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)

Annual Report 2014

CONTENTS

CORPORATE PROFILE

TravelSky Technology Limited (the "**Company**", or together with 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, air travel products and services suppliers to travel agencies, corporate clients, travelers and cargo shippers – to conduct electronic transactions and manage 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 December 31, 2014, it had a direct controlling equity interest in each of the following subsidiaries: Accounting Centre of China Aviation Limited Company ("**ACCA**"), 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., TravelSky Technology Australia Pty. Ltd, TravelSky R&D USA, INC., TravelSky Technology (Taiwan) Limited, Beijing TravelSky Technology Limited, TravelSky Mobile Technology Limited, Beijing HangJu Information Technology Limited, Shanghai TravelSky Information Technology Limited, Guangzhou TravelSky Information Technology Limited, Hunan TravelSky Information Technology Limited, Inner Mongolia TravelSky Information Technology Limited, Henan TravelSky Information Technology Limited, Zhejiang TravelSky Information Technology Limited, TravelSky Technology Huadong Data Center Limited, TravelSky CARES (Beijing) Real Estate Limited, Beijing TravelSky Travel Service 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., Shanghai Yeexing E-Business Limited, Beijing TravelSky HuaYi Software Technology Co., Ltd., Beijing TravelSky Birun Technology Co., Ltd., Guangxi TravelSky Cloud Data Service Co., Ltd., Aviation Cares of Southwest Chengdu, Ltd. and Guangzhou Skyecho Information Technology Limited. The Company also held 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., 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, Guangzhou Airport AirSpan Information Technology Co., Ltd. and Yantai TravelSky Airport Technology Limited.

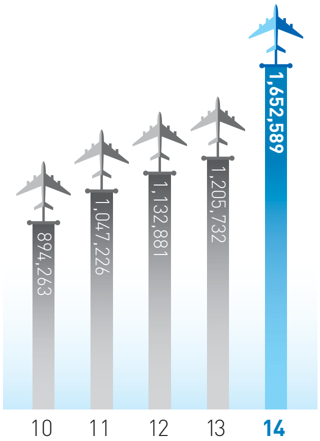
The Group had 6,214 employees as of December 31, 2014.

The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 0696) 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 13 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.

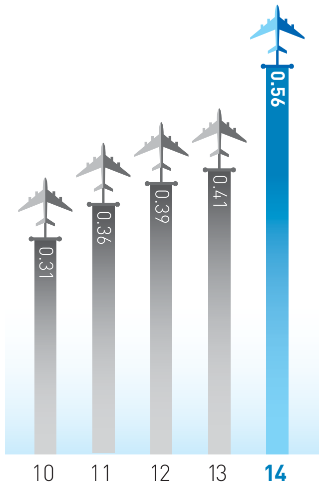
The Company has established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market (OTC) on December 27, 2002.

FINANCIAL HIGHLIGHTS

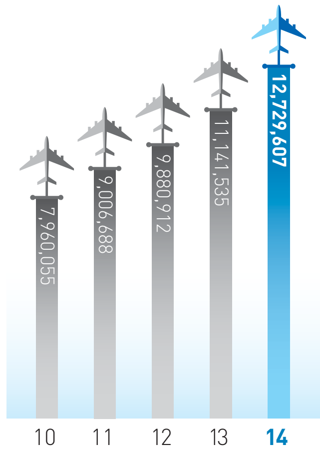
Profit Attributable to Owner of the Parent
RMB'000



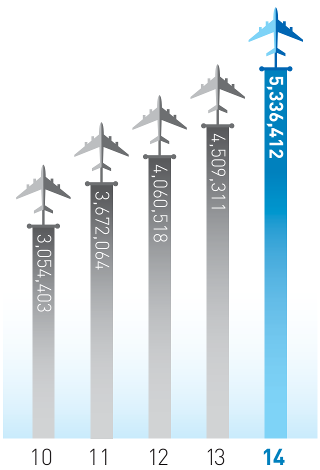
Earnings Per Share (Basic and Diluted)
RMB



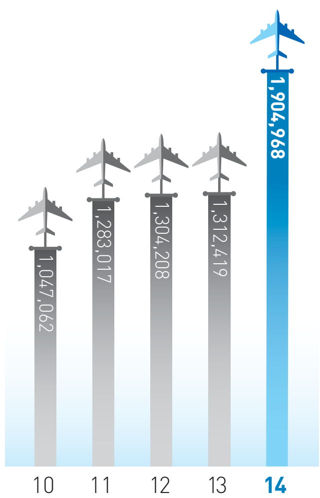
Total Assets
RMB'000



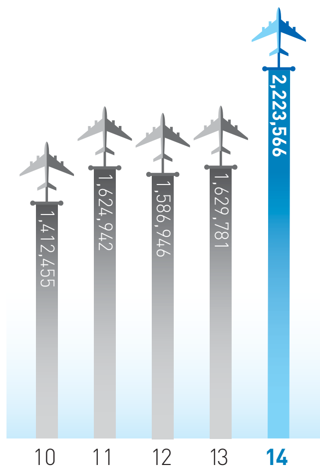
Revenues
RMB'000



Profit before Taxation
RMB'000



Earnings Before Interests, Tax, Depreciation and Amortisation
RMB'000



Note:
1. Earnings per share were calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2014.
2. The financial statements for the year 2010 have been adjusted due to changes in accounting policies in 2011.

STATEMENT OF THE BOARD

DEAR SHAREHOLDERS,

In 2014, upholding the core objective of "becoming one of the world's first-class comprehensive information service enterprises", the Group pushed ahead amidst difficulties in face of the complicated and ever-changing market conditions. By focusing efforts on making innovations, ensuring safe production, quickening steps in business transformation, enhancing management level, facilitating system research and development as well as constructing infrastructure, the Group achieved steady growth in its operating results.

2015 is not only a year of conclusion for the 12th Five-Year Plan of the Group, but also a critical year of thorough reformation. While the global economy is still undergoing a stage of deep transformational adjustment, the Chinese economy has shifted to a "new normal" characterised by medium-to-high-speed growth. The facilitation of a balanced regional economic development, further reform of state-owned enterprises, promotion of "emerging strategic industries", "modern industry of information technology" and "consumption on information industry", release of potential for consumption structure upgrading, integration of tourism and information technology, development of general aviation, low-cost airlines and airport economy, impact of oil prices, exchange rates and high-speed rail (HSR) network on the civil aviation industry and emergence of new technology, new products, new types of operation and new business models have led to an increasingly complicated market environment for the Group, which is right at the intersection of the civil aviation industry and information service industry. The development path has become more complicated, but precious development opportunities have also appeared.

In 2015, how to prudently assess the situation and take the initiative to ride with the tide so as to lay a solid foundation for substantial development under the "new normal" has become the Group's new topic that needs to be solved. In this regard, with a focus on enhancing the quality and efficiency of development, the Group will adhere to the goal of "becoming one of the world's first-class comprehensive information service enterprises" by implementing its strategies in a planned and orderly manner. The Group will fully strengthen its safety protection, market development, service support and risk prevention capabilities in response to the new conditions, gain pace in adjusting its business layout and regional layout and continuously facilitate innovation in models, management, technology and products. By further reforming the operational management system and exploring to refine the incentive mechanism, the Group hopes to strengthen its development vitality and cultivate an active and progressive atmosphere, thereby enhancing its cohesiveness and execution capability effectively.

Finally, on behalf of the board of directors, 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 upon us as well as to all our staff for their collective endeavours. Given the dedicated joint efforts from all parties, I believe the Group will be able to accelerate towards the goal of "becoming one of the world's first-class comprehensive information service enterprises", better serve its customers, and create greater value.

Cui Zhixiong
Executive Director

March 25, 2015

BUSINESS REVIEW

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 products and services providers, travel agencies, travel service distributors, corporate clients, travelers and cargo shippers, as well as major international organisations such as International Air Transport Association ("**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, etc.. With more than three decades of tenacious development, the Company has built up a complete industry chain for aviation and travel information technology services, established a relatively comprehensive, competitively priced product line of aviation and travel information technology services with robust functionality, aiming to help all industry participants to expand their businesses, improve service quality, minimise operational costs and enhance operational efficiency, and ultimately bring benefits to travelers.

AVIATION INFORMATION TECHNOLOGY SERVICES

The aviation information technology ("**AIT**") services offered by the Company, which consist of a series of products and solutions, are provided to more than 30 commercial airlines in the PRC and more than 300 foreign and regional commercial airlines. The AIT services comprised electronic travel distribution ("**ETD**") services (including Inventory Control System ("**ICS**") services and Computer Reservation System ("**CRS**") services) and Airport Passenger Processing ("**APP**") services, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product services for supporting aviation alliances, solutions for developing commercial airlines' e-tickets and e-commerce, data services for supporting decision-making of commercial airlines as well as information management system for improvement of ground operational efficiency.

In 2014, the Group's electronic travel distribution (ETD) system processed approximately 424.6 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 10.7% over the same period in 2013. Among which, the processed flight bookings on commercial airlines in China increased by approximately 10.7%, while those on foreign and regional commercial airlines increased by approximately 11.3%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Company reached 116, with sales percentage through direct links exceeding 99.9%. In 2014, apart from the adoption of our

APP services by all major commercial airlines in the PRC, more foreign and regional commercial airlines were using the Company's APP system services, multi-host connecting program service and the Angel Cue platform connecting services, resulting in the increase of the number of such users to 101, with approximately 9.6 million of passenger departures processed in 62 airports.

In 2014, the Group further aligned the research and development focus with the industrial trend and customers' demand and continued to enhance its aviation-related information technology services and its extended services, with an aim to fulfill the demand of commercial airlines for the information technology solutions on travel convenience, e-commerce, auxiliary services and international services. As a strategic partner of the Fast Travel project of IATA, the Company has been taking efforts in research and development and innovation in this sector. As the first self-help luggage processing product developed fully based on the IATA standards in North Asia, our self-developed self-help luggage processing system has already been brought into operation in Guangzhou Airport and Tianjin Airport, etc. The commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 104 major domestic and international airports, and the online check-in service has been applied in 202 airports at home and abroad. Such products and services, together with the mobile check-in service and the newly-developed SMS check-in service, processed a total of approximately 84.1 million departing passengers. Our self-developed mobile application, "Umetrip", has also attracted over 10 million users. The Company provided E-Build (an e-commerce supporting platform) product or relevant overall solutions to 48 commercial e-commerce websites owned by 27 commercial airlines, including the launch of the international B2C and B2B websites in regional or overseas markets for 7 domestic and regional commercial airlines including China Eastern Airlines Corporation Limited and Hong Kong Airlines Ltd. Sales support for auxiliary service, based on the Electronic Miscellaneous Document (EMD) system, was also applied in 14 domestic and regional commercial airlines. The Company implemented the EMD-based applications for fee-charging including re-scheduling of air tickets, overweight baggage, prepaid baggage and seat selection. The Company took the initiative to start the air travel alliance cooperation project to provide the alliance with solutions for seamless transit and passenger protection for the purpose of supporting commercial airlines to fully launch direct sales among the alliance members and providing departure graphic-based front-end service for commercial airlines in a number of overseas stations.

In 2014, as the new-generation civil aviation passenger service information system ("**New Generation System**") jointly researched and developed by the Company and key commercial airlines customers in China entered a stage of full-scale construction and successive delivery, the Company's technical expertise and delivery capability in core system construction was further strengthened. With the new-generation flight management system, which supports O&D revenue management and automatic full flight lifecycle management, being put into operation, the refined revenue management capability and operational efficiency of the customers were enhanced. The new-generation international fare search engine for travelers was put into operation, representing our support for alliance sales in terms of customers' e-commerce channels and an expansion of revenue opportunities. The delivery and implementation of a series of new products, including the revenue integration product which supports team deadline management and the full process graphic-based load planning front-end equipped with automatic trim function, significantly increased customers' recognition of the New Generation System.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

The Company provided accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation corporations through Accounting Centre 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 organisations and IATA. In 2014, there were approximately 669.0 million transactions and approximately 277.2 million BSP tickets processed by the accounting, settlement and clearing system of ACCA, while passenger, cargo and postal revenues, miscellaneous fees as well as international and domestic clearing fees settled through our system amounted to approximately USD7.2 billion, and e-payment transaction amounted to approximately RMB15.4 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

The Group's travel service distribution network comprises nearly 60,000 sales terminals owned by more than 7,000 travel agencies and travel service distributors, with high-level networking and direct links to all GDS around the world and 116 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localised services to travel agencies and travel service distributors through more than 40 local distribution centres across China and 9 overseas distribution centres across Asia, Europe, North America and Australia. The network processed over 335.1 million transactions during 2014 with its transaction amount reaching RMB350.8 billion.

In 2014, the Group continued its effort in the optimisation and promotion of the product lines for distribution information technology services and kept on facilitating the research and development of distribution products. Through cooperating with the Ministry of Finance and the Settlement Centre of the Civil Aviation and Administration of China ("**CAAC**"), the "air ticket purchase platform for government departments and enterprises" was completed. To contribute to the cost-savings of the government and the development of civil aviation, more than 20 commercial airlines have become the carriers of the project, and over 100 sales departments of commercial airlines and over 1,000 agent users have joined the purchase platform.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2014, the Group actively participated in the tendering and bidding of domestic airport information system construction and continued to pursue greater efforts in the development of airport information technology service product lines. Besides guaranteeing the market share of the traditional departure services and products, the Group stepped up its efforts in operating and promoting new products. The security inspection information system from the airport ground operation product line has been promoted to 18 airports including Tianjin Airport, Nanjing Airport and Nanning Airport. The airport passenger and luggage information busbar has been promoted to 16 airports including Xiamen Airport, Huhehot Airport and Qinhuangdao Airport. The self-help check-in system (CUSS) from the airport passenger full process service product line has been promoted to 22 airports including Zhuhai Airport, Fuzhou Airport and Changsha Airport. The airport WIFI project based on the internet economic model was implemented in Jinan Airport and Yantai Airport, etc.. Apart from its dominance in the middle-sized and large-sized airports in China, the new generation APP departure front-end system also facilitated China's commercial airlines to launch passenger check-in, transit and connecting flight services in 110 overseas or regional airports, processing approximately 24.8 million passenger departures, and accounting for approximately 85.7% of overseas returning passengers of China's commercial airlines. The service of Angel Lite, a passenger front-end processing system designed and developed for small airports ranking lower than the top 60 airports in terms of passenger throughput in China, was extended to another 12 airports including Liupanshui Airport, Dunhuang Airport and Shihezi Airport.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2014, the Group constantly refined the air freight logistics information technology services, continued optimising the support services provided for the cargo shipping system of Air China Cargo Co., Ltd. and China Cargo Airlines Ltd. and actively promoted the e-reporting business for cargo manifests of China Customs. It also connected a number of medium to large-sized air cargo terminals with its air logistics information platform, and provided data service for 16 domestic and international commercial airlines including LOT Polish Airlines. In 2014, the system handled approximately 15.6 million air freight bills, an increase of 14.7% from the corresponding period in 2013.

TRAVEL PRODUCT DISTRIBUTION SERVICES

In 2014, taking the construction of the travel product distribution platform as the core, the Group strove for the swift development of the low-cost non-aviation business by forging vertical transmission of non-aviation information and data integration. The Group continued to enrich the non-aviation platform resource centre and took greater effort in procuring high quality room resources for prepayment and purchase. It also built a new website for Sohoto.com and a resource website for suppliers, and launched several products, including a distribution mobile booking front-end APP and a WeChat embedded system. The Group distributed 1,058,600 hotel's room-nights through its hotel distribution platform-Sohoto.com during the year, representing an increase of approximately 6.9% as compared with the corresponding period in 2013.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2014, the Group leveraged upon the opportunities presented by China's advocated development of strategic and new information service industry. With its continued exploration of customer base and service sectors with a focus on governmental authorities and central enterprises, the Group continued to undertake the outsourced data centre entrustment projects for China Galaxy Securities Company Limited, the information centre under the Ministry of Civil Affairs and China National Pharmaceutical Group Corporation. The Group also won the bidding for several projects, including the vendor system and phase 2 e-ticketing system integration service for the Information Centre under the Ministry of Railways, information system cloud service for the Ministry of Environmental Protection, disaster recovery service for China National Pharmaceutical Group Corporation and development, operation and maintenance service for the judicial auction online bidding platform for cars bearing Beijing license plates under the China Beijing Equity Exchange, for which service delivery has been progressing smoothly. In the meantime, the self-developed Cloud Data Replication (CDR) and Travel Cloud (TCD) products have been refined continuously and brand new versions have been rolled out to serve various customers with good market feedback.

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 optimise resource allocation by making full use of existing technologies, business and management approaches, so as to improve operation reliability and interference-resistant ability and achieve low cost operation.

In 2014, the Group's ICS (Inventory Control System), CRS, APP, the core open system and the settlement and clearing mainframe systems maintained stable operation. To improve the reliability, potential resources, processing capability and maintenance efficiency of the production system, a combination of technical and managerial means has been employed. The Group improved the performance of the mainframe system in order to implement triage in the systems and operations and optimise high frequency commands. The "Research and Demonstration Project of Air Ticket Transaction Application for Civil Airlines based on Safe and Reliable Fundamental Software" (基於安全可靠基礎軟件的民航客票交易應用研究與示範工程) was recognized as an important technological project of the country – a "Core Electronic Devices, High-end Generic Chips and Basic Software" project – by the Ministry of Industry and Information Technology. The Group completed developing the first version of the centralised monitoring platform system for data centre, and successfully applied for the national electronic information industry development fund by building upon such foundation. The Platform-as-a-Service (PAAS) platform was established to refine the resource delivery procedures. The Group also strengthened technical innovation and cooperation and facilitated equipment localization. The "Implementation Standards on Important Information System Backup and Restoration for Civil Aviation in case of Catastrophe" (民航重要信息系統災難備份與恢復實施規範), which was chiefly drafted and formulated by the Company, was approved and duly published by the CAAC as the standards for the civil aviation industry. Further, the Group refined the safe production management system, rationalized the information security system and designed a safety structure for the New Generation System. By strengthening the information security standards and system and stepping up its efforts in safety threat inspection and contingency skill drills, the Group secured the safe operation of the civil aviation passenger information system in its daily operations and also during the heavy security period around Chinese New year, the convention of meetings of the National People's Congress and the People's Political Consultative Conference, and during the Conference on Interaction and Confidence-Building Measures in Asia and APEC summit.

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 year's results announcement. The financial statements have been prepared in accordance with IFRSs. The following discussions on the synopsis of historical results do not represent a prediction as to the future business operations of the Group.

SUMMARY

For Year 2014, profit before taxation of the Group was approximately RMB1,905.0 million, representing an increase of approximately 45.1% over that in the year ended December 31, 2013 ("**Year 2013**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB2,223.6 million, representing an increase of approximately 36.4% over that in Year 2013. Profit attributable to equity holders of the Company was approximately RMB1,652.6 million, representing an increase of approximately 37.1% over that in Year 2013.

The basic and diluted earnings per share of the Group in Year 2014 were RMB0.56.

TOTAL REVENUE

The total revenue of the Group in Year 2014 amounted to approximately RMB5,336.4 million, representing an increase of approximately RMB827.1 million, or 18.3%, from approximately RMB4,509.3 million in Year 2013. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 53.5% of the Group's total revenue in Year 2014, as compared to 57.3% for Year 2013. Aviation information technology service revenue increased by 10.5% from RMB2,582.0 million in Year 2013 to RMB2,854.3 million in Year 2014. The main sources of the revenue were Inventory Control System ("**ICS**") service, Computer Reservation System ("**CRS**") service and Airport Passenger Processing ("**APP**") service, as well as other extended information technology services related to the above core businesses provided by the Group to commercial airlines. The increase of revenue was mainly due to the growth in the number of air travelers.

- Accounting, settlement and clearing services revenue accounted for 8.1% of the Group's total revenue in Year 2014, as compared to 9.5% for Year 2013. Accounting, settlement and clearing services revenue increased by 0.3% from RMB431.2 million in Year 2013 to RMB432.4 million for Year 2014. The main source of the revenue was accounting, settlement and clearing service provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The increase of revenue was primarily due to the increase in business volume of accounting, settlement and clearing services.

- System integration service revenue accounted for 19.5% of the Group's total revenue in Year 2014, as compared to 15.5% for Year 2013. System integration service revenue increased by 48.7% from RMB699.6 million in Year 2013 to RMB1,039.9 million for Year 2014. The main source of the revenue was the hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The growth of revenue was primarily due to the increase in the number of contracted projects.

- Data network revenue and other revenue accounted for 18.9% of the Group's total revenue in Year 2014, as compared to 17.7% for Year 2013. Data network revenue and other revenue increased by 26.8% from RMB796.5 million in Year 2013 to RMB1,009.8 million for Year 2014. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels, air freight logistics information technology service provided to commercial airlines, airports and cargo shippers, as well as airport information technology service, public information technology services and other businesses etc. provided by the Group. The growth of revenue was mainly due to the increase in revenue from data network services and other information technology services.

OPERATING EXPENSES

Operating expenses for Year 2014 amounted to RMB4,081.3 million, representing an increase of RMB805.6 million, or 24.6%, from RMB3,275.7 million in Year 2013. The increase in operating expenses is reflected as follows:

- Network usage fees decreased by 28.4%, mainly due to the cost control of the Group, leading to a decline in network rental fees despite a growth in the business volume;

- Staff costs increased by 20.2%, primarily due to the increase in the number of staff for supporting the Group's business development and salary increment for the staff;

- Technical support and maintenance fees increased by 43.9%, mainly due to the continuous efforts of the Group in research and development of new products and technologies;

- Commission and promotion expenses increased by 24.5%, mainly due to the increase in system usage in line with the business development of the Group; and

- Cost of software and hardware sold increased by 45.0%, primarily due to the increase in system integration projects of the Group.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB21.6 million, or approximately 1.7%, from approximately RMB1,233.6 million in Year 2013 to approximately RMB1,255.2 million in Year 2014.

