the IT Strategy & Management of HNA Group Company Limited (海航集團有限公司) as well as the Chairman and CEO of HNA Systems Company Limited. Starting from October 2007, Mr Yu has also served as the Chairman of Hainan Baicheng Systems Company Limited (海南百成信息系統有限公司). From January 2008 to January 2010, Mr Yu has worked as the assistant to Chief Executive Officer of HNA Group Company Limited. Since January 2010, Mr Yu has worked as the vice president and Chief Information Officer of HNA Tourism Holding (Group) Company Limited (海航旅業控股(集團)有限公司). Since March 2010, Mr Yu has been the chairman and chief executive officer of Hainan E King Technology Company Limited(海南易建科技股份有限公司). Since January 2007, Mr Yu has served as a Supervisor of the third Supervisory Committee. Since March 2010, Mr Yu has served as a Supervisor of the fourth Supervisory Committee of the Company.

Mr Xiao Wei, aged 40, a staff representative Supervisor of the Company, graduated from Beihang University(北京航空航天大學) with a master's degree in engineering. Mr Xiao joined China Civil Aviation Computer Information Center (中國民航計算機信息中心), a promoter of the Company, the predecessor of China TravelSky Holding Company, in April 1995. From October 2000 (when the Company was established) to October 2008, Mr Xiao served as an engineer of the Networking Department and Deputy Director and Director of the Community Union Working Department of the Company, and general manager of Shenyang Civil Aviation Cares of Northeast China Ltd.(瀋陽民航東北凱亞有限公司), subsidiary of the Company. Mr Xiao has been working as Office Manager to Discipline Committee of the Company since October 2008. Since March 2010, Mr Xiao has served as a staff representative Supervisor of the fourth Supervisory Committee of the Company.

Mr Rao Geping, aged 62, an independent Supervisor of the Company, is a professor and doctorate tutor of the law school of Peking University (北京大學), 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, such as Wuhan University (武漢大學), China Foreign Affairs University (外交學院) and East China University of Politics and Law (華東政法大學). Mr Rao 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. (廣西陽光股份有限公司), 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. Since March 2010, Mr Rao was re-appointed as an independent Supervisor of the fourth Supervisory Committee of the Company.

SENIOR MANAGEMENT

Mr Rong Gang, aged 47, a deputy general manager of the Company, 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 （民航計算機信息中心）. From May 1996 to May 1999, he worked in General Administration of Civil Aviation of China（中國民用航空總局). From May 1999 to September 2002, Mr Rong served as the Vice President of Civil Aviation Computer Information Centre (currently known as China TravelSky Holding Company). He has been the Deputy General Manager of China TravelSky Holding Company, a promoter and shareholder of the Company, from September 2002 to June 2008. From October 2000 to March 2009, Mr Rong acted as a non-executive Director of the Company. He also served as a member of the Company's Strategic Committee from March 2004 to March 2009. Mr Rong has been a Deputy General Manager of the Company since December 2008.

Mr Wang Wei, aged 49, a deputy general manager of the Company, 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（中國航空器材進出口總公司北京分公司）. He was the assistant to the General Manager of China Aviation Supplies Import and Export Corporation from April 2002 to September 2002. From September 2002 to March 2008, Mr Wang served as the Deputy General Manager of China Aviation Supplies Import and Export Group Corporation（中國航空器材進出口集團公司）. From March 2008 to June 2008, he served as the Deputy General Manager of China TravelSky Holding Company, a promoter of the Company. Mr Wang has been a Deputy General Manager of the Company since December 2008.

Mr Sun Yongtao, aged 52, a deputy general manager and the financial controller of the Company, 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（深圳華美鋼鐵公司）. From July 1990 to July 1993, he was the Chief Accountant of Shenzhen Century Plaza Hotel Company Limited（深圳新都酒店股份有限公司）, a company listed on the Shenzhen Stock Exchange. From July 1993 to January 1996, he was a director and General Manager of Finance Department of Shum Yip Holdings Company Limited（深業控股有限公司）(a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, now known as Shenzhen Holding Company Limited（深圳控股有限公司）). From January 1996 to March 2001, he served as the Financial Controller, the Deputy General Manager (General Affairs) and a director of Hengli Weaving (Holdings) Limited（香港恒力紡織（集團）有限公司）. From March 2001 to February 2002, Mr Sun served as the Deputy General Manager and the Financial Controller of Guiming Investment Limited（香港貴明投資有限公司）. He was the Deputy General Manager and the Financial Controller of Daya Bay Nuclear Power Finance Corporation, Ltd.（大亞灣核電財務有限責任公司）from February 2002 to November 2004. Mr Sun has been the Chief Accountant of China TravelSky Holding Company, a promoter of the Company, from November 2004 to June 2008. From March 2008 to May 2008, Mr Sun served as the acting chairman of the Company. From January 2007 to March 2009, Mr Sun served as a non-executive Director of the Company and a member of the Remuneration and Evaluation Committee. Mr Sun has been a Deputy General Manager of the Company since December 2008. Mr Sun has been the Financial Controller of the Company since March 2010. Mr Sun currently also serves as a supervisor of Travelsky Cares (Beijing) Real Estate Co. Limited （中航信凱亞（北京）置業有限公司）, a subsidiary of the Company.