TAXATION

Under the Corporate Income Tax Law of the People's Republic of China ("**CIT Law**"), in general, the applicable corporate income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. The Company has received the "Certificate for High and New Technology Enterprise" for 2014 to 2016 from the relevant taxation authority.

In addition to the recognised "High and New Technology Enterprise" enjoying a preferential corporate income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as a "key software enterprise falling within the State's planned arrangement" for the year, it can further enjoy a preferential income tax rate of 10%. From 2006 to 2012, the Company was certified as a "key software enterprise falling within the State's planned arrangement".

On January 2, 2014, the Company also obtained the certificate for "key software enterprise falling within the State's planned arrangement" for Year 2013 and Year 2014. Accordingly, the Company has calculated the income tax expense at the tax rate of 10% for Year 2013 and Year 2014. (Please refer to the announcement of the Company dated January 2, 2014.)

Under the new CIT Law, tax rates falling within the range of 15% to 25% apply to the Company's subsidiaries in China.

Under the relevant provisions, with effect from September 1, 2012, all of the revenue from the Group's provision of aviation information technology services and accounting, settlement and clearing services in Beijing shall be subject to value-added tax instead of business tax, and with effect from August 1, 2013, such tax reform was implemented throughout China. For details of the business tax and value-added tax to which the Group is subject, please refer to Note 11 to the "Notes to the Consolidated Financial Statements".

PROFIT ATTRIBUTABLE TO OWNER OF THE PARENT

As a result of the above factors, the profit attributable to owner of the Parent increased by approximately 37.1% from approximately RMB1,205.7 million in Year 2013 to approximately RMB1,652.6 million in Year 2014.

PROFIT AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 36 to the financial statements) from the profit distributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2014, amounted to approximately RMB3,120.2 million (2013: RMB2,378.6 million).

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2014 (RMB in million)	2013 (RMB in million)
Net cash generated from operating activities	**1,878.1**	1,743.8
Net cash used in investing activities	**(1,814.5)**	(744.7)
Net cash used in financing activities	**(417.7)**	(391.4)
Net (decrease)/increase in cash and cash equivalents	**(354.1)**	607.7
Effect of foreign exchange rate changes on cash and cash equivalents	**0.2**	1.9

The Group's working capital for Year 2014 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,878.1 million.

In Year 2014, the Group had no short-term and long-term bank loans, neither did the Group use any financial instruments for hedging purpose.

As at December 31, 2014, cash and cash equivalents of the Group amounted to RMB1,995.0 million, of which approximately 92.3%, 6.7% and 0.4% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

HELD-TO-MATURITY FINANCIAL ASSETS

As at December 31, 2014, the Group held commercial bank financial products in the amount of RMB1,210 million with a yield rate from 3.5% to 5.5%. Such products are principal-protected, fixed income financial products with a maturity of 20 to 183 days, and not redeemable prior to the maturity date.

CHARGE ON ASSETS

As at December 31, 2014, the Group had no charge on its assets.

RESTRICTED BANK DEPOSITS

As at December 31, 2014, restricted bank deposits in the amount of RMB217.5 million (2013: RMB152.3 million) mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing.

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB1,152.2 million in Year 2014, representing an increase of approximately RMB318.0 million as compared to that of approximately RMB834.2 million in Year 2013. The capital expenditure of the Group in Year 2014 consisted principally of upgrade of the existing equipment, development of the new generation aviation passenger service system and promotion of other new businesses, as well as the construction of the new operating centre in Beijing.

The Board estimates that the Group's planned capital expenditure for 2015 will amount to approximately RMB2,206.3 million, which is mainly used for the construction of the new operating centre in Beijing, 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 operating activities. The Board estimates that the sources of funding of the Group in 2015 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

NEW OPERATING CENTRE IN BEIJING

The general plan of the new operating centre of the Company in Shunyi District, Beijing and the construction budget plan of its Phase I work were approved at the annual general meeting of the Company held on June 5, 2012 as follows: The new operating centre consists of 18 buildings with a total gross floor area of 533,000 sq. m.. The Phase I work consists of the construction of 13 buildings with a gross floor area of 368,000 sq. m. with an investment budget of RMB3.655 billion (subject to upward/downward adjustment of not more than 10%). (For details, please refer to the circular of the Company dated April 13, 2012 and the announcement of the Company dated June 5, 2012.)

As at the end of 2014, the Phase I work of the new operating centre in Beijing has accumulated an expenditure of approximately RMB832 million, representing 22.8% of the construction budget of the Phase I work. The expenditure in 2014 was approximately RMB476 million. Six buildings under the Phase I work have already been under construction. The production area consists of server building A, a power building and the operating centre, with a gross floor area of approximately 117,000 sq. m., while the office area consists of the headquarters building, the research and development centre and the settlement centre, with a gross floor area of approximately 170,000 sq. m.. In 2015, the construction of the ancillary area will be commenced successively. The required expenditure is expected to be approximately RMB1,375 million, which has been included in the capital expenditure plan of the Company for 2015.

EXCHANGE RISK

The Group's foreign exchange risk arises from commercial transactions and recognised 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, 2014, the gearing ratio of the Group was approximately 16.9% (2013: 16.5%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2014.

CONTINGENT LIABILITIES

As at December 31, 2014, the Group had no material contingent liabilities.

EMPLOYEES

As at December 31, 2014, the total number of employees of the Group was 6,214. Staff costs amounted to approximately RMB1,172.8 million for Year 2014 (2013: RMB975.9 million), representing approximately 28.7% of the total operating expenses of the Group for Year 2014.

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 of the PRC, as amended from time to time, such as medical insurance, pension, unemployment insurance, maternity insurance and housing funds.

In 2007, the Group implemented a corporate annuity scheme (or "**supplementary pension plan**") in accordance with relevant policies of the PRC. According to the corporate annuity scheme, the Group is required to make provision for monthly corporate annuity fees with reference to the total actual salary each month in the previous year 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 2014, the aggregate corporate annuity expenses of the Group amounted to approximately RMB19.1 million (2013: RMB37.1 million).

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

Currently, as stipulated by and under the requirements of the regulatory bodies, the independent non-executive directors of the Company are entitled to directors' fee of RMB60,000 or RMB70,000 and allowance for attending meetings per annum, whilst none of the other non-executive directors of the Company receive any remuneration. Any reasonable fees and expenses incurred by all directors during their tenure of service will be borne by the Company. All directors of the Company are entitled to liability insurance purchased by the Company for its directors.

As disclosed in the announcement of the Company dated August 29, 2011, according to the H Share Appreciation Rights Scheme (the "**Scheme**") for certain directors, senior management and employees of the Company adopted by shareholders on June 28, 2011, the Board granted a total of 14,004,000 share appreciation rights to the first batch of incentive recipients which consisted of 56 people in total (of which 3 were executive directors of the Company). Prior approval of the Scheme had been obtained from the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**"). For details about the implementation of the Scheme, please refer to Note 38 to the "Notes to the Consolidated Financial Statements".

In Year 2014, the first tranche of 4,668,000 units and the second tranche of 4,485,000 units out of 14,004,000 units of share appreciation rights have been completely exercised. As at December 31, 2014, one of the executive directors and a senior management staff of the Group resigned due to job allocation. The relevant third tranche of 165,000 units of share appreciation rights of the executive director and the relevant second and third tranche of 224,000 units of share appreciation rights of the senior management staff have been forfeited accordingly.

DISTRIBUTION OF PROFIT

In Year 2014, according to the Company Law of the People's Republic of China (the "**PRC Company Law**"), relevant laws and regulations, and the articles of association of the Company (the "**Articles**"), the distributable net profit after taxation and minority interest is distributed in the following order:

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

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

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

The appropriation of 10% of its net profit to the discretionary surplus reserve fund for the year ended December 31, 2013 was approved at the annual general meeting held on June 5, 2014. The amount was accounted for in shareholder's equity as a distribution of retained earnings for Year 2014.

The proposed appropriation of 10% of its net profit amounted to RMB141.9 million to the discretionary surplus reserve fund for the year ended December 31, 2014 is subject to shareholders' approval at the forthcoming annual general meeting. Therefore, the amount will be recorded in the Group's financial statements for the year ending December 31, 2015.

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2014

On March 25, 2015, the Board proposed the distribution of a final cash dividend of RMB389.2 million, which represented RMB0.133 per share (tax inclusive) for Year 2014 ("**Dividend**"). The total number of shares in issue of the Company which entitles the receipt of those dividends is 2,926,209,589 shares. Upon distribution of the above final dividend, the distributable profit as at December 31, 2014 is approximately RMB2,731.0 million (2013: RMB1,968.9 million).

Pursuant to the 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 enterprise shareholders holding H shares of the Company as defined by the CIT Law) are subject to corporate income tax for their income arising within the PRC territory (including dividends they were entitled to as defined by the CIT Law). The applicable tax rate is 10% and the amount will be withheld by the Company.

Pursuant to relevant laws and regulations such as the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), foreign resident individual shareholders holding share certificates issued in Hong Kong by domestic non-foreign invested enterprises are entitled to relevant tax incentive policies in accordance with the tax treaties signed by countries in which they are domiciled and China and the requirements of the tax arrangement between China and Hong Kong (Macau). As such, dividend income received by individual shareholders holding H shares of the Company is subject to individual income tax at the rate of 10%, and the Company will withhold such amounts.

The Company will submit the above dividend distribution proposal to the forthcoming annual general meeting (the "AGM"). If such proposal is approved at the AGM, the Company will publish an announcement on the matters related to dividend distribution after conclusion of the AGM, including, among other things, the amount of dividend per share in Hong Kong dollar, book closure period, ex-date and dividend payment date.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board has adopted the code provisions as stipulated in the Corporate Governance Code (the "**Code Provision(s)**") 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 compliance with the principles set out in the Corporate Governance Code, the Board is 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 Group 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.

In 2014, the Company fully complied with the Code Provisions except for Code Provision A.1.1. The Board held only two physical meetings and one meeting by way of circulation of written proposals, and thus deviated from the requirement of Code Provision A.1.1. Nevertheless, the Board effectively performed its duties by considering and deciding on matters that needed to be determined in a timely manner. The Board will try its best to improve the situation and strengthen its effort in holding regular meetings.

SECURITIES TRANSACTIONS OF DIRECTORS

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 as the code of conduct regarding the securities transactions of the Company's directors and supervisors.

Having made specific enquiries of all directors, no director failed to comply with the relevant requirements of the Model Code in 2014.

THE BOARD

According to the provisions of the Articles, the Board comprises 9 directors.

In December 2014, Mr. Xu Qiang resigned as the Chairman, Executive Director and member of each of the relevant special committees of the Company due to change of work arrangements. Therefore, the Board of the Company decided to appoint Mr. Cui Zhixiong, an Executive Director, to exercise the powers of the Chairman. For details, please refer to the announcement of the Company dated December 2, 2014.

For 2014, the list of directors of the Company is set out below and the attendance of each of the directors is as follows:

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for Audit Committee meetings	Attendance rate for Remuneration and Evaluation Committee meetings	Attendance rate for Nomination Committee meetings	Attendance rate for Strategic Committee meetings	Attendance rate for Executive Committee meetings
Cui Zhixiong (Note 2)	Executive Director; Acting as the Chairman; Chief Member of Nomination Committee; Chief Member of Strategic Committee; Chief Member of Executive Committee	100%	100%	–	–	–	–	100%
Xiao Yinhong	Executive Director, General Manager; Member of Strategic Committee; Member of Executive Committee	100%	100%	–	–	–	–	100%
Wang Quanhua	Non-executive Director; Member of Remuneration and Evaluation Committee; Member of Strategic Committee	0% (Note 1)	0%	–	–	–	–	–
Cao Jianxiong (Note 2)	Non-executive Director; Member of Strategic Committee	–	100%	–	–	–	–	–
Cai Kevin Yang	Non-executive Director; Member of Strategic Committee	50% (Note 1)	25%	–	–	–	–	–
Cheung Yuk Ming	Independent Non-executive Director; Chief Member of Audit Committee; Member of Remuneration and Evaluation Committee	100%	0%	100%	–	–	–	–
Pan Chongyi	Independent Non-executive Director; Member of Audit Committee; Chief member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	75%	100%	–	100%	–	–

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for Audit Committee meetings	Attendance rate for Remuneration and Evaluation Committee meetings	Attendance rate for Nomination Committee meetings	Attendance rate for Strategic Committee meetings	Attendance rate for Executive Committee meetings
Zhang Hainan	Independent Non-executive Director; Member of Audit Committee; Member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	100%	100%	–	100%	–	–
Sun Yude (Note 2)	Resigned as Non-executive Director; resigned as Member of Strategic Committee	100%	0%	–	–	–	–	–
Xu Qiang (Note 2)	Resigned as Chairman and Executive Director; resigned as Chief Member of Nomination Committee; resigned as Chief Member of Strategic Committee; resigned as Chief Member of Executive Committee	50% (Note 1)	100%	–	–	0% (Note 1)	–	100%

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the director in 2014, excluding meetings by way of circulation of written proposals.

   During 2014, the Board held two physical meetings and one meeting by way of circulation of written proposals, and convened one AGM, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting. The Audit Committee held five meetings. The Remuneration and Evaluation Committee held one meeting by way of circulation of written proposals. The Nomination Committee held one meeting. No meeting was convened for the Strategic Committee. The Executive Committee held seven meetings.

   When Director Xu Qiang, Director Wang Quanhua and Director Cai Kevin Yang failed to attend a Board meeting or a committee meeting in person, they appointed other Directors to vote and express their views on their behalf by written authorization.

   Besides, the attendance rates of all directors at the meetings held by way of circulation of written proposals are 100% but are not included in the above attendance rate table.

2. Director Xu Qiang resigned on December 2, 2014. Director Cui Zhixiong exercised the powers of the Chairman, and acted as the Chief Member of the Strategic Committee, the Nomination Committee and the Executive Committee with effect from December 2, 2014.

   Director Sun Yude resigned on December 23, 2014, and Director Cao Jianxiong assumed his duties with effect from December 23, 2014.

The Board is accountable to the general meeting in accordance with the Articles and performs the following duties: convening general meetings and reporting its work therein; implementing resolutions passed at the general meetings; determining 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 to the Articles; deciding other significant affairs and administrative issues of the Company other than issues to be resolved at the general meetings 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 meetings and the Articles.

The Board is responsible for leading and monitoring the Company, and collectively making decisions and supervising the operation of the Company. The Board is responsible for preparing accounts for each financial period to ensure that they reflect the Group's business and results during the period in a true and fair manner. The Board accepts responsibilities for the preparation of the Group's financial statements. As at the date of this report, the Board has not been aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

It is the responsibility of the Board to ensure that the Company maintains a sound and effective internal control system to safeguard the shareholders' investment and the Company's assets. The internal control system of the Company comprises a well-established organizational structure and comprehensive policies. The Board, through the Audit Committee, assesses annually the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance controls as well as risk management. During the reporting period, the Board reviewed the effectiveness of the internal control system of the Company and its subsidiaries. In 2014, the Company optimized all construction works through the internal control system. In accordance with the procedures implemented by, and the information available to, the internal control and audit functions, no major issue in relation to financial reporting and internal control has been identified.

Headed by the General Manager, the management of the Company is responsible for overseeing the management of the Company's daily production and operation, coordinating the implementation of the Board resolutions, coordinating the implementation of the annual business plans and investment proposals, formulating plans for the internal management bodies, formulating plans for the branches of the Company, establishing the basic management system, formulating the basic constitution and performing other duties as delegated by the Board. At the Board meeting held on March 24, 2014, the Board decided to grant the Executive Committee certain powers to replace the following powers already granted to the General Manager in March 2010: (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 or change members of the board of directors and the supervisory committee of the wholly-owned subsidiaries, and appoint, change or recommend shareholder representatives, directors, supervisors and the senior management of the holding and non-holding subsidiaries; and (e) approve and dispose of the equity investment and equity acquisition or disposal matters relating to the principal operations of the Company or a single investment of the Company or a total investment of less than RMB10,000,000 made in the same investee, including approval of the investment or transaction plans, approval and execution of the necessary documents in the course of plan implementation and so on. Matters involving the connected transactions and notifiable transactions under the Listing Rules shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company. For details of the new authorization granted to the Executive Committee, please refer to page 30 of this report.

The management briefs the Board on the financial conditions and major operating performance of the Company every month; submits financial and other information to the Board for review and approval; and provides full explanations and information to questions addressed by the Board.

The Board includes three independent non-executive directors, representing one-third of the Board, which is in compliance with the requirements of Rules 3.10 and 3.10A of the Listing Rules. During the reporting period, the Company received from the three independent non-executive directors, namely Mr. Cheung Yuk Ming, Mr. Pan Chongyi and Mr. Zhang Hainan, annual confirmations of their independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the above independent non-executive directors are independent.

In 2014, as required under Code Provision A.6.5, each director of the Company actively participated in continuous professional development to develop and refresh his knowledge and skills. This is to ensure that his contribution to the Board remains informed and relevant.

In 2014, the Company Secretary provided each director with updates and amendments to the Listing Rules and other laws and regulations from time to time and arranged induction training for the newly appointed directors, including talks on directors' responsibilities by the legal advisor and trainings on directors' continuing obligations under the Listing Rules as well as the rules and requirements of the Guidelines on Disclosure of Inside Information. In 2014, the compliance with Code Provision A.6.5 of each director according to the learning and training records provided by individual director is as follows:

Executive Directors	
Mr. Cui Zhixiong	A
Mr. Xiao Yinhong	A
Non-executive Directors	
Mr. Wang Quanhua	A
Mr. Cao Jianxiong	A
Mr. Cai Kevin Yang	A, B
Independent Non-executive Directors	
Mr. Cheung Yuk Ming	A
Mr. Pan Chongyi	A, B
Mr. Zhang Hainan	A, B
Resigned Directors	
Mr. Xu Qiang	A
Mr. Sun Yude	A

Notes:

A: self-learning and reading updates and amendments to relevant laws and regulations including the Listing Rules

B: attending thematic training talks organised by professional bodies

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board (Chairman) and General Manager (Chief Executive Officer) of the Company are Mr. Xu Qiang and Mr. Xiao Yinhong, respectively. Since Mr. Xu Qiang resigned in December 2014, the Board resolved to appoint Mr. Cui Zhixiong, an Executive Director, to exercise the powers of the Chairman.

TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date
Wang Quanhua	Non-executive Director	June 18, 2013	June 17, 2016
Cao Jianxiong	Non-executive Director	December 23, 2014	June 17, 2016
Cai Kevin Yang	Non-executive Director	June 18, 2013	June 17, 2016
Cheung Yuk Ming	Independent Non-executive Director	June 18, 2013	June 17, 2016
Pan Chongyi	Independent Non-executive Director	June 18, 2013	June 17, 2015
Zhang Hainan	Independent Non-executive Director	June 18, 2013	June 17, 2015
Sun Yude	Non-executive Director (resigned)	June 18, 2013	December 23, 2014

Note: Pursuant to the PRC Company Law and the Articles, where a director has not been timely re-elected at the expiry of the term of office or a director has resigned during the term of office as a result of which the number of members in the board of directors falls below the quorum, the original director shall perform his duties as a director, prior to the assumption by the elected director, in accordance with the requirements of the laws and regulations and the Articles.

BOARD COMMITTEES

Corporate governance functions

The Board is responsible for corporate governance functions, including developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors and reviewing the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report.

The Board has adopted the Code Provisions as the Company's code of corporate governance and established five committees dedicated in conducting investigation and research, making analysis and giving specific advice to the Board in respect of strategic investment, nomination, remuneration, financial reporting, internal control and risk management, etc. The Company, from time to time, reminds the directors and senior management to learn new rules and laws proactively and take effective management action to discharge their duties cogently. The Company has set up more than ten basic management systems relating to legal compliance, including the "Measures for the Administration of Information Disclosure", the "Legal Affairs Regulations of the Company" and the "Regulations on Contracts". The Board has adopted Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions of the Company's directors and supervisors and has also formulated the "Model Code for Securities Transactions by Employees".

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 holds at least two regular meetings each year, and meetings will also be held at any time as and when necessary.

The Audit Committee appointed by the fifth session of the Board comprised three independent non-executive directors, namely Mr. Cheung Yuk Ming, Mr. Pan Chongyi and Mr. Zhang Hainan. Mr. Cheung Yuk Ming acted as the chief member of the Audit Committee (chairman). The term of each member of the committee is the same as his respective term as a director.

In 2014, the Audit Committee convened five meetings, and the attendance rate of all members at the meetings was 100%. The work of the Audit Committee during the year is mainly as follows:

1. received reports on financial work from the financial officers of the Company and reviewed the half-year and annual financial statements, annual report and interim report of the Company, including any changes in accounting policies and practices, major judgmental areas, significant audit adjustments, the going concern assumptions and any qualifications, and compliance with accounting standards and legal and regulatory requirements in relation to financial reporting.

2. met with the auditor at least twice and held at least one separate meeting with the auditor in the absence of the Company's management; discussed with the auditor the nature and scope of the audit and reporting obligations; received the audit procedures and work plan for the annual audit and half-year review from the auditor; listened to the management's explanation and response to any queries raised by the external auditor during its audit and gave specific opinions and recommendations.

3. reviewed the Company's financial controls, internal control and risk management systems; discussed the internal control system with the management; received opinions and recommendations on the internal control and audit functions of the Company to ensure that the management has performed its duty to establish an effective internal control system and that the internal audit function is adequately resourced and has appropriate standing within the Company, e.g. the adequacy of resources, experience, training and budget of staff of the Company's accounting and financial reporting and internal audit functions.

   During the year, the Audit Committee discussed, in particular, the risk management and internal control of the construction project of the Company's new operating centre in Shunyi District, Beijing and conducted site visits, and gave specific recommendations and opinions on enhancing the control mechanism, ensuring the sufficiency of internal resources and avoiding risks. The Committee is continuously monitoring the work progress.

4. conducted an annual review on the Company's continuing connected transactions and gave opinions and recommendations regarding the relevant internal management and control mechanism.

5. assessed the independence of the external auditor and made recommendations to the Board on the appointment and removal, terms of engagement and remuneration of the external auditor, including reviewing the Company's plan on engaging the external auditor to provide non-audit services.

Remuneration and Evaluation Committee

The role and duties of the Remuneration and Evaluation 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 their performance; advising the Board on the remuneration policies and frameworks of directors and senior management of the Company, and on the standard procedure of setting up such remuneration policy; and monitoring the implementation of the Company's remuneration scheme.

The Remuneration and Evaluation Committee appointed by the fifth session of the Board comprised three independent non-executive directors, namely Mr. Pan Chongyi, Mr. Cheung Yuk Ming and Mr. Zhang Hainan, and a non-executive director, namely Mr. Wang Quanhua. Mr. Pan Chongyi acted as the chief member of the Remuneration and Evaluation Committee (chairman). The term of each member of the Remuneration and Evaluation Committee is the same as his respective term as a director.

In 2014, the Remuneration and Evaluation Committee held one meeting by way of circulation of written proposals. All members attended the meeting.

The fifth session of the Board is responsible for the determination of directors' remuneration, and the entering into of service contracts with each of the directors under the authorisation given at the annual general meeting. Pursuant to the relevant rules and requirements issued by the domestic regulators as well as the obligations assumed by each of the directors, the current remuneration policies for directors as approved by the fifth session of the Board of the Company are as follows: (i) the annual director's fee (basic salary) of each independent non-executive director is RMB60,000 (inclusive of tax). If an independent non-executive director serves as a chief member of a committee, his annual fee shall be RMB70,000 (inclusive of tax) without entitlements to bonus. However, he may receive a meeting allowance of RMB3,000 or RMB2,000 (inclusive of tax) for each attendance at the Board meetings or committee meetings; (ii) other executive directors and non-executive directors are not entitled to such director's fees, meeting allowance and/or bonus; (iii) executive directors are full-time employees of the Company and are entitled to remuneration for their full-time service. Such remuneration includes salaries, benefits, subsidies and retirement benefit scheme contribution as determined by the Company in accordance with the laws and regulations of the PRC and the policy guidance issued by the superior 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; (iv) 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 purchased by the Company for the directors and senior management.

According to the H Share Appreciation Rights Scheme approved at the Company's general meeting in June 2011, and the adoption of the initial grant proposal approved by the Board in August 2011, each of the three executive directors, namely Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong, was granted 495,000 H Share Appreciation Rights on August 29, 2011. As at December 31, 2014, two-thirds of the rights were exercised. Since Mr. Xu Qiang resigned in December 2014, one-third of the H Share Appreciation Rights that were granted to him but were not yet exercised were forfeited under the relevant administration measures and requirements.

The Remuneration and Evaluation Committee will submit revised proposals (if any) to the Board regarding the Company's remuneration policy of directors and senior management and the remuneration packages for individual director and senior management. The Board will establish the revised remuneration proposal for the Company's senior management in accordance with the applicable laws and regulations and determine the remuneration proposal for directors based on the authorisation given at the general meeting (if any).

Details of remuneration of the directors and senior management are set out in Note 8 to the financial statements.

Nomination Committee

The role and duties of the Nomination Committee are available at the Company's website. They mainly include: reviewing the structure, size and composition of the Board; identifying individuals suitably qualified to become directors; assessing the independence of independent directors; and making recommendations to the Board on the above matters and the appointment planning for directors.

The fifth session of the Board appointed the Chairman, Mr. Xu Qiang, and two independent non-executive directors, namely Mr. Pan Chongyi and Mr. Zhang Hainan, to form the Nomination Committee. Mr. Xu Qiang continued to act as the chief member of the Nomination Committee (chairman). The term of each member of the Nomination Committee is the same as his respective term as a director. Since Mr. Xu Qiang resigned in December 2014, the Board resolved to appoint Mr. Cui Zhixiong, an Executive Director, to exercise the powers of the Chairman and act as the chief member of the Nomination Committee.

The nomination and recommendation procedures of the Company's directors are as follows: the major promoter shareholders nominate and recommend candidates for directors (other than independent non-executive directors) while the Nomination Committee selects suitable candidates for independent non-executive directors. Such candidates for directors (including independent non-executive directors) must at least fulfill the relevant requirements of Chapter 6 of the PRC Company Law, Chapter 3 and 13 of the Listing Rules and Chapter 14 of the Articles. Candidates for independent non-executive directors must also satisfy the independence requirement as set out in Chapter 3 of the Listing Rules. The Board is responsible for submitting the details about the candidates to the shareholders. The appointment and removal of directors shall be determined by the general meeting.

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 at the general meeting; in case more than 9 directors are approved, those who have got the highest votes shall be elected as directors. A director serves for a term of not more than 3 years and is subject to re-election upon expiry. 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 laws and administrative rules.

A shareholder's written notice to nominate a director's candidate and a written notice given by such candidate of his willingness to be nominated shall be sent to the Company after the date of despatch of the notice of the general meeting appointed for such election and at least seven days prior to the date of such general meeting. The procedures for nominating a director by a shareholder are available at the Company's website.

In 2013, the Nomination Committee of the Company established the basic principles of the board diversity policy of the Company, including: open gender; adopting the age of 70 as the upper age limit, pursuant to which no candidate aged 70 or above shall be nominated in principle, and if a director will become 70 years old within his/her term of office, the Company may consider to shorten his/her term as appropriate in accordance with the opinion of the domestic regulatory authorities; for the cultural and academic background or professional experience, a director shall, in general, possess an advanced level of education, and his/her expertise and experience shall be considered according to its relevance with the business of the Company or the management of listed companies, such as information technology, network technology, communication technology, finance, accounting, law, management and marketing.

In 2014, the Nomination Committee held one meeting. Director Xu Qiang was unable to attend the meeting in person due to other job arrangement, but he appointed another member to chair the meeting and vote on his behalf. The attendance rate of other members at the meeting was 100%. During the reporting period, the Nomination Committee considered the nomination of new directors and reviewed their fulfillment of the entry requirements for directors.

Strategic Committee

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

The fifth session of the Board appointed three executive directors, namely Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Wang Quanhua, Mr. Sun Yude and Mr. Cai Kevin Yang, to form the Strategic Committee. Mr. Xu Qiang continued to act as the chief member of the Strategic Committee (chairman). The term of each member of the committee is the same as his respective term as a director. Since Mr. Xu Qiang resigned in December 2014, the Board resolved to appoint Mr. Cui Zhixiong, an Executive Director, to exercise the powers of the Chairman and act as the chief member of the Strategic Committee.

The Strategic Committee did not convene any meeting in 2014.

Executive Committee

The Executive Committee is responsible for examining, supervising and implementing the resolutions of the Board; listening to the General Manager's report on the operation and management of the Company; 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.

The fifth session of the Board re-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). Since Mr. Xu Qiang resigned in December 2014, the Board resolved to appoint Mr. Cui Zhixiong, an Executive Director, to exercise the powers of the Chairman and act as the chief member of the Executive Committee.

On March 24, 2014, the Board approved the grant to the Executive Committee of the following power to replace the power granted to the Executive Committee and the General Manager in March 2010, including considering and approving of an external investment project which individually involves not more than 1% of the total assets as shown in the latest audited annual financial statements of the Group, including but not limited to the acquisition or disposal of equity interest or creditor's right, increase/decrease/withdrawal of capital in subsidiaries, disposal of pre-emptive rights, and investment in securities and bonds etc; in the event that such external investment involves connected transactions or notifiable transactions, reporting to the Board for consideration and performing disclosure obligations, and reporting to the Board regarding the exercise, if any, of this power annually; deciding the establishment of the internal management structure and the branches of the Company, and reporting annually to the Board regarding material adjustments, if any; appointing or changing members of the board of directors and the supervisory committee of wholly-owned subsidiaries, and appointing, changing or nominating candidates for shareholder representatives, directors and supervisors of holding and non-holding subsidiaries; and formulating the basic management system of the Company.

The Executive Committee held seven meetings in 2014 to consider certain matters about equity investments and the appointment of directors and supervisors of the subsidiaries pursuant to the abovementioned authorization from the Board, which have been reported to the Board.

REMUNERATION OF EXTERNAL AUDITORS

The aggregate service fees paid to Baker Tilly Hong Kong Limited ("**Baker Tilly Hong Kong**", Certified Public Accountants in Hong Kong) and Baker Tilly China ("**Baker Tilly China**", Certified Public Accountants in the PRC) for Year 2014 amounted to RMB2,389,800, comprising annual audit fee of approximately RMB1,415,300 and non-audit service fees of approximately RMB974,500 for the review of interim financial statements, compliance review of continuing connected transactions and compliance review of preliminary results announcements and others.

The Audit Committee recommended to re-appoint Baker Tilly Hong Kong and Baker Tilly China as the Group's international and PRC auditors respectively for Year 2015.

COMPANY SECRETARY

On June 18, 2013, the fifth session of the Board of the Company re-appointed Mr. Yu Xiaochun to serve as the company secretary. Mr. Yu completed 15 hours of relevant professional training in 2014.

POWER OF SHAREHOLDERS

Procedures for convening an extraordinary general meeting

Any shareholder(s) individually or collectively holding 10% or more of the Company's total issued share capital shall be entitled to request the Board in writing to convene an extraordinary general meeting. Upon receiving such request, the Board shall issue a notice of extraordinary general meeting within 30 days and hold an extraordinary general meeting within two months from the receipt of such request. Otherwise, the shareholder(s) proposing to convene an extraordinary general meeting in writing may himself (themselves) convene an extraordinary general meeting within four months from the receipt of such written request by the Board.

Procedures for shareholders to make enquiries to the Board at any time

Shareholders must prove to the Board that they really own the equity interests of the Company (e.g. by providing shareholding documents etc.). The Company suggests shareholders submitting their enquiry requests in writing (including by email, facsimile and mail) and providing sufficient contact details so that the Company can handle and take down their enquiries in a proper and timely manner.

Procedures for putting forward a proposal at the general meeting

Any shareholder intending to put forward a proposal at the general meeting of the Company shall provide shareholding document to prove that he is interested in 3% or more of the Company's total issued share capital and serve his proposal to the Company (addressed to the Chairman or the Company Secretary of the Company) within 30 days from the date of despatch of the notice of general meeting. The Board will arrange to put forward the proposal at the general meeting within two working days from the receipt of such proposal.

Shareholders may contact the Company via the following means:

Telephone: 8610 57650696
Facsimile: 8610 57650695
Email: ir@travelsky.com
Postal address: No.157 Dongsi West Street, Dongcheng District, Beijing 100010, PRC

INVESTOR RELATIONS

There were no amendments or changes to the Articles in 2014.

SUPERVISORY COMMITTEE

The Supervisory Committee was established in accordance with the PRC Company Law and the Articles. The 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 for attending Board meetings, reviewing financial information submitted by the directors at the general meetings from time to time such as financial affairs and financial statements, and supervising the activities of the Board and other senior management in discharging their 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.

The Supervisory Committee comprises five supervisors, including two shareholder representative supervisors, one independent supervisor and two staff representative supervisors. Other supervisors are all appointed and removed at the general meeting of the Company, except for staff representative supervisors who are appointed or removed at the staff representative meeting of the Company. The term of each supervisor is no more than three years.

The fifth session of the Supervisory Committee of the Company comprised Ms. Li Xiaojun, Mr. Xiao Wei, Ms. Zeng Yiwei, Mr. He Haiyan and Mr. Rao Geping. Mr. Rao Geping was an independent supervisor while Ms. Li Xiaojun and Mr. Xiao Wei were staff representative supervisors. Supervisor Li Xiaojun acted as the chairperson of the Supervisory Committee upon the election of the Supervisory Committee.

The staff representative meeting of the Company held on 22 and 23 January 2015 to approve the appointment of Mr. Huang Yuanchang as a staff representative supervisor of the Company and the resignation of Ms. Li Xiaojun as a staff representative supervisor of the Company due to other work commitment, both with effect from the date of the first meeting of the fifth session of Supervisory Committee of the Company in 2015. On March 25, 2015, the Supervisory Committee held its first meeting, at which the above-mentioned change in staff representative supervisors became effective. On the same day, Ms. Li resigned as the chairperson of the Supervisory Committee and Mr. Huang was elected by the Supervisory Committee to serve as the chairperson of the Supervisory Committee. Ms. Li will remain as the Secretary of the Disciplinary Committee of the Company.

The list of supervisors of the Supervisory Committee of the Company and the attendance of each supervisor at the Supervisory Committee meetings in 2014 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings	Attendance rate for general meetings	Attendance rate for Board meetings
Li Xiaojun	Chairperson of the Supervisory Committee, Staff Representative Supervisor	100%	100%	100%
Xiao Wei	Staff Representative Supervisor	100%	100%	100%
Zeng Yiwei	Supervisor	50% (Note 3)	0%	50%
He Haiyan	Supervisor	100%	25%	100%
Rao Geping	Independent Supervisor	100%	100%	100%

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the supervisor in 2014. The attendance rate for meetings by way of circulation of written proposals was not included in the above attendance rate.

2. In 2014, the Supervisory Committee held two meetings, and the Board held two meetings, and convened one AGM, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting.

3. Supervisor Zeng Yiwei was unable to attend one meeting in person, but she has appointed another supervisor to attend and vote at the meeting on her behalf in writing.

During 2014, the Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2013 and the interim results for the six months ended June 30, 2014, attended each Board meeting, supervised the operation and management activities of the Board and senior management, and made management recommendations to the management.

After making specific enquiries with the supervisors, all supervisors of the Supervisory Committee fully complied with the requirements of the Model Code in 2014.

By Order of the Board
Yu Xiaochun
Company Secretary

March 25 , 2015

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 2014.

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 headed "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 the Year 2014 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, 2014 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2014, 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	1,993,647,589	68.13
H Shares	932,562,000	31.87
Total	2,926,209,589	100

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2014, the interests and short positions of any person (other than directors, supervisors or chief executive 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 "**SFO**") are set out as follows:

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
Templeton Asset Management Ltd	113,058,591 H shares of RMB1 each (L)	Investment manager	12.12%	3.86%
The Bank of New York Mellon Corporation	52,366,933 H shares of RMB1 each (L) (Note 3)	Interest of controlled corporation	5.62%	1.79%
	52,320,933 H shares of RMB1 each (P)	Interest of controlled corporation	5.61%	1.79%
JPMorgan Chase & Co.	88,245,000 H shares of RMB1 each (L) (P) (Note 4)	Custodian-corporation/ approved lending agent	9.46%	3.02%
	5,182,500 H shares of RMB1 each (L) (Note 4)	Beneficial owner	0.56%	0.18%
	2,446,000 H shares of RMB1 each (S) (Note 4)	Beneficial owner	0.26%	0.08%
Platinum International Fund	43,293,433 H shares of RMB1 each (L) (Note 5)	Beneficial owner	6.96%	2.22%
Keywise Capital Management (HK) Limited	50,369,000 H shares of RMB1 each (L)	Investment manager	5.40%	1.72%
Norges Bank	55,964,500 H shares of RMB1 each (L)	Beneficial owner	6.00%	1.91%

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
Citigroup Inc.	69,613,659 H shares of RMB1 each (L)(P) (Note 6)	Custodian corporation/ approved lending agent	7.46%	2.38%
	277,619 H shares of RMB1 each (L)	Interest of controlled corporation	0.03%	0.01%
	246,000 H shares of RMB1 each (S)	Interest of controlled corporation	0.02%	0.01%
China TravelSky Holding Company	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Southern Air Holding Company	349,381,500 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	65,773,500 domestic shares of RMB1 each (L) (Note 7)	Interest of controlled corporation	3.30%	2.25%
China Eastern Air Holding Company	328,243,500 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	25,155,000 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 9)	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company	268,300,500 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	18,720,000 domestic shares of RMB1 each (L) (Note 10)	Interest of controlled corporation	0.94%	0.64%

Notes:

(1) (L) – Long position; (S) – Short position; (P) – lending pool.

(2) Percentage of total share capital is based on 2,926,209,589 shares of the total issued share capital of the Company as at December 31, 2014; percentage of respective class of share capital is based on 1,993,647,589 domestic shares and 932,562,000 H shares of the Company as at December 31, 2014.

(3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Bank of New York Mellon Corporation on November 7, 2014, the 52,366,933 H shares in which The Bank of New York Mellon Corporation was deemed to be interested were held through The Bank of New York Mellon (such company was 100% controlled by The Bank of New York Mellon Corporation).

(4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on January 2, 2015, JPMorgan Chase & Co. was deemed to be interested in 93,427,500 H Shares (L) and 2,446,000 H Shares (S). These shares were held by JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Clearing Corp, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc, which were directly or indirectly controlled by JPMorgan Chase & Co.. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.

(5) As the latest filing date of Platinum International Fund was November 12, 2010, which was prior to the date of the distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company in 2011, and its number of shares and percentage of shareholding as of December 31, 2014 is uncertain.

(6) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on November 25, 2014, Citigroup Inc. was deemed to be interested in 69,891,278 H Shares (L) and 246,000 H Shares (S). These shares were held by Citigroup Global Markets Hong Kong Limited, Citigroup Global Markets Limited, Citigroup Global Markets Inc., Morgan Stanley Smith Barney Holdings LLC, Citigroup Global Markets Inc., Citigroup Global Markets Europe Limited, Citigroup Global Markets (International) Finance AG, Citigroup Global Markets International LLC, Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc., Citibank N.A., Citicorp Holdings Inc., Citigroup Alternative Investments LLC, Citigroup Investments Inc., Automated Trading Desk Financial Services, LLC, Automated Trading Desk, LLC, Automated Trading Desk Holdings, Inc., Citigroup Acquisition LLC, Citigroup Trust – Delaware, National Association, Citicorp Trust, National Association, Citicorp Trust South Dakota, Citigroup Global Markets Asia Limited, Citigroup Global Markets Hong Kong Holdings Limited, Citigroup Global Markets Overseas Finance Limited, Citigroup Global Markets Switzerland Holding GmbH, Cititrust (Bahamas) Limited, Citigroup Participation Luxembourg Limited, Citigroup Overseas Investments Bahamas Inc., Citibank Overseas Investment Corporation, Cititrust (Switzerland) Limited, Citigroup Global Markets Deutschland AG, Citigroup Global Markets Finance Corporation & Co. beschrankt haftende KG, Citigroup Derivatives Markets Inc., which were directly or indirectly controlled by Citigroup Inc.. Citigroup Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.

(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 SFO.

(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 SFO.

(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 SFO.

(10) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company. China National Aviation Holding Company was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.

(11) For the latest disclosure of interests filings of the substantial shareholders of the Company's H shares, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited ("**HKEx**") (www.hkexnews.hk).

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2014, no person (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 that are required to be recorded in the register maintained by the Company under Section 336 of the SFO.

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 POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY OTHER ASSOCIATED CORPORATIONS

As at December 31, 2014, none of the directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that are required to be recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange by the directors and supervisors pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

None of the directors, supervisors or chief executive of the Company or their respective associates had been granted or had exercised any rights to subscribe for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) for the year ended December 31, 2014.

As at December 31, 2014, each of China TravelSky Holding Company, China Southern Air Holding Company, China Eastern Air Holding Company 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, 2014,

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

(b) Mr. Cao Jianxiong (a non-executive director) was an employee of China National Aviation Holding Company; and

(c) Mr. Cai Kevin Yang (a non-executive director) was an employee of China Eastern Air Holding Company.

Save as disclosed above, as at December 31, 2014, none of the existing or 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 fifth session of the Board and the fifth session of the Supervisory Committee of the Company have entered into service contracts with the Company. The term for the fifth session of the Board and the Supervisory Committee is two years from June 18, 2013 for both of Director Pan Chongyi and Director Zhang Hainan, and three years from June 18, 2013 for other directors and all supervisors. 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 session of the Board and the Supervisory Committee upon election by a general meeting.

For the year ended December 31, 2014, 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 fifth session of the Board and the Supervisory Committee of the Company are also members of the 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 headed "Connected Transactions" in 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 2014.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of directors, supervisors and senior management are set out in Note 8 to the financial statements.

INTEREST CAPITALISED

No interest was capitalised for the Group in Year 2014.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2014 are summarised in Note 14 to the financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2014 are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board proposed the payment of a final cash dividend amounting to RMB0.133 per share (tax inclusive) for Year 2014. For details, please refer to the section headed "Proposed Distribution of a Final Cash Dividend for 2014" in "Management Discussion and Analysis of Financial Condition and Results of Operations".

SHARE APPRECIATION RIGHTS

Please refer to Note 38 to the financial statements for details of the share appreciation rights scheme of the Company and the share appreciation rights granted as at December 31, 2014.

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 Operations" and Note 9 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

Beijing Capital International Airport Co., Ltd. was the largest supplier of the Group for Year 2014 and the total fees paid by the Group to the company in Year 2014 accounted for 1.3% of the Group's total operating expenses (after deducting depreciation and amortisation expenses). During Year 2014, the total amount paid to the five largest suppliers of the Group accounted for 5.7% of the Group's total operating expenses (after deducting depreciation and amortisation expenses).