Mr Zhu Xiaoxing, aged 45, a deputy general manager of the Company, graduated from Jilin University majoring in computer software and graduated from Tsinghua University (清華大學) 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 such as the Head of the Operation Department and the Customer Service Department of China Civil Aviation Computer Information Center (中國民航計算機信息中心) 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.

Mr Huang Yuanchang, aged 47, a deputy general manager of the Company, graduated from Nanjing Institute of Technology (南京工業學院), and holds a master degree of administration from Beijing University of Aeronautics and Astronautics (北京航空航天大學). 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 May 1989 to October 2000, Mr Huang served as the Deputy Head and the Head of Operation Room, the Head of Production Management Department, assistant to the General Manager and Deputy General Manager of the Production Management Department of China Civil Aviation Computer Center (中國民航計算機中心). Mr Huang served as the executive director of the first 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 has been a Deputy General Manager of the Company since September 2008. Mr Huang also serves as the chairman of Cares Hubei Co., Ltd. (湖北民航凱亞有限公司) and Civil Aviation Cares Technology of Xi'an Ltd. (西安民航凱亞科技有限公司), 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.

Mr Li Jinsong, aged 40, the General Counsel of the Company, is a senior engineer, certified public accountant and lawyer. He holds a bachelor degree of engineering, master degree of business administration and a doctor of philosophy degree in law from Tsinghua University, and he is an arbitrator of the Beijing Arbitration Commission. Mr Li served as Business Manager of the Investment Management Department of China Huaqing Industrial Corporation (中國華輕實業公司) from August 1990 to September 1995, the General Manager of Liaoning Huaqing Inc. (遼寧華輕實業有限責任公司) from September 1995 to September 2000, and the Assistant to General Manager of China Huaqing Industrial Corporation from September 2000 to March 2002. He resigned from work to study at the Law School of Tsinghua University from March 2001 to February 2004, and served as Associate Professor and a member of the Academic Committee of Beijing National Accounting Institute from February 2004 to March 2007 (during this peirod, he was also a research scholar at the Faculty of Law of London School of Economics and Political Science). In March 2007, he held the position of general counsel of China TravelSky Holding Company. From August 2007 to December 2008, he also served as the General Manager of Department of Corporate Audit Monitoring and Law Affairs (公司審計監察與法律事務部) of China TravelSky Holding Company. From December 2008 up to now, Mr Li has been the general counsel of the Company. Mr Li currently also serves as a supervisor of Shanghai TravelSky Information Technology Limited (上海民航信息科技有限公司), a subsidiary of the Company.

JOINT COMPANY SECRETARIES

Mr Yu Xiaochun, aged 42, the company secretary of the Company (Secretary to the Board), graduated from the Department of Systems Engineering of Beihang University（北京航空航天大學）in July 1989, majoring in Management Engineering. He obtained a master degree in management from Beihang University in March 2002. Since Mr Yu joined China Civil Aviation Computer Information Center（中國民航計算機信息中心）, a promoter of the Company, the predecessor of China TravelSky Holding Company in July 1989, Mr Yu has worked in the China civil aviation information industry (in which the Company carries its activities) for 20 years and has extensive management experience. Mr Yu was the deputy director of the marketing department of China Civil Aviation Computer Information Centerfrom July 1999 to October 2000. From October 2000 (when the Company was established) to December 2002, he held various positions in the Company such as deputy director of the marketing department, the general manager of the DCS department（離港部）and the deputy general manager of the marketing department. From December 2002 to July 2009, Mr Yu was the general manager of the planning and development department of China TravelSky Holding Company. He is the head of the Planning and Development Department of the Company since July 2009. Mr Yu is currently also the director of subsidiaries of the Company, namely Aviation Cares of Yunnan Information Co. Ltd. （雲南民航凱亞信息有限公司）, and Civil Aviation Cares Technology of Xi'an Ltd. （西安民航凱亞科技有限公司）. Mr Yu has served as the company secretary (secretary to the Board) of the Company since March 2010.

Ms Liu Pui Yee, aged 32, the joint company secretary of the Company, is a Hong Kong qualified solicitor. She obtained a bachelor degree in laws and Postgraduate Certificates in Laws from the University of Hong Kong. Ms Liu also obtained a second degree in Chinese laws from the Tsinghua University. Ms Liu has accumulated extensive experiences from handling of compliance issues of listed companies and corporate merger and acquisitions transactions. Ms Liu is currently the joint company secretary of First Tractor Company Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Since March 2010, Ms Liu has served as the joint company secretary of the Company.