Sales to the largest customer of the Group, China Eastern Airlines Corporation Limited, accounted for 11.8% of the Group's total revenues for the Year 2014. During the Year 2014, total sales to the Group's five largest customers accounted for 42.7% 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 controlling shareholders, namely China Southern Air Holding Company (a substantial shareholder of the Company), China Eastern Air Holding Company (a substantial shareholder of the Company) and China National Aviation Holding Company, held an aggregate of approximately 36.2% of the issued share capital of the Company as at December 31, 2014. The revenue derived from the above major customers is set out in Note 42 to the financial statements.

Save as disclosed in this report and in Note 42 to the financial statements, none of the directors, supervisors or their close associates nor any shareholder (which to the knowledge of the directors held 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, 2014 are set out in Note 1 to the financial statements.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During the Year 2014, 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 Aviation Information Technology Services by the Company to the Airlines Which are Connected Persons

The Group (excluding ACCA) provided aviation information technology services and products to China Southern Airlines Company Limited and its subsidiaries ("**Southern Airlines**"), China Eastern Airlines Corporation Limited and its subsidiaries ("**Eastern Airlines**") and Sichuan Airlines Company Limited ("**Sichuan Airlines**") (collectively the "**Airlines**"). The Airlines were the associates of the substantial shareholders of the Company; As mentioned in the announcement of the Company dated November 19, 2014, since Southern Airlines declared to acquire Hebei Airlines Company Limited ("**Hebei Airlines**") in October 2014, Hebei Airlines was also an associate of a substantial shareholder of the Company.

The Group (excluding ACCA) provided the aviation information technology services and related products to the Airlines, 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.

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, and upon a combined (for the services under (i) to (iii) above, the maximum fee would not be more than RMB9.9 per segment after combination) or separate basis of fee charge, the aforesaid Airlines were required to pay service fees to the Group on a monthly basis including:

(1) The "flight control system services" as mentioned in (i) above and "electronic travel distribution system services" as mentioned in (ii) above are generally referred to as the "airlines passenger booking system services". The pricing of the airlines passenger booking system services is subject to the maximum guidance prices prescribed by CAAC, being the progressive per segment booking fee ranging from RMB4.5 to RMB6.5 for domestic flights and RMB6.5 to RMB7 for international flights (depending on the monthly booking volume). The Company may also determine the actual prices for airlines passenger booking system services through arm's length negotiation with the Airlines, having taken into account of its booking volume, as long as the prices do not exceed the above maximum guidance prices prescribed by CAAC;

(2) The pricing of the "airport passenger processing system services" as mentioned in (iii) above is also subject to the maximum guidance prices prescribed by CAAC, being (a) RMB7 per segment for international and regional flights and RMB4 per segment for domestic flights; and (b) RMB500 per aircraft for load balancing services. The Company may also determine the actual prices for airport passenger processing system services through arm's length negotiation with the Airlines, having taken into account of a number of factors such as types of the flights, transportation volume, level of services and size of the aircraft, as long as the prices do not exceed the above maximum guidance prices prescribed by CAAC; and

(3) The pricing of the "civil aviation and commercial data network services" as mentioned in (iv) above (other than physical identified device ("**PID**") connection and maintenance services) is not governed by the guidelines of CAAC or the framework of any other PRC airlines regulatory body but are subject to fair and reasonable mutual negotiation between the parties with reference to the prevailing market conditions. The pricing of PID connection and maintenance services is subject to the maximum guidance price prescribed by CAAC of RMB200 per PID per month.

The above continuing connected transactions were conducted in the ordinary and usual course of business of the Group and were the principal source of operating revenue of the Group. For more details, please refer to the announcements of the Company dated November 17, 2010, December 14, 2011, November 30, 2012 and November 19, 2014 and circulars of the Company dated December 3, 2010, January 6, 2012 and December 21, 2012.

Waiver regarding written agreements:

As stated in the announcements of the Company dated December 14, 2011 and November 30, 2012, and the circulars of the Company dated January 6, 2012, December 21, 2012 and November 7, 2014, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver, which is normally for a three-year term, from strict compliance with the requirement of having written agreements under Rule 14A.34 of the Listing Rules with respect to the continuing connected transactions. At the same time, the Company also sought a general mandate and annual caps with a three-year term from the independent shareholders to carry out the continuing connected transactions under the waiver. In the event that the terms of new written agreements to be subsequently entered into with the Airlines are materially different from those approved by the independent shareholders, the Company will re-comply with the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To ensure that the continuing connected transactions are carried out in accordance with the regulatory guidelines and terms as disclosed by the Company and those to be agreed in the renewal agreements of the continuing connected transactions, the Company has in place adequate mechanism, internal control procedures and external regulatory measures to ensure that the terms of the continuing connected transactions adhere to and strictly follow the regulatory guidelines, agreements governing those continuing connected transactions and these details of the transactions so disclosed herein (in the absence of written agreements).

The respective annual caps and transaction amounts of the above continuing connected transactions for the financial year ended December 31, 2014 were as follows:

Airlines (connected persons)	**Term of Waiver**	**Latest Signing of Agreements**	**Year 2014 Annual Caps** (RMB'000)	**Year 2014 Transaction Amounts** (RMB'000)
Southern Airlines	Three years from 2013 to 2015	Agreement for a term of one year was entered into for 2014 on December 11, 2014.	639,476.00	500,811.14
Sichuan Airlines	No waiver	Agreement for a term of three years was entered into for 2014-2016 on November 1, 2013.	159,352.08	158,966.53
Eastern Airlines	Three years from 2012 to 2014	Agreement for a term of two years was entered into for 2013-2014 on March 3, 2014.	909,124.00	559,408.12
Hebei Airlines*	No waiver	Agreement for a term of three years was entered into for 2014-2016 on April 7, 2013.	Nil	4,870.81 (The transaction amount for three months from October to December 2014)

* Since Hebei Airlines was acquired by Southern Airlines in October 2014, it became a connected person of the Company. Pursuant to Rule 14A.60, the Company is required to disclose the connected transaction between the Group and Hebei Airlines in this report.

(b) Lease of Properties by the Company from China TravelSky Holding Company Which is a Connected Person

As China TravelSky Holding Company is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. As stated in the announcement of the Company dated December 27, 2012, the Company leases two properties from China TravelSky Holding Company:

(i) The Company leases the properties in Dongsi, Beijing from China TravelSky Holding Company as data centers for daily operation. The Company re-entered into the Beijing Tenancy agreement with China TravelSky Holding Company for the lease of the Dongsi properties, for a term of three years starting from January 1, 2013. The amount of the rental payable to China TravelSky Holding Company by the Company is RMB4.1 per square metre per day to be paid quarterly. The annual cap for each of the years during the term of the agreement was RMB30,400,000.

(ii) The Company also entered into the Shanghai Tenancy agreement with China TravelSky Holding Company, for a term of three years starting from January 1, 2013. The amount of the rental payable to China TravelSky Holding Company by the Company is RMB3.57 per square metre per day to be paid quarterly for the use of the Shanghai properties. The annual cap for each of the years during the term of the agreement was RMB12,100,000.

(iii) The rentals stated above were determined based on market rates and did not include property management fee.

For Year 2014, the total rental paid by the Company to China TravelSky Holding Company for the lease of the Dongsi properties in Beijing stated in (i) above amounted to approximately RMB30,351,399, and the total rental paid by the Company to China TravelSky Holding Company for the Shanghai properties stated in (ii) amounted to approximately RMB12,012,596.

(c) Transactions between the Company and the Connected Cares Which are Connected Persons

As set out in the announcements of the Company dated August 31, 2012 and March 24, 2014, the Company entered into a Services Framework Agreement with each of the 10 Connected Cares which are collectively referred to as the Service Companies, for a term commencing January 1, 2013 and ending December 31, 2015, renewable automatically for a successive term of 3 years from the date of the expiry of such term, if no written opposition is raised by either party three months in advance.

The Connected Cares are:

(A) Non-wholly-owned subsidiaries, being the connected persons under Rule 14A.07(5) of the Listing Rules: Hainan Civil Aviation Cares Co., Ltd. ("**Hainan Cares**"), Cares Shenzhen Co., Ltd. ("**Shenzhen Cares**"), Cares Hubei Co., Ltd. ("**Hubei Cares**"), Aviation Cares of Yunnan Information Co., Ltd. ("**Yunnan Cares**"), Civil Aviation Cares of Xiamen Ltd. ("**Xiamen Cares**"), Civil Aviation Cares of Qingdao Ltd. ("**Qingdao Cares**"), Civil Aviation Cares Technology of Xi'an Ltd. ("**Xi'an Cares**") and Civil Aviation Cares Technology of Xinjiang Ltd. ("**Xinjiang Cares**");

(B) The associates of the substantial shareholders, being connected persons as defined under Rule 14A.07(4) of the Listing Rules: Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**"), Shenyang Civil Aviation Cares of Northeast China Ltd. ("**Dongbei Cares**").

Details of the Services Framework Agreement

The Connected Cares shall provide to the Company or its customers with technical training and maintenance services, and services in respect of sale of products, purchase of equipments, marketing and distribution of products of the Company including, among other things, (i) to build the network nodes of the computer system for civil aviation passengers transport service in the regions to be agreed by the Company and the Connected Cares, and provide daily maintenance and technical support to the terminals and communication equipments of the users of the computer system; (ii) to connect to the physical identified device (PID) of the Company for using the Company's data network services; (iii) to provide maintenance and security service for the check-in and loading related technology in respect of the airport departure system of the Company used by airlines; and (iv) to provide marketing and distribution of products of the Company. The Company shall, among other things, lease the main equipment required for the network nodes for use by the Connected Cares and shall be responsible for the design of network configuration layout, installation, testing and repair of the equipment according to the needs of the Connected Cares.

Service fees

The basis of service fees are generally determined: (i) according to the rates prescribed by the government regulatory bodies (such as CAAC) where the relevant services are regulated by the government regulatory bodies; (ii) through negotiation between the Company and the Connected Cares with reference to guidance prices proposed by the government regulatory bodies; (iii) through negotiation between the Company and the Connected Cares based on the market prices (if any) or the original prescribed government rates or guidance prices, or set by the Company according to the cost to revenue principle, where no prescribed rates or guidance prices are available, or they have been cancelled or are no longer applicable; and (iv) in compliance with the ordinary business principle which are no less favourable than terms available from independent third parties to the Company, including

(A) With respect to connection to the Company's network and system, the Connected Cares shall pay the Company periodically: (i) connection fees based on the usage and the fee standard determined by the Company with reference to the policy of CAAC; (ii) PID technical service fees based on the usage and the fee standard determined by the Company with reference to the policy of CAAC; and (iii) technical service fees for connection to the Company's mainframe via the internet and use of the products of the Company based on the usage at the fee standard set by the Company or according to separate agreements to be entered into between the Company and the Connected Cares on each product.

(B) With respect to equipment leasing and maintenance, (i) the Connected Cares shall pay equipment lease fees (if any) on a price based on cost or at the market prices or according to separate agreements to be entered into between the Company and the Connected Cares; and (ii) the Company shall pay the equipment maintenance fees on a price based on cost or at the market prices or according to separate agreements to be entered into between the Company and the relevant Service Company.

(C) With respect to marketing and distribution of products of the Company, (i) the Company shall pay for the technical extension services provided by the Connected Cares to the users of the Company (if any) and such fees may be determined according to separate agreements to be entered into between the Company and the Connected Cares; (ii) the Company shall share the revenue from e-ticketing services with the Connected Cares on a pro-rata basis according to market prices or pursuant to separate agreements to be entered into between the Company and the Connected Cares; and (iii) the Company shall pay service fees for distribution of hotel services on a pro-rata basis or pursuant to separate agreements to be entered into between the Company and the Connected Cares.

(D) With respect to technology development services, the Company shall pay technology development service fees (if any) for engaging the professional personnel from the Connected Cares for provision of, amongst others, product development services and such fees may be determined according to separate agreements to be entered into between the Company and the Connected Cares.

The annual caps and transaction amounts of the aforesaid continuing connected transactions for the financial year ended December 31, 2014 were as follows:

Connected Cares	Year 2014 Annual Caps (RMB'000)	Year 2014 Transaction Amounts (RMB'000)
Hainan Cares	12,000	8,076
Shenzhen Cares	26,136	17,407
Xiamen Cares	30,724	21,124
Xinjiang Cares	6,204	4,038
Dongbei Cares	30,000	16,358
Hubei Cares	8,148	7,805
Yunnan Cares	4,368	2,781
Xi'an Cares	9,156	5,920
Huadong Cares	39,696	27,343
Qingdao Cares	9,384	4,910

(d) Services provided by ACCA to the Airlines (as specified in item (a) of the section headed "Continuing Connected Transactions" above)

The provision of services by ACCA, a wholly-owned subsidiary of the Company, to the connected persons of the Company is also subject to the relevant requirements under Chapter 14A of the Listing Rules.

(i) The provision of revenue accounting systems development and support services and/or passenger and cargo revenue accounting and settlement services by ACCA to the Airlines.

The services provided by ACCA include:

(1) 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 and international and domestic clearing and settlement system; 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) 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; service fees would be determined with reference to the rates and rules prescribed in the relevant documents issued by 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 collected monthly;

(3) commercial analysis and management products application services; the pricing schedule is not subject to any regulatory pricing guidelines but shall be determined after arm's length negotiation between ACCA and the Airlines; the service fees generally consist of a fixed monthly fee for usage and operation maintenance for the system analysis and management products, a one-off system implementation fee of RMB100,000 and a commercial development fee of RMB2,000 per person per day.

In Year 2014, the transaction amounts and annual caps of the above continuing connected transactions between ACCA and the connected persons below were as follows:

Airlines (connected persons)	**Term of Waiver**	**Latest signing of agreements**	**Year 2014 Annual Caps** (RMB'000)	**Year 2014 Transaction Amounts** (RMB'000)
Southern Airlines	Three years from 2012 to 2014	Agreement for a term of three years from 2012 to 2014 was entered into on December 25, 2012. (Agreement for a term of two years from 2015 to 2016 was entered into on November 28, 2014)	86,860	63,689
Sichuan Airlines	Three years from 2012 to 2014	Agreement for a term of three years from 2012 to 2014 was entered into on December 31, 2011. (Agreement for a term of three years from 2015 to 2017 was entered into on December 30, 2014)	7,839	6,849
Eastern Airlines	Three years from 2013 to 2015	Agreement for a term of three years from 2013 to 2015 was entered into on August 2, 2013.	104,057	77,292

Note: "Waiver regarding written agreements" is as described in (a) above. For details, please refer to the announcements of the Company dated December 14, 2011 and November 30, 2012, and the circulars of the Company dated January 6, 2012 and December 21, 2012.

(ii) 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 IATA's agencies and certain airline companies 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 on 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 and Macau and in United States dollars for other territories, subject to exchange rate fluctuation which will be adjusted in accordance with the terms of the agreement. This agreement is for a term commencing March 27, 2008 and ending December 31, 2017.

As stated in the announcement of the Company dated August 30, 2013, the annual cap for Year 2014 for this continuing connected transaction between ACCA and the connected persons (as defined under the Listing Rules) of the Company (comprising Southern Airlines, Sichuan Airlines and Eastern Airlines) was RMB29,724,000. In 2014, the transaction amount of such continuing connected transaction was approximately RMB25,601,300.

(iii) Domestic Mail Revenue Accounting and Settlement
As disclosed in the announcements of the Company dated August 18, 2011 and May 12, 2009, during the period from September to December 2008, ACCA entered into such agreement with each party thereto, for a term from January 1, 2009 to December 31, 2016. In August 2011, each party agreed to amend the relevant terms concerning computation of the receipt and payment under the agreement.

The agreement was entered into and signed by the following parties on dates set forth below:

Southern Airlines: November 5, 2008;
Xiamen Airlines: October 23, 2008;
Sichuan Airlines: September 10, 2008;
Eastern Airlines: December 11, 2008;
Shanghai Airlines: September 11, 2008;

Scope of services under the agreement includes: provision of stock control, sales control, sales audit, uplift revenue proration, accounting processing, sales and uplift matching and clearing 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 5.5% handling charges based on the uplift amount from the airlines, and paid 4% handling fee to the airline based on sales amount. Such uplift amount and sales amount were determined based on the different roles (as carrier or seller) performed by the airlines in mail services transaction, and such fees were charged by reference to the relevant documents issued by the industry regulatory authorities.

The annual cap for Year 2014 for this continuing connected transaction was RMB94.3 million. The transaction amount in 2014 was approximately RMB40,347,906.

(e) Technology services provision agreement for air freight business

As mentioned in the announcement of the Company dated December 19, 2013, the Company entered into the Technology Services Provision Agreement, for a term commencing January 1, 2014 and ending December 31, 2016, with each of Shanghai Eastern Air Logistics Co., Ltd. ("Eastern Logistics") and China Cargo Airlines Co., Ltd. ("China Cargo").

China Cargo and Eastern Logistics are both subsidiaries of Eastern Airlines, i.e. the associates of a substantial shareholder of the Company. Eastern Logistics and China Cargo are therefore connected persons of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Contents of service: The Company will provide air freight logistics system services, which mainly include computer management technology services for air freight business, including services for computer management of flights, routings, space, reservations, ratings, sales, warehouse and claims and settlement, etc., as well as the relevant technology supports.

Pricing of fees: The service fees for the technology services include (i) fees for each waybill handled by the air freight logistics system up to a maximum allowable price of RMB6 for international and regional routes and up to a maximum allowable price of RMB2.5 for domestic routes depending on the types of waybills; and (ii) other miscellaneous fees, including but not limited to communication fees. Such fees will be payable by China Cargo/Eastern Logistics in cash every two months.

The fees were determined and agreed between the parties on an arm's length basis based on the market price of services of a similar kind.

In Year 2014, the transaction amounts and annual caps of the above continuing connected transactions between the Company and each of Eastern Logistics and China Cargo were as follows:

Connected persons	Year 2014 Annual Caps (RMB'000)	Year 2014 Transaction Amounts (RMB'000)
Eastern Logistics	15,000	11,187
China Cargo	6,000	2,736

In the opinion of the independent non-executive directors of the Company, the continuing connected transactions as mentioned in (a) to (e) above:

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

(ii) were conducted on normal commercial terms or better; and

(iii) were conducted on the terms of the relevant agreements governing those transactions, which are fair and reasonable and in the interests of the shareholders of the Group as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group as set out in (a) to (e) above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

One-off connected transactions

Similar to other branches of the Company, including branch companies, subsidiaries and associated companies, the Connected Cares stated in the continuing connected transaction (c) above are the Company's regional distribution centres and technology support centres in their respective regions. Based on its own needs and the specific requirements of the respective projects undertaken, the Company fully takes into account the advantages enjoyed by each of the Connected Cares in terms of technology, qualifications, products and regions where they are located, in the Company's allocation of projects among them at its discretion. At the same time, based upon their own strengths, each of the Connected Cares would explore their markets and take the initiatives in undertaking projects, and would subsequently state their requests to the Company in respect of the technology or specific work so needed. In turn, the Company would provide the corresponding technology, software products or other specific support. Consideration for each of such projects is to be determined and agreed upon by the parties concerned on arm's length basis, with reference to market conditions and the total price for the projects so undertaken. The amount of consideration is to be paid by installments in cash, subject to the conditions set forth in the respective agreements.

The Company and certain Connected Cares entered into contracts in respect of the relevant projects in Year 2014:

Connected Cares	Date of Agreement and Announcement in 2014	Contents of contracts	Contract Sum (RMB)
Qingdao Cares	January 16	The Company entered into the Supply Agreements, which included three separate agreements, with Qingdao Cares, pursuant to which the Company agreed to provide the required software, the overall implementation and the one-year quality warranty for the departure system and the security inspection information system of the Fuyuan Airport to Qingdao Cares.	2,586,000
	January 28	Qingdao Cares subcontracted to the Company the overall construction of the departure system for the Lvliang Airport, which includes, but not limited to, the procurement, installation and testing of the required hardware and software and the overall system implementation and one-year warranty for the departure system.	5,296,790 The parties may enter into a supplemental agreement to amend the consideration according to the actual amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 20% of the consideration.
Xi'an Cares	January 28	The Company entrusted Xi'an Cares to procure the hardware required for the departure system of the Lvliang Airport and the implementation of such hardware.	3,082,790 The parties may enter into a supplemental agreement to amend the consideration according to the actual amount of the required hardware under the Procurement Agreement. The adjustment shall not exceed 20% of the consideration.

Connected Cares	Date of Agreement and Announcement in 2014	Contents of contracts	Contract Sum (RMB)
	May 16	Xi'an Cares entrusted the Company to procure the software required for the departure system of the Hanzhong Airport and the installation of such software.	2,500,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Procurement Agreement. The adjustment shall not exceed 10% of the consideration.
Hubei Cares	February 26	The Company subcontracted to Hubei Cares the overall construction of the departure system and security inspection information system for the Shennongjia Airport, which includes, but not limited to, the procurement, installation and testing of the required hardware and software and the overall system implementation and one-year warranty for the departure system and security inspection information system.	5,335,740 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 20% of the consideration.
Dongbei Cares	March 6	The Company entered into the Subcontract Agreement with Dongbei Cares to subcontract to Dongbei Cares the implementation of the Changchun Airport Project, pursuant to which Dongbei Cares will provide the required system for the Changchun Airport, including but not limited to the installation and testing of such system.	1,100,000

Connected Cares	Date of Agreement and Announcement in 2014	Contents of contracts	Contract Sum (RMB)
Huadong Cares	March 25	The Company subcontracted to Huadong Cares the overall construction of the departure system and information integration and office system for the Nanning Wuxu International Airport Project, which includes, but not limited to, the procurement and installation of the required hardware and software and the overall system implementation and the two-year quality warranty for the departure system and information integration and office system.	59,016,550 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	November 6	The Company subcontracted to Huadong Cares the overall construction of the departure system and security inspection information system for the Yantai Airport, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the departure system and security inspection information system.	17,508,224 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Xiamen Cares	December 18	The Company subcontracted to Xiamen Cares the overall construction of the departure system for the Xiamen Airport, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the departure system.	22,539,100 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

The directors confirm that the above transactions are connected transactions or continuing connected transactions of the Company (some of them are also related party transactions as set out in Note 42(2) to the financial statements) which are the connected transactions or continuing connected transactions as defined 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, 2014, 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, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting policies and practices 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 2014.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights under the Articles or the PRC laws.

MATERIAL LITIGATION

The Group was not involved in any material litigation or dispute in Year 2014.

DONATION

In December 2014, the Company donated RMB0.6 million to the Civil Aviation University of China.

AUDITORS

Pursuant to the resolutions passed at the AGM held on June 5, 2014, Baker Tilly Hong Kong and Baker Tilly China were engaged as the Company's international and PRC auditors respectively for Year 2014. They were also the Company's international and PRC auditors respectively for Year 2011, Year 2012 and Year 2013.

A resolution relating to the appointment of Baker Tilly Hong Kong and Baker Tilly China as the Company's international and PRC auditors for the year ending December 31, 2015 respectively will be proposed at the forthcoming AGM of the Company.

By order of the Board
Cui Zhixiong
Executive Director

March 25, 2015

REPORT OF SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2014, members of the Supervisory Committee of the Company have diligently performed their duties during their tenures to ensure that the Company has observed and complied with the Listing Rules, the laws and regulations of the PRC, the Articles and other relevant rules and regulations to protect the interests of the Company and its shareholders.

According to the Articles, the Supervisory Committee of the Company comprises five supervisors with a term of three years. The number of staff representative supervisors is more than one-third of the number of members of the Supervisory Committee and there is one independent supervisor. The list of supervisors is set out in the section headed "Corporate Information" and the biographies of supervisors are set out in the section headed "Biographies of Directors, Supervisors, Senior Management and Company Secretary" in this annual report.

Ms. Zeng Yiwei and Mr. He Haiyan were appointed as the supervisors of the fifth session of Supervisory Committee by the election at the AGM held on June 18, 2013, and Mr. Rao Geping was appointed as an independent supervisor of the fifth session of Supervisory Committee. The fifth session of Supervisory Committee convened a meeting on June 18, 2013, at which Li Xiaojun, a supervisor, was re-elected as the chairperson of the Supervisory Committee. The staff representative meeting of the Company was held on January 10, 2014, at which Ms. Li Xiaojun and Mr. Xiao Wei were elected to continue to serve as staff representative supervisors of the fifth session of Supervisory Committee.

The Supervisory Committee of the Company convened two meetings in Year 2014. The Supervisory Committee reviewed the Company's annual financial statements for Year 2013 and interim financial statements for Year 2014, attended the Board meetings and undertook the responsibility to monitor the policies and decisions made by the Board to determine whether they were in compliance with the Listing Rules, the laws and regulations of the PRC and the Articles, and whether they were in the interest of the Company and shareholders, and offered proper suggestions to the Board and the management. For the scope of work of the Supervisory Committee, please refer to the section headed "Supervisory Committee" in the "Corporate Governance Report".

On March 25, 2015, the fifth session of Supervisory Committee of the Company reviewed the Company's financial statements for Year 2014, and considered that the financial statements gave a true and fair view of the financial position and operation results of the Company and that they were in compliance with the regulations applicable to the Company. The fifth session of Supervisory Committee confirmed that the Company had not been involved in any material litigation or arbitration, and there were no litigations or claims of material importance pending or threatened by or against the Company in Year 2014.

The Supervisory Committee considered that the Board and the senior management of the Company were committed to acting honestly and to performing their duties diligently during Year 2014, such that the best interests of the Company and the shareholders were protected. The Supervisory Committee considered that the Report of Directors for the year ended December 31, 2014 reflected the actual operational circumstances of the Company. The Supervisory Committee has great confidence in the future prospects and development of the Company.

The staff representative meeting of the Company was held on 22 and 23 January 2015 to approve the appointment of Mr. Huang Yuanchang as a staff representative supervisor of the Company and the resignation of Ms. Li Xiaojun as a staff representative supervisor of the Company due to other work commitment, both with effect from the date of the first meeting of the fifth session of Supervisory Committee of the Company in 2015. On March 25, 2015, the Supervisory Committee held its first meeting, at which the above-mentioned change in staff representative supervisors became effective. On the same day, Ms. Li resigned as the chairperson of the Supervisory Committee and Mr. Huang was elected by the Supervisory Committee to serve as the chairperson of the Supervisory Committee. Ms. Li will remain as the Secretary of the Disciplinary Committee of the Company.

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

March 25, 2015

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG | 天職香港

Independent auditor's report to the shareholders of TravelSky Technology Limited
(A Joint Stock Limited Company 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 (collectively referred to as, the "**Group**") set out on pages 60 to 146, which comprise the consolidated and company statements of financial position as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to 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. We conducted our audit in accordance with International Standards on Auditing issued by International Auditing and Assurance Standard Board of the International Accounting Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 state of affairs of the Company and of the Group as of December 31, 2014, and of the Group's profit 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.

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road, North Point
Hong Kong, March 25, 2015

Choi Kwong Yu
Practising Certificate number P05071

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2014
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	2014 RMB'000	2013 RMB'000
Revenues			
Aviation information technology services		**2,854,335**	2,582,004
Accounting, settlement and clearing services		**432,377**	431,236
System integration services		**1,039,911**	699,558
Data network and others		**1,009,789**	796,513
Total revenues	5	**5,336,412**	4,509,311
Operating expenses			
Business taxes and other surcharges		**(20,948)**	(30,790)
Depreciation and amortisation		**(446,931)**	(380,630)
Network usage fees		**(46,511)**	(64,965)
Personnel expenses		**(1,172,783)**	(975,904)
Operating lease payments		**(159,460)**	(148,004)
Technical support and maintenance fees		**(470,085)**	(326,699)
Commission and promotion expenses		**(573,938)**	(460,975)
Costs of software and hardware sold		**(813,165)**	(560,627)
Other operating expenses		**(377,434)**	(327,127)
Total operating expenses		**(4,081,255)**	(3,275,721)
Operating profit		**1,255,157**	1,233,590
Financial income, net		**130,799**	63,945
Government grant	6	**500,000**	–
Share of results of associated companies		**19,012**	14,884
Profit before taxation	7	**1,904,968**	1,312,419
Taxation	11	**(213,110)**	(72,780)
Profit after taxation for the year		**1,691,858**	1,239,639
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(2,022)**	(2,073)
Other comprehensive income, net of tax		**(2,022)**	(2,073)
Total comprehensive income for the year		**1,689,836**	1,237,566

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2014
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	2014 RMB'000	2013 RMB'000
Profit after taxation attributable to			
Owner of the Parent		**1,652,589**	1,205,732
Non-controlling interests		**39,269**	33,907
		1,691,858	1,239,639
Total comprehensive income attributable to			
Owner of the Parent		**1,650,567**	1,203,659
Non-controlling interests		**39,269**	33,907
		1,689,836	1,237,566
Earnings per share for profit attributable to			
Owner of the Parent			
Basic and diluted (RMB)	13	**0.56**	0.41
Cash Dividends	12	**389,186**	409,669

Details of the dividends payable to Owner of the Parent are disclosed in note 12 to the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2014
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	14	**1,987,785**	1,458,073
Lease prepayment for land use right, net	15	**1,861,307**	1,914,040
Intangible assets, net	16	**431,674**	201,876
Goodwill	18	**4,426**	4,166
Investments in associated companies	19	**178,392**	156,980
Deferred income tax assets	21	**41,122**	33,622
Due from an associated company	27	**–**	15,000
Other long-term assets	22	**27,258**	184,571
Restricted bank deposits	31	**111,617**	126,080
		4,643,581	4,094,408
Current assets			
Inventories	23	**15,100**	8,748
Trade receivables, net	24	**755,172**	752,996
Due from related parties, net	25, 42(3)	**2,238,537**	1,852,547
Due from associated companies	27	**27,735**	36,243
Income tax recoverable		**7,480**	81,109
Prepayments and other current assets	28	**467,866**	397,957
Held-to-maturity financial assets	29	**1,210,000**	410,000
Short-term bank deposits	30	**1,263,307**	1,132,444
Restricted bank deposits	31	**105,876**	26,258
Cash and cash equivalents	31	**1,994,953**	2,348,825
		8,086,026	7,047,127
Total assets		**12,729,607**	11,141,535
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital	34	**2,926,209**	2,926,209
Reserves	35	**3,334,380**	3,090,477
Retained earnings	36		
– Proposed final cash dividend	12	**389,186**	409,669
– Others		**3,668,814**	2,651,336
		10,318,589	9,077,691
Non-controlling interests		**257,629**	222,788
Total equity		**10,576,218**	9,300,479

Consolidated Statement of Financial Position

as at December 31, 2014
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities	21	19,289	16,678
Deferred revenue		3,955	945
		23,244	17,623
Current liabilities			
Trade payables and accrued liabilities	32	2,003,463	1,578,891
Due to related parties	33	92,810	192,497
Income tax payable		14,311	18,843
Deferred revenue		19,561	33,202
		2,130,145	1,823,433
Total liabilities		2,153,389	1,841,056
Total equity and liabilities		12,729,607	11,141,535
Net current assets		5,955,881	5,223,694
Total assets less current liabilities		10,599,462	9,318,102

Approved by the Board of Directors on March 25, 2015

Cui Zhixiong
Director

Xiao Yinhong
Director

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

STATEMENT OF FINANCIAL POSITION

as at December 31, 2014
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	14	**1,447,274**	1,007,127
Lease prepayment for land use right, net	15	**1,808,467**	1,859,937
Intangible assets, net	16	**382,183**	194,832
Investments in subsidiaries	17	**1,314,049**	1,106,104
Investments in associated companies	19	**26,140**	22,140
Deferred income tax assets	21	**40,850**	32,143
Due from an associated company	27	**–**	15,000
Other long-term assets	22	**3,804**	74,820
Restricted bank deposits	31	**111,617**	126,080
		5,134,384	4,438,183
Current assets			
Trade receivables, net	24	**539,445**	495,608
Due from related parties, net	25, 42(3)	**1,877,125**	1,579,827
Due from subsidiaries, net	26(a)	**109,012**	90,610
Due from associated companies	27	**15,284**	24,225
Income tax recoverable		**7,480**	80,947
Prepayments and other current assets	28	**67,184**	68,102
Held-to-maturity financial assets	29	**1,210,000**	410,000
Short-term bank deposits	30	**–**	363,000
Restricted bank deposits	31	**105,876**	26,258
Cash and cash equivalents	31	**838,221**	1,262,780
		4,769,627	4,401,357
Total assets		**9,904,011**	8,839,540
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital	34	**2,926,209**	2,926,209
Reserves	35	**2,908,283**	2,662,358
Retained earnings	36		
– Proposed final cash dividend	12	**389,186**	409,669
– Others		**2,388,678**	1,604,339
Total equity		**8,612,356**	7,602,575

Statement of Financial Position

as at December 31, 2014
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liability			
Deferred income tax liabilities	21	**3,145**	–
Deferred revenue		**2,520**	–
		5,665	–
Current liabilities			
Trade payables and accrued liabilities	32	**840,124**	792,751
Due to related parties	33	**81,630**	184,470
Due to subsidiaries	26(b)	**364,236**	259,744
		1,285,990	1,236,965
Total liabilities		**1,291,655**	1,236,965
Total equity and liabilities		**9,904,011**	8,839,540
Net current assets		**3,483,637**	3,164,392
Total assets less current liabilities		**8,618,021**	7,602,575

Approved by the Board of Directors on March 25, 2015

Cui Zhixiong
Director

Xiao Yinhong
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2014
(Amounts expressed in thousands of Renminbi ("RMB"))

		Attributable to Owner of the Parent				
	Note	Paid-In capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2013		2,926,209	2,891,879	2,445,130	168,430	8,431,648
Profit for the year		–	–	1,205,732	33,907	1,239,639
Other comprehensive income:						
Currency translation differences	35	–	(2,073)	–	–	(2,073)
Total comprehensive income		–	(2,073)	1,205,732	33,907	1,237,566
Non-controlling interests arising on the acquisition of control of Xinan Cares	43(ii)	–	–	–	22,626	22,626
Capital injection from non-controlling interests		–	–	–	6,650	6,650
Dividends relating to 2012	12	–	–	(389,186)	(8,825)	(398,011)
Appropriation to reserves	35,36	–	200,671	(200,671)	–	–
Balance at December 31, 2013		2,926,209	3,090,477	3,061,005	222,788	9,300,479
Balance at January 1, 2014		**2,926,209**	**3,090,477**	**3,061,005**	**222,788**	**9,300,479**
Profit for the year		**–**	**–**	**1,652,589**	**39,269**	**1,691,858**
Other comprehensive income:						
Currency translation differences	35	**–**	**(2,022)**	**–**	**–**	**(2,022)**
Total comprehensive income		**–**	**(2,022)**	**1,652,589**	**39,269**	**1,689,836**
Acquisition of a subsidiary	43(i)	**–**	**–**	**–**	**3,593**	**3,593**
Dividends relating to 2013	12	**–**	**–**	**(409,669)**	**(8,021)**	**(417,690)**
Appropriation to reserves	35,36	**–**	**245,925**	**(245,925)**	**–**	**–**
Balance at December 31, 2014		**2,926,209**	**3,334,380**	**4,058,000**	**257,629**	**10,576,218**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2014
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	37	**2,026,995**	1,828,253
Refund of enterprise income tax		**72,157**	141,225
Enterprise income tax paid		**(221,059)**	(225,638)
Net cash generated from operating activities		**1,878,093**	1,743,840
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets, land use right and other long-term assets		**(964,379)**	(979,468)
Maturities of short-term bank deposits		**1,511,423**	1,088,857
Placement of short-term bank deposits		**(1,642,286)**	(1,189,939)
Interest received		**133,790**	90,823
Net cash received from acquisition of a subsidiary	43	**960**	4,619
Net cash paid for establishment of an associate	19	**(4,000)**	–
Dividends received from associated companies		**14,556**	1,630
(Increase)/decrease in held-to-maturity financial assets		**(800,000)**	390,000
Increase in restricted bank deposits		**(65,155)**	(152,338)
Proceeds from disposal of property, plant and equipment		**614**	1,077
Net cash used in investing activities		**(1,814,477)**	(744,739)
Cash flows from financing activities			
Dividend paid to the Company's shareholders		**(409,669)**	(389,186)
Dividend paid to non-controlling shareholders of subsidiaries		**(8,021)**	(8,825)
Capital contributions from non-controlling equity shareholders of subsidiaries		**–**	6,650
Net cash used in financing activities		**(417,690)**	(391,361)
Net (decrease)/increase in cash and cash equivalents		**(354,074)**	607,740
Cash and cash equivalents at beginning of the year		**2,348,825**	1,739,232
Effect of foreign exchange rate changes on cash and cash equivalents		**202**	1,853
Cash and cash equivalents at end of the year	31	**1,994,953**	2,348,825

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES

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

The Company was listed on The Stock Exchange of Hong Kong Limited on February 7, 2001. The address of its registered office is 7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing 101308, PRC.

As at December 31, 2014, 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, TravelSky Technology (USA) Ltd., TravelSky R&D USA, Inc., TravelSky Technology (Taiwan) Limited and TravelSky Technology Australia Pty. Ltd. which are limited liability companies incorporated and operated in Hong Kong, Singapore, Korea, Japan, Europe, the United States, Taiwan and Australia respectively.

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2014		2013			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries							
Hainan Civil Aviation Cares Co., Ltd. ("**Hainan Cares**")	March 2, 1994	64.78%	-	64.78%	–	10,000,000	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%	-	61.47%	–	61,000,000	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems
Cares Hubei Co., Ltd. ("**Hubei Cares**")	July 25, 1997	50%	12.5%	50%	12.5%	15,000,000	Provisions of electronic travel distribution, airport passenger processing 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 paid-up capital	Principal activities
		2014		2013			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
Cares Chongqing Information Technology Co., Ltd. ("**Chongqing Cares**")	December 1, 1998	**51%**	**-**	51%	–	14,800,000	Provisions 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%**	**-**	51%	–	20,000,000	Computer hardware and software development and data network services
InfoSky Technology Co., Ltd. ("**InfoSky**")	September 20, 2000	**90%**	**10%**	90%	10%	164,738,100	Provision of cargo management services and related software and technology development; and provision of technical support, training and consulting services
TravelSky Technology (Hong Kong) Limited ("**TravelSky Hong Kong**")	December 13, 2000	**100%**	**-**	100%	–	11,385,233	Provision of internet exchange platform services for travel agents
Civil Aviation Cares of Xiamen Ltd. ("**Xiamen Cares**")	September 14, 2001	**51%**	**-**	51%	–	20,000,000	Computer hardware and software development and data network services
Civil Aviation Cares of Qingdao Ltd. ("**Qingdao Cares**")	January 11, 2002	**51%**	**-**	51%	–	10,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xi'an Ltd. ("**Xi'an Cares**")	July 9, 2002	**51%**	**-**	51%	–	15,000,000	Computer hardware and software development and data network services

Notes to the Consolidated Financial Statements

(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 paid-up capital	Principal activities
		2014		2013			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
Civil Aviation Cares Technology of Xinjiang Ltd. ("**Xinjiang Cares**")	August 16, 2002	51%	-	51%	–	10,000,000	Computer hardware and software development and data network services
TravelSky Technology (Singapore) Limited ("**TravelSky Singapore**")	October 21, 2005	100%	-	100%	–	3,553,028	Computer hardware and software consulting services
TravelSky Technology (Korea) Limited ("**TravelSky Korea**")	December 28, 2005	100%	-	100%	–	5,421,746	Computer software development and data network services
TravelSky Technology (Japan) Limited ("**TravelSky Japan**")	December 16, 2005	100%	-	100%	–	670,121	Software development and computer equipment maintenance services
Shanghai TravelSky Information Technology Limited ("**TravelSky Shanghai**")	July 1, 2008	100%	-	100%	–	4,000,000	Computer hardware and software development and data network services
Guangzhou TravelSky Information Technology Limited ("**TravelSky Guangzhou**")	September 28, 2008	100%	-	100%	–	400,000,000	Computer hardware and software development and data network services
Accounting Center of China Aviation Limited Company ("**ACCA**")	October 26, 2007	100%	-	100%	–	759,785,200	Accounting, settlement and clearing services, and related information system development and support 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 paid-up capital	Principal activities
		2014		2013			
		Direct	**Indirect**	Direct	Indirect	RMB	
Subsidiaries (continued)							
Beijing YaKe Development Company Limited ("**YaKe**")	October 30, 2007	**-**	**100%**	–	100%	116,121,600	Provision of information system development and related services
TravelSky Technology (Europe) GmbH ("**TravelSky Europe**")	March 23, 2009	**100%**	**-**	100%	–	4,680,000	Technology services and technology support
TravelSky CARES (Beijing) Real Estate Limited ("**Beijing Estate**")	August 28, 2009	**100%**	**-**	100%	–	10,000,000	Real estate development, sales of commercial and residential building, professional contracting, labor subcontracting and investment management
TravelSky Technology (USA) Ltd. ("**TravelSky USA**")	September 8, 2009	**100%**	**-**	100%	–	9,738,500	Technology services and technology support
Beijing TravelSky Travel Service Limited ("**BTTSL**")	January 11, 2011	**100%**	**-**	100%	–	72,000,000	Domestic and inbound tourism services
TravelSky Technology (Taiwan) Limited ("**TravelSky Taiwan**")	April 4, 2011	**100%**	**-**	100%	–	6,471,000	Technology services and technology support
Inner Mongolia TravelSky Information Technology Limited ("**TravelSky Inner Mongolia**")	May 26, 2011	**100%**	**-**	100%	–	5,000,000	Computer and related equipment, development on network systems, sales, provision of rental, maintenance, computer system and tour consulting services

Notes to the Consolidated Financial Statements

(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 paid-up capital	Principal activities
		2014		2013			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
Hunan TravelSky Information Technology Limited ("**TravelSky Hunan**")	June 13, 2011	**100%**	**-**	100%	–	5,000,000	Computer hardware and software development, import and export business and provision of tour consulting services
TravelSky Technology Huadong Data Center Limited ("**Huadong Data Center**")	November 8, 2011	**100%**	**-**	100%	–	50,000,000	Provision of Internet Data Center services, computer system services, rental of computer and related equipment, technology service and technical consulting services
Shanghai Yeexing E-Business Limited ("**Shanghai Yeexing**")	January 22, 2007	**60%**	**-**	60%	–	8,800,000	E-commerce, provision of online and ticketing agency services
Henan TravelSky Information Technology Limited ("**TravelSky Henan**")	August 27, 2012	**100%**	**-**	100%	–	10,000,000	Computer software and hardware project contracting; technical consulting services; integrated system projects
Zhejiang TravelSky Information Technology Limited ("**TravelSky Zhejiang**")	September 25, 2012	**100%**	**-**	100%	–	10,000,000	Electrical system project contracting; trading, repair and rental of computer software and hardware; and technical consulting services
Beijing TravelSky Technology Limited ("**TravelSky Beijing**")	December 5, 2012	**100%**	**-**	100%	–	50,010,000	Technical development services and transfer; trading of computer software, hardware and accessory equipments

Notes to the Consolidated Financial Statements

(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 paid-up capital	Principal activities
		2014		2013			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
Beijing TravelSky HuaYi Software Technology Co.,Ltd ("**TravelSky HY-Software**")	October 16, 2009	**60%**	**-**	60%	–	1,000,000	Software and computer system services
Beijing TravelSky Birun Technology Co., Ltd ("**TravelSky Birun Technology**")	January 9, 2013	**51%**	**-**	51%	–	8,000,000	Technical development, transfer and consulting services
Guangxi TravelSky Cloud Data Service Co., Ltd. ("**TravelSky Cloud Data**")	February 7, 2013	**51%**	**-**	51%	–	5,000,000	Computer software and hardware project contracting and data network service; commercial and tour information consulting services
Aviation Cares of Southwest Chengdu, Ltd. ("**Xinan Cares**")#	November 28, 1999	**44%**	**-**	44%	–	10,000,000	Air passenger traffic handling, provision of electronic travel distribution and airport passenger processing
TravelSky Technology Australia Pty. Ltd. ("**TravelSky Australia**")*	February 25, 2014	**100%**	**-**	–	–	6,158,000	Technology services and technology support
TravelSky R&D USA, Inc. ("**TravelSky R&D USA**")##	April 18, 2013	**100%**	**-**	–	–	62,078,850	Technology development, technology services and technical consulting services

Notes to the Consolidated Financial Statements

(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 paid-up capital	Principal activities
		2014		2013			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
TravelSky Mobile Technology Limited ("**TravelSky Mobile Tech**")*	May 13, 2014	100%	-	–	–	60,000,000	Technology services, technical development and consulting services, provision of rental and sales of computer hardware and software, import and export business, advertising design, production and release
Guangzhou Skyecho Information Technology Limited ("**Skyecho**")**	March 7, 2012	51%	-	–	–	2,000,000	Computer hardware and software technology support services
Beijing HangJu Information Technology Limited ("**Beijing Hangju**")***	November 14, 2014	-	-	–	–	–	Technical development, transfer and consulting services and computer software development

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

* These companies are newly set up and operated by the Company during the year of 2014.

** On May 23, 2014, the Company acquired 51% equity interest in Skyecho. Please refer to Note 43(i) for details.

*** This company was newly set up during the year of 2014 with issued capital fully paid after the end of the reporting period in January 2015.

\# On 1 July 2013, the Company obtained control over Xinan Cares (formerly an associated company of the Group) through entering into a virtue agreement with the other shareholders of Xinan Cares. Pursuant to the terms of the agreement in which the Group have secured more than 50% of the voting rights eligible to be casted in the shareholders and directors' meeting of Xinan Cares. Please refer to Note 43(ii) for details.

\## This company was newly set up during the year of 2013 with issued capital fully paid in March 2014.

Notes to the Consolidated Financial Statements

(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 paid-up capital	Principal activities
		2014		2013			
		Direct	Indirect	Direct	Indirect	RMB	
Associated Companies							
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**")	May 21, 1999	**41%**	**-**	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%**	**-**	46%	-	20,000,000	Computer hardware and software development and data network services
Yunnan TravelSky Airport Technology Limited ("**Yunnan Konggang**")	April 1, 2003	**40%**	**-**	40%	-	15,000,000	Computer hardware and software development and technical consulting services
Heilongjiang TravelSky Airport Technology Limited ("**Heilongjiang Konggang**")	April 30, 2003	**50%**	**-**	50%	-	6,000,000	Computer hardware and software development and technical consulting services
Shanghai Dongmei Aviation Tourism Online Co., Limited ("**Dongmei Online**")	September 28, 2003	**50%**	**-**	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 Konggang**")	January 28, 2005	**50%**	**-**	50%	-	6,000,000	Computer hardware and software development and technical consulting services

Notes to the Consolidated Financial Statements

(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 paid-up capital	Principal activities
		2014		2013			
		Direct	Indirect	Direct	Indirect	RMB	
Associated Companies (continued)							
Hebei TravelSky Airport Technology Limited ("**Hebei Konggang**")	April 5, 2007	**50%**	**-**	50%	-	3,000,000	Computer hardware and software development and technical consulting services
Guangzhou Airport AirSpan Information Technology Co. Ltd. ("**Guangzhou Konggang**")	December 24, 2007	**20%**	**-**	20%	-	20,000,000	Computer hardware and software development and technical consulting services
Yantai TravelSky Airport Technology Limited ("**Yantai Konggang**")###	April 3, 2014	**40%**	**-**	-	-	10,000,000	Computer hardware and software development and technical consulting services

This company is newly set up during the year of 2014.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**the IASB**") and under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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.

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The IASB has issued a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

The impacts of these amendments are discussed below:

- *Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities*
  Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for the parent company that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities.

- *Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities*
  The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems).

  This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

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

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

- *Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets*
  Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("**CGU**") which had been included in IAS 36 by the issue of IFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

These amendments do not have material impact on the Group's financial statements.

The Group has not early adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

(b) New standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning January 1, 2014 and have not been early adopted

- In September 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from January 1, 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

- IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt IFRS 15 on January 1, 2017 and is currently assessing the impact of IFRS 15 upon adoption.

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning January 1, 2014 and have not been early adopted (continued)

- Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

There are no other IFRSs or IFRIC interpretations which are not yet effective that would be expected to have a material impact on the Group.

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.

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(i) Merger accounting for common control combination (continued)

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 end of the reporting period or when they first came under common control, whichever is shorter.

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The Group uses the acquisition method of accounting 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(ii) Subsidiaries (continued)

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 consolidated statement of profit or loss and other 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 statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3(h)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

(iii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, 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 non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iv) Associated companies

An associate is an entity, in which the Group has a long term interest or generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses is included as part of the Group's investments in associates, they are recognised immediately in profit or loss.

The results of associates are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(b) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) 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 TravelSky Hong Kong, TravelSky Singapore, TravelSky Korea, TravelSky Japan, TravelSky Europe, TravelSky USA, TravelSky R&D USA, TravelSky Taiwan and TravelSky Australia, the functional currency of the Company's subsidiaries is also in 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 profit or loss and other 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 profit or loss and other 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 other comprehensive income.

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 other comprehensive income.

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) 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 statement of financial position presented are translated at the closing rate at the date of that financial position;

- Income and expenses for each statement of profit or loss and other 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 in other comprehensive income.

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 other comprehensive income. When a foreign operation is partially disposed of or sold, cumulative exchange differences that were recorded in currency translation differences in equity relating to that operation up to the date of disposal are recognised in the consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

(d) Property, plant and equipment

Property, plant and equipment are 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 capitalised.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is provided using the straight-line method over their estimated useful lives, after taking into consideration their estimated residual value. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20–30 years
Computer systems and software	3–8 years
Motor vehicles	6 years
Furniture, fixtures and other equipment	4–11 years
Leasehold improvements	Over the lease term

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each of the end of the reporting period.

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(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss and other 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.

(e) Intangible assets (other than goodwill)

Intangible assets mainly represent purchased computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over 3–5 years.

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

(f) 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 for 40–50 years.

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) 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.

Capitalised development costs are amortised on a straight-line basis over their expected useful lives. The period of amortisation does not normally exceed 5 years. During the year ended December 31, 2014, no development costs were capitalised as they did not meet all the criteria listed above (2013: nil).

(h) 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) 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.

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 measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are then classified as non-current assets. Held-to-maturity financial assets are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the financial assets are derecognised or impaired, as well as through the amortisation process.

(j) 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 in profit or loss based on the straight-line method over the period of the leases.

(k) Inventories

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables 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 reorganisation, and default or delinquency in payments are considered indicators that the trade 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 trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of comprehensive income.

(m) Cash and cash equivalents

In the consolidated statement of cash flows, 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.

(n) Trade and other payables

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

(o) 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 end of the reporting period 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 relevant tax authorities.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Taxation (continued)

(ii) Deferred income tax

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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except for deferred income tax liability 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 (such as value-added tax and business tax) are provided in accordance with the regulations issued by the respective government authorities.

(p) 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 in profit or loss when they are due.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Other employee benefits

All Chinese employees of the Group participate in employee social security plans, including medical, housing and other welfare benefits, organised 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 in profit or loss as when incurred.

(iii) Share appreciation rights

Compensation expense in respect of the share appreciation rights granted is accrued as a charge to the consolidated statement of profit or loss and other comprehensive income over the applicable vesting period based on the fair value of the share appreciation rights. The liability of the accrued compensation expense is remeasured to fair value at each of the end of the reporting period with the effect of changes in the fair value of the liability is charged or credited to the consolidated statement of profit or loss and other comprehensive income. Further details of the Group's share appreciation rights scheme are set out in Note 38.

(q) 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)

(r) 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, 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 customers' 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.

(s) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate and reported separately as other income. Where the grant relates to a depreciable asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments. When the grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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 ordinary 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.

(v) 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.

(w) Related parties

A party is considered to be related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group in making financial and operating policy decisions; or has joint control over the Group;

(ii) the party is an associate of the Group;

(iii) the party is a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

State-owned enterprises, other than entities under China TravelSky Holding Company ("**CTHC**" or the "**Parent**") which are also state-owned enterprises, directly or indirectly controlled by the Central People's Government of the PRC are also regarded as related parties of the Group.

For the purpose of the disclosure of related party transactions and their balances, the Group has established procedures for determination, to the extent possible, of the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises to ensure the adequacy of disclosure for all material related party transactions and balances given that many state-owned enterprises have multi-layered corporate structures and their ownership structures change over time as a result of transfers and privatisation programs.

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS

The preparation of consolidated financial statements in conformity with IFRSs requires the Group to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, the Group evaluates its estimates based on historical experience and on other various 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.

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

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (continued)

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) Useful life and residual value 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(d) based on the historical experience with similar assets, taking into account anticipated technological changes. The depreciation expenses in the future periods will change if there are significant changes to these estimates.

(b) Impairment of assets

At each end of the reporting period, the Group considers both internal and external sources of information to assess whether there is any indication that the Group's 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 the 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 recognises 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) Services fees

The aviation information technology services fees of the Group are subject to discussion with airlines. 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.

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (continued)

(e) Share appreciation rights

In determining the fair value of the share appreciation rights, considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(f) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Details of impairment loss review are set out in Note 18.

5. REVENUE

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, system integration services and related data network services. A major portion of these revenues was generated from the shareholders of the Company.

6. GOVERNMENT GRANT

	2014 **RMB'000**	2013 RMB'000
Industry support development fund	**500,000**	–

Government grant is awarded to the Group by the local government agencies as incentive primarily to encourage and support the Group to provision of aviation information technology services business on Beijing Shunyi District Houshayu Town. It is a one-off grant and the grant condition is recognised at the point of time the Group has approved and started the relevant business plan. The grant is not aimed to compensate any expenses or losses and/or assets associated with the relevant business activities.

Notes to the Consolidated Financial Statements

(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:

	2014 RMB'000	2013 RMB'000
After charging:		
Depreciation	**204,410**	181,109
Amortisation of intangible assets	**163,292**	124,473
Amortisation of leasehold improvements	**26,496**	22,316
Amortisation of lease prepayment for land use right	**52,733**	52,732
Loss on disposal of property, plant and equipment	**3,054**	1,141
Provision for impairment of receivables	**62,619**	12,614
Written off of impairment of receivables	**(2,092)**	–
Costs of software and hardware sold	**813,165**	560,627
Retirement benefits	**98,453**	106,757
Auditors' remuneration	**2,390**	2,111
Contribution to housing benefits		
– current year provision	**60,059**	69,095
– over-provision in respect of prior years (Note 10)	**–**	(20,234)
Research and development expenses	**448,977**	362,473
Staff costs arising from share appreciation rights	**761**	17,992
After crediting:		
Interest income	**(128,333)**	(92,660)
Exchange gain, net	**(2,481)**	(684)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(i) Directors' and supervisors' emoluments

The emoluments of the directors and supervisors during the year ended December 31, 2014 (tax inclusive) are as follows:

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 bonus RMB'000	Employer's contribution to pension scheme for employee RMB'000	Total RMB'000
Executive directors						
Mr. Xu Qiang (Chairman) (i)(viii)(ix)	-	-	208	554	55	817
Mr. Cui Zhixiong (Acting as the Chairman) (ii)(viii)(ix)	-	-	313	554	84	951
Mr. Xiao Yinhong (vii) (viii)(ix)	-	-	313	554	84	951
Non-executive directors						
Mr. Wang Quanhua* (vii)	-	-	-	-	-	-
Mr. Cao Jianxiong (iii)	-	-	-	-	-	-
Mr. Sun Yude* (iv)	-	-	-	-	-	-
Mr. Cai Kevin Yang* (v)	-	-	-	-	-	-
Independent non-executive directors						
Mr. Cheung Yuk Ming (vii)	70	-	29	-	-	99
Mr. Pan Chongyi (vii)	70	-	31	-	-	101
Mr. Zhang Hainan (v)	60	-	31	-	-	91
Supervisors						
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor) (vii) (viii)(ix)	-	-	284	492	78	854
Mr. Rao Geping (Independent Supervisor) (vii)	60	-	-	-	-	60
Mr. Zeng Yiwei*(vii)	-	-	-	-	-	-
Mr. Xiao Wei (Staff Representative Supervisor) (vii) (viii)(ix)	-	-	302	286	63	651
Mr. He Haiyan* (v)	-	-	-	-	-	-
	260	-	1,511	2,440	364	4,575

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

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

(i) Directors' and supervisors' emoluments (continued)

The emoluments of the directors and supervisors during the year ended December 31, 2013 (tax inclusive) are as follows:

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 bonus RMB'000	Employer's contribution to pension scheme for employee RMB'000	Total RMB'000
Executive directors						
Mr. Xu Qiang (Chairman) (i)(viii)(ix)	–	–	309	508	71	888
Mr. Cui Zhixiong (Acting as the Chairman) (ii)(viii)(ix)	–	–	309	508	71	888
Mr. Xiao Yinhong (vii) (viii)(ix)	–	–	309	508	71	888
Non-executive directors						
Mr. Wang Quanhua* (vii)	–	–	–	–	–	–
Mr. Xu Zhao * (vi)	–	–	–	–	–	–
Mr. Sun Yude* (iv)	–	–	–	–	–	–
Mr. Cai Kevin Yang* (v)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Cheung Yuk Ming (vii)	93	–	26	–	–	119
Mr. Zhou Deqiang (vi)	55	–	–	–	–	55
Mr. Pan Chongyi (vii)	93	–	28	–	–	121
Mr. Zhang Hainan (v)	33	–	28	–	–	61
Supervisors						
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor) (vii) (viii)(ix)	–	–	277	442	67	786
Mr. Rao Geping (Independent Supervisor) (vii)	60	–	–	–	–	60
Mr. Zeng Yiwei*(vii)	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor) (vii) (viii)(ix)	–	–	291	233	54	578
Mr. He Haiyan* (v)	–	–	–	–	–	–
	334	–	1,577	2,199	334	4,444

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

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

(i) Directors' and supervisors' emoluments (continued)

* These directors and supervisors are employees of the shareholders of the Company or their subsidiaries, and obtain emoluments from them. No appropriation has been made as the directors of the Company considered it is impracticable to apportion this amount between their services to the Group and the parent of the Company or their subsidiaries.

(i) Re-appointed on June 18, 2013 and resigned on December 2, 2014
(ii) Re-appointed on June 18, 2013 and exercised the powers of the Chairman on December 2, 2014
(iii) Appointed on December 23, 2014
(iv) Re-appointed on June 18, 2013 and resigned on December 23, 2014
(v) Appointed on June 18, 2013
(vi) Resigned on June 18, 2013
(vii) Re-appointed on June 18, 2013
(viii) Apart from the above emoluments on August 29, 2011, share appreciation rights have granted to certain directors, senior management and key technical and managerial personnel of the Company. The values of these share appreciation rights is measured according to the Group's accounting policy as set out in Note 3(p)(iii). Please refer to Note 38 for details of this scheme.

The number of outstanding share appreciation rights (settled in cash when they are exercised) granted to the directors and supervisors, the amounts of actual paid and recognised in the consolidated statement of profit or loss during the year under the share appreciation rights scheme of the Company is set out below:

2014

	Quantity of share appreciation rights					
	January 1, 2014 Share'000	Exercised during the year Share'000	Forfeited during the year Share'000	December 31, 2014 Share'000	Exercised and actual paid during the year RMB'000	Recognised in consolidated statement of profit or loss during the year RMB'000
Executive directors						
Mr. Xu Qiang	495	(330)	(165)	–	672	(157)
Mr. Cui Zhixiong	495	(330)	–	165	672	119
Mr. Xiao Yinhong	495	(330)	–	165	672	119
Supervisors						
Ms. Li Xiaojun	336	(224)	–	112	428	53
Mr. Xiao Wei	213	(142)	–	71	245	7
	2,034	(1,356)	(165)	513	2,689	141

Notes to the Consolidated Financial Statements

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

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

(i) Directors' and supervisors' emoluments (continued)

(viii) (continued)

2013

	Quantity of share appreciation rights					
	January 1, 2013 Share'000	Exercised during the year Share'000	Forfeited during the year Share'000	December 31, 2013 Share'000	Exercised and actual paid during the year RMB'000	Recognised in consolidated statement of profit or loss during the year RMB'000
Executive directors						
Mr. Xu Qiang	495	–	–	495	–	636
Mr. Cui Zhixiong	495	–	–	495	–	636
Mr. Xiao Yinhong	495	–	–	495	–	636
Supervisors						
Ms. Li Xiaojun	336	–	–	336	–	432
Mr. Xiao Wei	213	–	–	213	–	274
	2,034	–	–	2,034	–	2,614

(ix) In 2010, the Group obtained the approval from the relevant government authorised to establish a supplementary housing benefit scheme for their employees. This supplementary housing benefit scheme will provide supplemental housing benefits to existing employees who have met certain pre-requisite criteria. Please refer to Note 9 for details of this scheme. Pursuant to the supplementary housing benefit scheme, the Group agrees to pay a one-time lump sum housing allowances to certain eligible employees for their past services in 2010 and recorded in personnel expenses in the relevant reporting period. In 2014, the amount received by the relevant directors and supervisors with regard to this scheme is set out below:

	2014 RMB'000	2013 RMB'000
Executive directors		
Mr. Xu Qiang	**59**	–
Mr. Cui Zhixiong	**182**	–
Mr. Xiao Yinhong	**60**	–
Supervisors		
Ms. Li Xiaojun	**–**	–
Mr. Xiao Wei	**121**	–
	422	–

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

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

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: three) directors whose emoluments (excluding share appreciation rights) are reflected in the analysis presented above. The emoluments (excluding share appreciation rights) payable to the remaining three (2013: two) individuals during the year are as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries and allowances	**1,362**	556
Bonuses	**1,164**	894
Retirement benefits	**247**	134
	2,773	1,584

Their emoluments (excluding share appreciation rights) are within the following bands:

	Number of the five highest paid individuals	
	2014	2013
Nil – HKD1,000,000 (equivalent to RMB792,200)	**–**	1
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,188,300)	**5**	4
	5	5

During the year ended December 31, 2014, no emolument was paid to any of the directors, supervisors and the five highest paid employees as an inducement to join or upon joining the Company or as compensation for loss of office (2013: nil). No directors, supervisors and the five highest paid employees had waived or agreed to waive any emolument (2013: nil).

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

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

(iii) Emoluments of senior management

Other than the emoluments of directors and supervisors disclosed in Note 8(i), the emoluments (excluding share appreciation rights) of the senior management whose profiles are included in Biographies of Directors, Supervisors, Senior Management and Company Secretary section of this report fell within the following bands:

	Number of individuals	
	2014	2013
Emolument band		
Nil – HKD1,000,000 (equivalent to RMB792,200)	**4**	7
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,188,300)	**3**	1
	7	8

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, 2014 (2013: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2014 amounted to approximately RMB79.4 million (2013: RMB69.7 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, 2014 amounted to approximately RMB19.1 million (2013: RMB37.1 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, 2014, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2013: nil).

10. HOUSING BENEFITS

All the full-time employees of the Group are entitled to participate in a state-sponsored housing fund. The fund can be one-off used by the employees for housing purchases, or may be one-off 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, 2014 amounted to approximately RMB59.0 million (2013: RMB53.8 million). This amount was recorded in personnel expenses.

In 2010, the Group obtained the approval from the relevant government authorised to establish a supplementary housing benefit scheme for their employees. This supplementary housing benefit scheme will provide supplemental housing benefits to existing employees who have met certain pre-requisite criteria.

Pursuant to the supplementary housing benefit scheme, the Group agrees to pay a one-time lump sum housing allowances, totalling RMB35.8 million to certain eligible employees for their past services in 2010. Such one-time housing allowance was recorded in personnel expenses in the relevant reporting period.

Pursuant to the supplementary housing benefit scheme, the Group will also implement monthly housing subsidies for certain eligible employees in the following years. The monthly housing subsidies contribution will be charged to the statement of profit or loss and other comprehensive income as when incurred.

In 2013, the Group started to distribute the one-time lump sum housing benefit and monthly housing subsidies, and reviewed the eligibility of certain employees, resulting in an over-provision approximately RMB1.3 million and approximately RMB18.9 million respectively, in respect of prior years. The over-provision was mainly due to the dismissal, voluntary resignation and termination of the relevant employees. The over-provision was reflected in the statement of profit or loss and other comprehensive income for the year ended December 31, 2013. During the year ended December 31, 2014, RMB1 million was further provided for certain employees regarding to the one-time lump sum housing benefit.

As of December 31, 2014, the total number of employees of the Group was 6,214 (2013: 5,939).

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

11. TAXATION

Income tax

	2014 RMB'000	2013 RMB'000
Current tax:		
PRC enterprise income tax expenses	**216,985**	160,021
Over-provision in respect of prior years	**(912)**	(77,952)
Overseas income tax expenses	**1,926**	28
Deferred tax	**(4,889)**	(9,317)
	213,110	72,780

Taxation of the Group except for TravelSky Hong Kong, TravelSky Singapore, TravelSky Japan, TravelSky Korea, TravelSky Europe, TravelSky USA, TravelSky R&D USA, TravelSky Taiwan and TravelSky Australia is provided based on the tax laws and regulations applicable to the PRC enterprises. The Group provides for the 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.

Under the Corporate Income Tax Law of the People's Republic of China ("**New CIT Law**"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a favorable statutory tax rate of 15% according to the New CIT Law. The Company has been approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. In October 2014, the Company was approved and certified as a "High and New Technology Enterprise" again. The relevant taxation authority has confirmed in writing that, as a High and New Technology Enterprise, the Company may use a preferential tax rate of 15% in computing corporate income tax from 2014 to 2016.

In addition to the recognised "High and New Technology Enterprise", enjoying a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the year, it can further enjoy a preferential income tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded.

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

11. TAXATION (continued)

Income tax (continued)

On January 2, 2014, the Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout for Year 2013 and Year 2014. Accordingly the Company has calculated the income tax expense at the tax rate of 10% for Year 2013 and Year 2014. Meanwhile, in October 2013, relevant tax regulatory bodies approved and refunded of the 5% excess income tax paid for Year 2011 to the Company. Such impact was reflected in the corresponding financial statements for Year 2013 of the Company. Details of this have been made in the Company's announcement dated January 2, 2014.

As stated in the fourth paragraph of this note, the Company's corporate income tax expense was provided for at the rate of 10% for the year ended December 31, 2014 pursuant to the relevant requirements.

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

In 2014 and 2013, 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:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**1,904,968**	1,312,419
Weighted average statutory tax rate	**25%**	25%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**479,396**	330,495
Share of profits of associated companies	**(4,753)**	(3,721)
Effect of not taxable income	**(57,960)**	(32,165)
Effect of not deductible expenses	**54,888**	19,410
Effect of tax losses not recognised	**13,696**	9,584
Effect of tax losses utilised	**(274)**	(51)
Effect of preferential tax rates	**(270,971)**	(172,820)
Over-provision in respect of prior years	**(912)**	(77,952)
Actual tax charge	**213,110**	72,780

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

11. TAXATION (continued)

Business tax

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

Date network services and others	5%
Technical support services	5%

Pursuant to the notice of regarding the pilot programme for the transformation of transportation and certain modern service industries in 8 provinces including Beijing from Business Tax to Value Added Tax ("**VAT**") (Cai Shui Fa [2012] No. 71) issued by Ministry of Finance and the State Administration of Taxation, all of the Group's aviation information technology services and accounting and settlement and clearing services revenue generated in Beijing will be subjected to VAT levied at rates of 6% from September 1, 2012; while the other revenue generated in other locations of China will continue to be subject to business tax at rates of 3% or 5%, whichever is applicable. With effect from August 1, 2013, such tax reform was fully implemented throughout China.

Value-added tax

The Group's revenue from aviation information technology services, accounting, settlement and clearing services, and sales of equipment and software are subject to VAT. The Company and some of its subsidiaries including ACCA, InfoSky, Shenzhen Cares, Hubei Cares, Chongqing Cares, Xiamen Cares, Qingdao Cares, Xi'an Cares, Xinjiang Cares and Xinan Cares 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 6% to 17% for general tax payers, and 3% 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.

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

12. DIVIDENDS DISTRIBUTION

The equity holders approved the distribution of a final dividend of RMB409.7 million (RMB0.14 per share) for Year 2013 in the annual general meeting of the Company held on June 5, 2014. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2014.

On March 25, 2015, the Board recommended the distribution of a final cash dividend of RMB389.2 million for Year 2014 (RMB0.133 per share). The proposed final dividend distribution is subject to shareholders' approval in the next general meeting of the Company and will be recorded in the Group's financial statements for the year ending December 31, 2015.

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:

	2014	2013
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**1,652,589**	1,205,732
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue	**2,926,209**	2,926,209
Earnings per share (RMB)		
Basic and dilutive	**0.56**	0.41

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2014 and 2013.

Notes to the Consolidated Financial Statements

(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:

	Note	Buildings RMB'000	Computer systems and software RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost								
As at January 1, 2013		461,017	2,668,594	72,017	147,591	70,538	49,383	3,469,140
Purchases		68	119,402	6,014	21,797	568,998	35,959	752,238
Disposals/write off		–	(36,885)	(1,658)	(11,134)	–	–	(49,677)
Transfer from assets under construction to leasehold improvements		–	–	–	–	(24,683)	24,683	–
Transfer/reclassification		–	(116,824)	–	116,824	–	–	–
Acquisition of the control of Xinan Cares	43(ii)	6,213	–	1,111	6,826	–	377	14,527
As at December 31, 2013		467,298	2,634,287	77,484	281,904	614,853	110,402	4,186,228
Purchases		81,507	144,072	4,304	50,197	474,954	8,804	763,838
Disposals/write off		–	(88,870)	(2,916)	(19,920)	–	(187)	(111,893)
Transfer from assets under construction		267,633	–	–	3,458	(271,091)	–	–
Acquisition of a subsidiary	43(i)	–	–	75	373	–	–	448
As at December 31, 2014		**816,438**	**2,689,489**	**78,947**	**316,012**	**818,716**	**119,019**	**4,838,621**
Accumulated depreciation								
As at January 1, 2013		(115,865)	(2,245,463)	(45,090)	(106,382)	–	(38,641)	(2,551,441)
Charge for the year		(23,698)	(126,006)	(6,820)	(24,585)	–	(22,316)	(203,425)
Transfer/reclassification		–	91,661	–	(91,661)	–	–	–
Disposals/write off		–	35,789	1,234	10,436	–	–	47,459
As at December 31, 2013		(139,563)	(2,244,019)	(50,676)	(212,192)	–	(60,957)	(2,707,407)
Charge for the year		(25,922)	(144,009)	(6,982)	(27,497)	–	(26,496)	(230,906)
Disposals/write off		–	86,207	2,794	19,037	–	187	108,225
As at December 31, 2014		**(165,485)**	**(2,301,821)**	**(54,864)**	**(220,652)**	**–**	**(87,266)**	**(2,830,088)**
Provision								
As at January 1, 2013, December 31, 2013 and December 31, 2014		**–**	**(20,748)**	**–**	**–**	**–**	**–**	**(20,748)**
Net book value								
As at December 31, 2013		327,735	369,520	26,808	69,712	614,853	49,445	1,458,073
As at December 31, 2014		**650,953**	**366,920**	**24,083**	**95,360**	**818,716**	**31,753**	**1,987,785**

Notes to the Consolidated Financial Statements

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

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

The Company:

	Buildings RMB'000	Computer systems and software RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost							
As at January 1, 2013	273,739	2,551,769	42,408	109,927	82,545	44,781	3,105,169
Purchases	50	119,402	1,684	5,201	294,670	34,039	455,046
Disposals/write off	–	(36,884)	(210)	(8,431)	–	–	(45,525)
Transfer from assets under construction to leasehold improvements	–	–	–	–	(24,346)	24,346	–
As at December 31, 2013	273,789	2,634,287	43,882	106,697	352,869	103,166	3,514,690
Purchases	–	144,072	1,365	9,921	472,429	7,980	635,767
Disposals/write off	–	(88,870)	(1,047)	(17,411)	–	–	(107,328)
As at December 31, 2014	**273,789**	**2,689,489**	**44,200**	**99,207**	**825,298**	**111,146**	**4,043,129**
Accumulated depreciation							
As at January 1, 2013	(57,588)	(2,153,802)	(27,402)	(84,387)	–	(35,930)	(2,359,109)
Charge for the year	(13,652)	(126,006)	(4,115)	(6,817)	–	(21,270)	(171,860)
Disposals/write off	–	35,789	202	8,163	–	–	44,154
As at December 31, 2013	(71,240)	(2,244,019)	(31,315)	(83,041)	–	(57,200)	(2,486,815)
Charge for the year	(13,639)	(144,009)	(3,293)	(6,633)	–	(24,830)	(192,404)
Disposals/write off	–	86,207	1,015	16,890	–	–	104,112
As at December 31, 2014	**(84,879)**	**(2,301,821)**	**(33,593)**	**(72,784)**	**–**	**(82,030)**	**(2,575,107)**
Provision							
As at January 1, 2013, December 31, 2013 and December 31, 2014	–	(20,748)	–	–	–	–	(20,748)
Net book value							
As at December 31, 2013	202,549	369,520	12,567	23,656	352,869	45,966	1,007,127
As at December 31, 2014	**188,910**	**366,920**	**10,607**	**26,423**	**825,298**	**29,116**	**1,447,274**

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

15. LEASE PREPAYMENT FOR LAND USE RIGHT, NET

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cost				
As at January 1 and December 31	**2,121,934**	2,121,934	**2,059,727**	2,059,727
Accumulated amortisation				
As at January 1	**(207,894)**	(155,162)	**(199,790)**	(148,321)
Charge for the year	**(52,733)**	(52,732)	**(51,470)**	(51,469)
As at December 31	**(260,627)**	(207,894)	**(251,260)**	(199,790)
Net book value				
As at December 31	**1,861,307**	1,914,040	**1,808,467**	1,859,937

Lease prepayment for land use right, net, mainly represented a purchase price of RMB1.91 billion for the land use right of the lands namely 08, 09, 19 and 21 blocks at Xincheng 19 Street, Shunyi District, Beijing at an open auction held on January 14, 2010. The Company is in the process of building a new operating center comprising a data center and the headquarter office building of the Company on this piece of land.

Land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. Lease prepayments for land use rights represent the Group's interests in lands which are held on lease with a term of 40 to 50 years.

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

16. INTANGIBLE ASSETS, NET

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cost				
As at January 1	**596,450**	332,714	**567,418**	308,802
Additions	**388,240**	263,620	**340,418**	258,616
Acquisition of the control of Xinan Cares (Note 43(ii))	**–**	116	**–**	–
Acquisition of a subsidiary (Note 43(i))	**4,850**	–	**–**	–
As at December 31	**989,540**	596,450	**907,836**	567,418
Accumulated amortisation				
As at January 1	**(394,574)**	(270,101)	**(372,586)**	(249,985)
Charge for the year	**(163,292)**	(124,473)	**(153,067)**	(122,601)
As at December 31	**(557,866)**	(394,574)	**(525,653)**	(372,586)
Net book value				
As at December 31	**431,674**	201,876	**382,183**	194,832

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

17. INVESTMENTS IN SUBSIDIARIES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Investments, at cost	**–**	–	**1,314,049**	1,106,104

A list of the Company's subsidiaries is shown in Note 1 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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

18. GOODWILL

	The Group	
	2014	2013
	RMB'000	RMB'000
Cost and carrying value		
At 1 January	**4,166**	4,166
Arising from acquisition of a subsidiary (Note 43(i))	**260**	–
At 31 December	**4,426**	4,166

The carrying amount of goodwill primarily arises from the acquisition of subsidiaries, Skyecho and TravelSky HY-Software, in current year and prior year, respectively.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units ("**CGUs**") for impairment testing.

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumption for the value-in-use calculations of the above CGUs are those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the most recent financial data of 3 years and extrapolates cash flows for the following five years with growth rate in revenue of 9% to 15%. Cash flows beyond the five-year period are extrapolated using zero growth rates. The discount rate is 16.1% per annum.

As at 31 December 2014, management of the Group was of the view that there was no impairment of goodwill.

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

19. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Beginning of the year	**156,980**	163,140	**22,140**	26,540
Share of profits by the Company	**19,012**	14,884	**–**	–
Establishment of an associate	**4,000**	–	**4,000**	–
Disposal upon acquisition of the control of Xinan Cares (Note 43(ii))	**–**	(16,488)	**–**	(4,400)
Dividends receivable from associated companies	**(1,600)**	(4,556)	**–**	
End of the year	**178,392**	156,980	**26,140**	22,140

A list of the Group's associates is shown in Note 1 to the consolidated financial statements.

There is no associate that is individually material, the aggregate amounts of the assets, liabilities, revenue and profit of the Group's associates attributable to the Group are as follows:

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profit RMB'000
2014					
100 per cent	**511,892**	**(84,701)**	**427,191**	**747,251**	**45,845**
Group's effective interest	**211,728**	**(33,336)**	**178,392**	**336,116**	**19,012**
2013					
100 per cent	515,651	(139,401)	376,250	223,225	42,197
Group's effective interest	213,563	(56,583)	156,980	95,408	14,884

Notes to the Consolidated Financial Statements

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

20. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Assets as per statement of financial position:				
Trade receivables, net (Note 24)	**755,172**	752,996	**539,445**	495,608
Due from related parties, net (Note 25)	**2,238,537**	1,852,547	**1,877,125**	1,579,827
Due from subsidiaries, net (Note 26(a))	**–**	–	**109,012**	90,610
Due from associated companies (Note 27)	**27,735**	51,243	**15,284**	39,225
Interest receivable and other current assets (Note 28)	**437,461**	344,228	**52,429**	50,015
Held-to-maturity financial assets (Note 29)	**1,210,000**	410,000	**1,210,000**	410,000
Short-term bank deposits (Note 30)	**1,263,307**	1,132,444	**–**	363,000
Restricted bank deposits (Note 31)	**217,493**	152,338	**217,493**	152,338
Cash and cash equivalents (Note 31)	**1,994,953**	2,348,825	**838,221**	1,262,780
Total	**8,144,658**	7,044,621	**4,859,009**	4,443,403

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Liabilities as per statement of financial position:				
Trade payables and other liabilities (Note 32)	**1,979,195**	1,564,376	**821,799**	782,441
Due to related parties (Note 33)	**92,810**	192,497	**81,630**	184,470
Due to subsidiaries (Note 26(b))	**–**	–	**364,236**	259,744
Total	**2,072,005**	1,756,873	**1,267,665**	1,226,655

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

21. DEFERRED INCOME TAX

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	**31,288**	23,234	**31,048**	21,755
Deferred tax assets to be recovered within 12 months	**9,834**	10,388	**9,802**	10,388
	41,122	33,622	**40,850**	32,143
Deferred tax liabilities:				
Deferred tax liabilities to be settled over 12 months	**(19,289)**	(16,678)	**(3,145)**	–
	(19,289)	(16,678)	**(3,145)**	–

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

The Group:

	Depreciation and Amortisation RMB'000	**Accrual, Provision and Others** RMB'000	**Total** RMB'000
As at January 1, 2013	(2,912)	10,539	7,627
Recognised in the consolidated statement of profit or loss and other comprehensive income	8,676	641	9,317
As at December 31, 2013	5,764	11,180	16,944
Recognised in the consolidated statement of profit or loss and other comprehensive income	5,443	(554)	4,889
As at December 31, 2014	**11,207**	**10,626**	**21,833**

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

21. DEFERRED INCOME TAX (continued)

The Company:

	Depreciation and Amortisation RMB'000	Accrual, Provision and Others RMB'000	Total RMB'000
As at January 1, 2013	14,011	9,747	23,758
Recognised in the statement of profit or loss and other comprehensive income	7,744	641	8,385
As at December 31, 2013	21,755	10,388	32,143
Recognised in the statement of profit or loss and other comprehensive income	6,148	(586)	5,562
As at December 31, 2014	**27,903**	**9,802**	**37,705**

At December 31, 2014, the Group has unused tax losses of approximately RMB106.0 million (2013: RMB67.1 million) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in the tax loss approximately RMB1.6 million (2013: RMB7.5 million) arising from Australia, Europe, Hong Kong and Singapore subsidiaries may be carried forward indefinitely. Included in the tax loss approximately RMB5.4 million (2013: RMB4.4 million) arising from Taiwan and Korea subsidiaries will expire in various date up to 2024. Included in the tax loss approximately RMB1.2 million (2013: 0.6 million) arising from Japan subsidiary will expire up to 2021. Included in the tax loss approximately RMB1.2 million (2013: nil) arising from America and North America subsidiaries will expire up to 2034. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

	2014 RMB'000	2013 RMB'000
2015	**177**	177
2016	**112**	112
2017	**19,477**	19,477
2018	**25,304**	34,938
2019	**51,651**	–
	96,721	54,704

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

22. OTHER LONG-TERM ASSETS

At December 31, other long-term assets of the Group mainly comprised deposits paid for acquisition of property, plant and equipment and intangible assets.

23. INVENTORIES

	The Group	
	2014 RMB'000	2013 RMB'000
Equipment for sale	**6,687**	8,843
Spare parts	**8,413**	11
Total	**15,100**	8,854
Provision for impairment of inventories (Equipment for sale)	**–**	(106)
	15,100	8,748

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

24. TRADE RECEIVABLES, NET

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade receivables	**875,698**	812,995	**642,254**	544,261
Provision for impairment of receivables	**(120,526)**	(59,999)	**(102,809)**	(48,653)
Trade receivables, net	**755,172**	752,996	**539,445**	495,608

The carrying amounts of the Group's trade receivables approximated its fair value as at December 31, 2014 because of the short-term maturities of these receivables.

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

The Group has a policy allowing its customers credit periods normally ranging from 10 to 90 days.

Notes to the Consolidated Financial Statements

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

24. TRADE RECEIVABLES, NET (continued)

As of December 31, 2014 and 2013, the ageing analysis of the trade receivables was as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Within 6 months	**601,470**	671,501	**420,173**	439,122
Over 6 months but within 1 year	**139,296**	72,125	**113,776**	57,033
Over 1 year but within 2 years	**82,996**	38,202	**68,831**	27,422
Over 2 years but within 3 years	**25,273**	17,021	**19,050**	15,072
Over 3 years	**26,663**	14,146	**20,424**	5,612
Total trade receivables	**875,698**	812,995	**642,254**	544,261
Provision for impairment of receivables	**(120,526)**	(59,999)	**(102,809)**	(48,653)
Trade receivables, net	**755,172**	752,996	**539,445**	495,608

As of December 31, 2014, trade receivables of RMB22.6 million (2013: RMB20.0 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 trade receivables is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Over 6 months but within 1 year	**9,037**	12,537	**–**	–
Over 1 year but within 2 years	**9,916**	4,499	**–**	–
Over 2 years but within 3 years	**3,013**	1,724	**–**	–
Over 3 years	**621**	1,220	**–**	–
	22,587	19,980	**–**	–

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

24. TRADE RECEIVABLES, NET (continued)

As of December 31, 2014, trade receivables of RMB251.6 million (2013: RMB121.5 million) were impaired. The amount of the provision was approximately RMB120.5 million as of December 31, 2014 (2013: approximately RMB60.0 million). The management has assessed that a portion of these receivables is expected to be recovered. The ageing analysis of these receivables is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Over 6 months but within 1 year	**130,259**	59,588	**113,776**	57,033
Over 1 year but within 2 years	**73,080**	33,703	**68,831**	27,422
Over 2 years but within 3 years	**22,260**	15,297	**19,050**	15,072
Over 3 years	**26,042**	12,926	**20,424**	5,612
	251,641	121,514	**222,081**	105,139

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

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Balance at beginning of year	**59,999**	47,385	**48,653**	34,687
Provision	**62,619**	12,614	**55,746**	13,966
Write-off	**(2,092)**	–	**(1,590)**	–
Balance at end of year	**120,526**	59,999	**102,809**	48,653

The carrying amounts of the trade receivables are denominated in the following currencies:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
RMB	**619,375**	615,182	**396,490**	353,591
HKD denominated	**66,849**	43,388	**57,175**	38,268
USD denominated	**121,914**	103,317	**121,789**	102,585
Others	**67,560**	51,108	**66,800**	49,817
	875,698	812,995	**642,254**	544,261

Notes to the Consolidated Financial Statements

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

25. DUE FROM RELATED PARTIES, NET

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**1,337,543**	1,196,581	**987,450**	931,529
Over 6 months but within 1 year	**483,285**	373,950	**476,095**	369,161
Over 1 year but within 2 years	**388,991**	270,187	**387,166**	268,418
Over 2 years but within 3 years	**19,395**	7,533	**17,984**	6,881
Over 3 years	**9,323**	4,296	**8,430**	3,838
Due from related parties	**2,238,537**	1,852,547	**1,877,125**	1,579,827
Provision for impairment of receivables	**–**	–	**–**	–
Due from related parties, net	**2,238,537**	1,852,547	**1,877,125**	1,579,827

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

As of December 31, 2014, notes receivable of RMB50.4 million (2013: RMB122.9 million) was included in the above balances.

As of December 31, 2014, due from related parties of RMB901.0 million (2013: RMB656.0 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Over 6 months but within 1 year	**483,285**	373,950	**476,095**	369,161
Over 1 year but within 2 years	**388,991**	270,187	**387,166**	268,418
Over 2 years but within 3 years	**19,395**	7,533	**17,984**	6,881
Over 3 years	**9,323**	4,296	**8,430**	3,838
	900,994	655,966	**889,675**	648,298

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

26. DUE FROM/(TO) SUBSIDIARIES, NET

(a) Due from subsidiaries

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade related balances, net (i)	**–**	–	**109,012**	90,610

(i) The ageing analysis of amounts due from subsidiaries is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Within 6 months	**–**	–	**43,025**	39,617
Over 6 months but within 1 year	**–**	–	**23,981**	8,942
Over 1 year but within 2 years	**–**	–	**20,956**	14,194
Over 2 years but within 3 years	**–**	–	**8,747**	10,024
Over 3 years	**–**	–	**20,114**	25,644
Total	**–**	–	**116,823**	98,421
Provision for impairment of receivables	**–**	–	**(7,811)**	(7,811)
Due from subsidiaries, net	**–**	–	**109,012**	90,610

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

(b) Due to subsidiaries

The amounts due to subsidiaries in the Company are interest free, unsecured and generally repayable on demand.

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27. DUE FROM ASSOCIATED COMPANIES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Current				
Trade related balances (i)	**19,735**	36,243	**7,284**	24,225
Loan receivable (ii)	**8,000**	–	**8,000**	–
	27,735	36,243	**15,284**	24,225
Non-current				
Loan receivable	**–**	15,000	**–**	15,000
Total	**27,735**	51,243	**15,284**	39,225

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

(ii) The loan receivable is unsecured, bears interest at 6.15% per annum and is repayable within 1 year.

28. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Advance payments	**30,405**	53,729	**14,755**	18,087
Interest receivable	**10,141**	15,598	**9,280**	14,754
Prepaid expenses	**7,460**	11,268	**7,460**	11,268
Other receivables (i)	**340,123**	271,607	**–**	–
Other current assets	**79,737**	45,755	**35,689**	23,993
Total	**467,866**	397,957	**67,184**	68,102

(i) Other receivables represent payments made 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)

29. HELD-TO-MATURITY FINANCIAL ASSETS

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
At amortised cost:				
Certificates of deposits held	**1,210,000**	410,000	**1,210,000**	410,000

The annual interest rate on certificates of deposit held by the Group and the Company ranges from 3.5% to 5.5% (2013: 3.90% to 4.70%) and these deposits have a maturity period from 20 days to 183 days and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate their fair values.

30. SHORT-TERM BANK DEPOSITS

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
RMB	**1,257,061**	1,125,505	**–**	363,000
Others	**6,246**	6,939	**–**	–
Total	**1,263,307**	1,132,444	**–**	363,000

The annual interest rate on short-term bank deposits ranges from 2.85% to 3.3% (2013: 2.85% to 3.30%) and these deposits have a maturity period ranging from 6 to 12 months (2013: 6 to 12 months).

Notes to the Consolidated Financial Statements

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

31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cash				
RMB	**237**	420	**148**	81
Others	**32**	37	**–**	–
Total	**269**	457	**148**	81
Demand deposits				
RMB	**2,059,030**	2,398,840	**1,044,883**	1,398,323
USD denominated	**133,015**	88,742	**10,649**	16,680
HKD denominated	**8,895**	3,870	**34**	34
Others	**11,237**	9,254	**–**	–
Total	**2,212,177**	2,500,706	**1,055,566**	1,415,037
Less: Restricted bank deposits (i)				
Non-current	**(111,617)**	(126,080)	**(111,617)**	(126,080)
Current	**(105,876)**	(26,258)	**(105,876)**	(26,258)
Total	**(217,493)**	(152,338)	**(217,493)**	(152,338)
Total cash and cash equivalents	**1,994,953**	2,348,825	**838,221**	1,262,780

(i) As at December 31, 2014 and 2013, the restricted bank deposits mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing.

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

32. TRADE PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade payables	**416,961**	371,667	**160,742**	127,790
Accrued departure technology support fees	**354,695**	343,096	**354,695**	343,096
Accrued technical support fees	**38,887**	28,864	**44,434**	28,864
Accrued network usage fees	**10,047**	15,187	**10,047**	15,187
Accrued bonuses and staff cost	**217,771**	264,064	**155,582**	221,009
Other taxes payable (i)	**24,268**	14,515	**18,325**	10,310
Other payables (ii)	**805,577**	475,229	**–**	–
Other liabilities	**135,257**	66,269	**96,299**	46,495
Total	**2,003,463**	1,578,891	**840,124**	792,751

At December 31, 2014, approximately RMB46.2 million of the above balances was denominated in U.S. dollars (2013: RMB61.2 million).

The ageing analysis of trade payables and accrued liabilities is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Within 6 months	**345,135**	333,749	**115,967**	104,478
Over 6 months but within 1 year	**27,088**	4,819	**17,871**	2,711
Over 1 year but within 2 years	**25,317**	15,958	**14,959**	8,307
Over 2 years but within 3 years	**6,613**	4,637	**3,543**	2,099
Over 3 years	**12,808**	12,504	**8,402**	10,195
Total trade payables	**416,961**	371,667	**160,742**	127,790
Accrued liabilities and other liabilities	**1,586,502**	1,207,224	**679,382**	664,961
Total	**2,003,463**	1,578,891	**840,124**	792,751

Notes to the Consolidated Financial Statements

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

32. TRADE PAYABLES AND ACCRUED LIABILITIES (continued)

(i) Other taxes payables

	The Group		The Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Business tax payable	**243**	800	**–**	–
VAT payable	**12,873**	564	**10,441**	–
Other	**11,152**	13,151	**7,884**	10,310
Total	**24,268**	14,515	**18,325**	10,310

(ii) Other payables represent the amount collected on behalf of the customer airlines, which are part of ACCA's settlement and clearing services and amount collected on behalf of customers of its subsidiaries through the electronic platform "Dovepay".

33. DUE TO RELATED PARTIES

	The Group		The Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Within 6 months	**62,755**	29,099	**52,912**	22,143
Over 6 months but within 1 year	**160**	120,226	**160**	120,176
Over 1 year but within 2 years	**3,338**	2,297	**2,000**	1,766
Over 2 years but within 3 years	**1,699**	53	**1,700**	53
Over 3 years	**24,858**	40,822	**24,858**	40,332
Total	**92,810**	192,497	**81,630**	184,470

These balances comprised mainly dividend payables and service fee payables. These balances are unsecured, interest free and repayable on demand.

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

34. PAID-IN CAPITAL

As of December 31, 2014, all issued shares are registered and fully paid, totally 2,926,209,589 shares (2013: 2,926,209,589 shares) of RMB1.00 each, comprised of 1,993,647,589 Domestic Shares and 932,562,000 H Shares (2013: 1,993,647,589 Domestic Shares and 932,562,000 H Shares).

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Registered:					
Registered shares of RMB1.0 each					
As at December 31, 2013, January 1, 2014, and December 31, 2014	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Issued and fully paid:					
Registered shares of RMB1.0 each					
As at December 31, 2013, January 1, 2014, and December 31, 2014	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

Notes to the Consolidated Financial Statements

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

35. RESERVES

The Group:

	Capital surplus RMB'000	Statutory surplus reserve fund RMB'000	Merger reserve RMB'000 (i)	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000 (ii)	Currency translation differences RMB'000	Total RMB'000
Balance as at January 1, 2013	658,842	912,073	369,313	507,872	451,675	(7,896)	2,891,879
Currency translation differences	–	–	–	–	–	(2,073)	(2,073)
Appropriation to reserves	–	103,271	–	97,400	–	–	200,671
Balance as at December 31, 2013	658,842	1,015,344	369,313	605,272	451,675	(9,969)	3,090,477
Balance as at January 1, 2014	**658,842**	**1,015,344**	**369,313**	**605,272**	**451,675**	**(9,969)**	**3,090,477**
Currency translation differences	**-**	**-**	**-**	**-**	**-**	**(2,022)**	**(2,022)**
Appropriation to reserves	**-**	**143,686**	**-**	**102,239**	**-**	**-**	**245,925**
Balance as at December 31, 2014	**658,842**	**1,159,030**	**369,313**	**707,511**	**451,675**	**(11,991)**	**3,334,380**

(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.

(ii) Revaluation reserve represents the revaluation of certain assets including property, plant and equipment, lease prepayment for land use right and intangible assets, on the occurrence of the Company's initial public offerings in 2001 and in respect of the acquisition of the Group's subsidiary, ACCA, in 2009.

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

35. RESERVES (continued)

The Company:

	Capital surplus RMB'000	Statutory surplus reserve fund RMB'000	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000	Total RMB'000
Balance as at January 1, 2013	661,932	904,793	507,872	387,090	2,461,687
Transfer from retained earnings	–	103,271	97,400	–	200,671
Balance as at December 31, 2013	661,932	1,008,064	605,272	387,090	2,662,358
Balance as at January 1, 2014	**661,932**	**1,008,064**	**605,272**	**387,090**	**2,662,358**
Transfer from retained earnings	**–**	**143,686**	**102,239**	**–**	**245,925**
Balance as at December 31, 2014	**661,932**	**1,151,750**	**707,511**	**387,090**	**2,908,283**

36. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2014, according to the Company Law of PRC, related regulations, and the Articles of Association of the Company, the distributable net profit after taxation and non-controlling 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.

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

36. 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 registered capital under the Company Law of PRC.

The appropriation of 10% of its net profit amounted to RMB102.2 million to the discretionary surplus reserve fund for the year ended December 31, 2013 was approved in the annual general meeting held on June 5, 2014. The amount was accounted for in shareholder's equity as a distribution of retained earnings in the year ended December 31, 2014.

The proposed appropriation of 10% of its net profit amounted to RMB141.9 million to the discretionary surplus reserve fund for the year ended December 31, 2014 is subject to shareholders' approval at the forthcoming annual general meeting. Therefore, the amount upon approval will be recorded in the Group's financial statements for year ending December 31, 2015.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2014 was approximately RMB3,120.2 million (2013: RMB2,378.6 million).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,419.4 million (2013: RMB1,022.4 million) for the year ended December 31, 2014.

Notes to the Consolidated Financial Statements

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

37. CASH GENERATED FROM OPERATING ACTIVITIES

	2014 RMB'000	2013 RMB'000
Profit before taxation	**1,904,968**	1,312,419
Adjustments for:		
Depreciation and amortisation	**446,931**	380,630
Loss on disposal of property, plant and equipment	**3,054**	1,141
Interest income	**(128,333)**	(92,660)
Provision for impairment of receivables	**62,619**	12,614
Written off of impairment of receivables	**(2,092)**	–
Staff costs arising from share appreciation rights	**761**	17,992
Share of results from associated companies	**(19,012)**	(14,884)
Foreign exchange gain	**(8,492)**	(6,521)
(Increase)/decrease in current and non-current assets:		
Trade receivables	**(51,274)**	(157,298)
Inventories	**(6,352)**	20,633
Prepayments and other current assets	**(74,023)**	(33,880)
Due from related parties/associated companies	**(390,438)**	56,483
Other long term assets	**14,163**	(5,483)
Increase/(decrease) in current liabilities and non-current liabilities:		
Trade payables and accrued liabilities	**369,833**	303,678
Deferred revenue	**(10,631)**	22,499
Due to related parties	**(84,687)**	10,890
Cash generated from operations	**2,026,995**	1,828,253

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

38. SHARE APPRECIATION RIGHTS SCHEMES

The share appreciation rights scheme of the Group was approved by the State-Owned Assets Supervision and Administration Commission of the State Council ("**SASAC**"), the PRC on April 21, 2011, and approved by the annual general meeting of the Company on June 28, 2011. Under this scheme, share appreciation rights are granted in units with each unit representing one H share of the Company.

Under this scheme, all share appreciation rights had a contractual life of seven years from the date of its grant. A recipient of share appreciation rights shall not exercise the rights within the first two years after the date of its grant.

Upon the exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding income tax, a cash payment in RMB, being an amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the exchange rate between RMB and Hong Kong dollars published by the People's Bank of China at the date of exercise of the share appreciation rights. The Company recognises the relevant expense of the share appreciation rights over the applicable vesting period.

Under this scheme, the share appreciation rights are not transferable, nor are there any voting rights attached. The operation of the scheme does not involve any issue of new shares of the Company, and the exercise of any share appreciation rights will not create any dilution effect on the Company's shareholding structure. The share appreciation rights which have not been exercised after the expiration of the terms of the scheme shall lapse.

On August 29, 2011, 14,004,000 units of the share appreciation rights were granted to 3 executive directors, 10 senior management and 43 key technical and managerial personnel of the Group by the Company at an exercise price calculated at the higher of the closing price of the H-shares of the Company on August 29, 2011 and the average closing price of the H-shares of the Company for five consecutive trading days prior to August 29, 2011.

The first tranche of 4,668,000 units and the second tranche of 4,485,000 units out of 14,004,000 units of share appreciation rights were exercised during April and October 2014, respectively.

For the year ended December 31, 2014, one of the executive directors and a senior management staff resigned due to job allocation. The relevant third tranche of 165,000 units of share appreciation rights of the executive director and the relevant second and third tranche of 224,000 units of share appreciation rights of the senior management staff have been forfeited accordingly.

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

38. SHARE APPRECIATION RIGHTS SCHEMES (continued)

For the year ended December 31, 2014, the Group has recorded expenses of RMB0.76 million in relation to the share appreciation rights. The liability and staff cost of share appreciation rights liability were recorded in accrued bonus and benefits under trade payables and accrued expenses and operating expenses, respectively.

The fair value of share appreciation rights of HKD1.85 per share appreciation right as at December 31, 2014 was determined by using the Binomial Model. The significant inputs into the model were fair value per share of HKD8.38 at December 31, 2014, exercise price shown above, share price volatility of 33.40%, dividend yield of 0%, share appreciation rights life of 3.66 years, and an annual risk-free interest rate of 1.20%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices of the Company over the last four years.

Pursuant to stipulated requirement of SASAC, the amount received or receivable by the eligible candidate of the scheme should not exceed certain percentages of their total individual emoluments for two consecutive years when the rights were granted.

The number of granted share appreciation rights outstanding is set out below:

	2014 **Thousand share**	2013 Thousand share
At the beginning of the year	**14,004**	14,004
Exercised during the year	**(9,153)**	–
Forfeited during the year	**(389)**	–
At the end of the year	**4,462**	14,004

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

39. 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 minimise 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 trade receivables, short-term bank deposits, cash and cash equivalents and trade payables denominated in foreign currencies. Analysis of these assets and liabilities by currency are disclosed in Notes 24, 30, 31, and 32 respectively.

As at December 31, 2014, if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB14.4 million lower/higher, mainly as a result of foreign exchange differences on translation of balances of denominated in USD and HKD trade receivables, cash and cash equivalents, short-term bank deposits and trade payables.

(ii) Interest rate risk

The Group's interest-bearing assets are mainly represented by short-term bank deposits, cash and cash equivalents and held-to-maturity financial assets. Interest income is approximately RMB128.3 million (2013: RMB92.7 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 held-to-maturity financial assets and short-term bank deposits are disclosed in Notes 29 and 30 respectively.

The Group has no significant borrowings or non-current liabilities at December 31, 2014 and therefore do not have significant exposure to changes in interest rates.

39. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from trade receivables, short-term bank deposits, held-to-maturity financial assets, cash and cash equivalents 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 70% (2013: 68%) 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 67% (2013: 65%) of the total bank balances were concentrated with 4 largest state-owned banks as at December 31, 2014.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2014, approximately 26% of the Group's total assets are in cash and cash equivalents and short-term bank deposits (2013: 31%). 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.

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

39. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in IFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The following table presents the Group's liabilities that are measured at fair value at the end of the reporting periods:

2014	**The Group and the Company**			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Liabilities				
Share appreciation rights	**–**	**7,490**	**–**	**7,490**

2013	The Group and the Company			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Share appreciation rights	–	23,460	–	23,460

The fair value of share appreciation rights is determined based on the valuation using the Binomial Model. Measurement inputs include stock price on measurement date, exercise price of the investment, expected volatility, weight average expected life of the instruments, expected dividends and risk-free interest rate. Services and non-market performance conditions attached to the transactions are not taken into account in determination of the fair value. For certain measurement inputs used, please refer to Note 38 for details.

There were no transfer between Level 1 and Level 2 during the year.

There were no charges in valuation techniques during the year.

39. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement (continued)

(ii) Financial instruments carried at other than fair value

The Group's financial instruments carried at other than fair value mainly consist of cash and cash equivalents, short-term bank deposits, restricted bank deposits, held-to-maturity financial assets, trade receivable, prepayments, due from associated and related parties, trade payables, accrued liabilities and due to related parties.

The carrying amounts of the Group's financial instruments carried at other than fair value approximated their fair values as at December 31, 2014 because of the short-term maturities of these instruments.

40. SEGMENT REPORTING

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group's chief decision maker for operation is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the consolidated statement of profit or loss and other comprehensive income. No segment consolidated income statement has been prepared by the Group for the year ended December 31, 2014 and 2013.

The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are in majority 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 42 for details.

Notes to the Consolidated Financial Statements

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

41. COMMITMENTS

(a) Capital commitments

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

	2014 RMB'000	2013 RMB'000
Authorised and contracted for		
– Computer System and others	**41,989**	31,901
– Assets under constructions	**1,734,581**	842,092
– Furniture, fixtures and other equipment	**1,331**	968
– Leasehold improvement	**–**	1,490
Authorised but not contracted for		
– Computer System and others	**674,905**	662,631
– Land use right and building	**–**	919,576
Total	**2,452,806**	2,458,658

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

An amount of approximately RMB27.0 million (2013: RMB52.7 million) of capital commitments has been contracted for at December 31, 2014 which was denominated in U.S. dollars.

(b) Operating lease commitments

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

	2014 RMB'000	2013 RMB'000
Within one year	**111,233**	115,646
Later than one year but not later than five years	**14,076**	109,021
Total	**125,309**	224,667

The Group leases a number of offices under operating lease arrangements. The leases run for an average period of 2 to 4 years.

(c) Equipment maintenance fee commitments

As at December 31, 2014, the Group had equipment maintenance fee commitments of approximately RMB82.8 million (2013: RMB54.7 million).

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

42. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised 2009), "Related Party Disclosure", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. Entities are also considered to be related if they are subject to common control or common significant influence. For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

(1) Related parties

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

Name	Relationship with the Company
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	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	Subsidiary of a shareholder of the Company

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

42. 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	Note	2014 RMB'000	2013 RMB'000
China Southern Airlines Company Limited	(a)	**570,404**	510,603
China Eastern Airlines Corporation Limited	(a)	**628,846**	598,248
Air China Limited	(a)	**621,524**	579,871
Hainan Airlines Company Limited	(a)	**292,006**	210,477

Note:

(a) Included their respective subsidiaries.

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, 2014, operating lease rentals for lease of properties from CTHC amounted to RMB42.4 million (2013: RMB42.4 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)

42. RELATED PARTY TRANSACTIONS (continued)

(3) Balances with related parties

Balances due from the related parties mainly comprised:

		The Group		The Company	
Name	Note	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade related balances (i)					
China Southern Airlines Company Limited	(a)	**358,995**	297,606	**351,660**	290,798
China Eastern Airlines Corporation Limited	(b)	**917,287**	750,367	**909,470**	745,643
Air China Limited	(c)	**288,938**	207,483	**280,417**	200,812
Hainan Airlines Company Limited		**292,132**	272,931	**280,666**	262,440
Other balances (ii)					
China Southern Airlines Company Limited	(a)	**44,798**	31,803	**–**	–
China Eastern Airlines Corporation Limited	(b)	**70,923**	54,365	**–**	–
Air China Limited	(c)	**208,713**	151,983	**–**	–

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.

Note:

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

(b) Included the transaction balances of its subsidiaries, China Eastern Airlines Wuhan Company Limited, China United Airlines Company Limited and Shanghai Airlines Limited.

(c) Included the transaction balances of its subsidiaries, Shenzhen Airlines Company Limited, Air Macau Company Limited and Kunpeng Airlines Company Limited.

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

42. RELATED PARTY TRANSACTIONS (continued)

(4) Balances with other major state-owned enterprises

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

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Bank balances	**2,178,344**	2,261,427	**912,532**	1,061,294

The Group is a state-owned enterprise. In accordance with the IAS 24 (revised 2009), "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 privatisation programs. Nevertheless, management believes that all material related party balances and transactions have been adequately disclosed.

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

43. BUSINESS COMBINATIONS

(i) Acquisition of a subsidiary in the current year

On May 23, 2014, the Company has acquired 51% equity interest in Skyecho for a consideration of RMB4 million from independent third parties (the "**Acquisition**"). Skyecho is principally engaged in the provision of software and hardware technical support services. The Acquisition is aimed at strengthening the information technology development of the existing business of the Group.

The acquisition was accounted for using the purchase method.

Net assets acquired in the transaction are as follows:

	Note	Fair value at the date of acquisition RMB'000
Net assets acquired:		
Property, plant and equipment	14	448
Intangible assets	16	4,850
Trade receivables		779
Prepayments and other current assets		2,048
Cash and cash equivalents		2,960
Other payables and accrued liabilities		(772)
Payable to shareholders		(2,980)
Net assets		7,333
Non-controlling interests		(3,593)
Goodwill (Note)	18	260
		4,000

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

43. BUSINESS COMBINATIONS (continued)

(i) Acquisition of a subsidiary in the current year (continued)

	2014 RMB'000
Total consideration satisfied by:	
Cash	2,000
Other payables	2,000
	4,000
Net cash inflow arising on acquisition:	
Cash consideration paid	(2,000)
Cash and cash equivalents acquired	2,960
Net cash inflow	960

Note:

The goodwill arose from a number of factors. Most significant amongst these is the synergies expected to arise after the acquisition of Skyecho for the equity interests of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the revenue and profit for the period are revenue of approximately RMB7,076,000 and net profit of approximately RMB2,378,000 attributable to the additional business generated by the acquired subsidiary for the period between the date of acquisition and December 31, 2014.

Had this business combination been effected on January 1, 2014, the revenue of the Group would be approximately RMB5,339.7 million and profit for the year of the Group would be approximately RMB1,692.9 million. The directors of the Group consider this 'pro-formas' an approximate measure of the performance of the combined group on an annualised basis and a reference point only for comparison in future periods.

(ii) Acquisition of the control of Xinan Cares in the previous year

As at December 31, 2012, the Group had significant influence, accompanying 44% equity interest in its associate, in Xinan Cares. On July 1, 2013, the Company has obtained control in Xinan Cares upon entering into a virtue agreement with the other shareholders at RMBnil consideration. Pursuant to the terms of the agreement in which the Group secured more than 50% of the voting rights eligible to be casted in the shareholders and directors' meeting of Xinan Cares. Xinan Cares then became a non-wholly owned subsidiary of the Company. Xinan Cares is principally engaged in computer hardware and software development and data network services. The acquisition of the control of Xinan Cares is aimed at strengthening the development of the existing business of the Group.

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

43. BUSINESS COMBINATIONS (continued)

(ii) Acquisition of the control of Xinan Cares in the previous year (continued)

The acquisition of the control of Xinan Cares was treated as acquisition and was accounted for using the purchase method. Net assets acquired in the transaction are as follows:

	Note	Fair value at the date of acquisition RMB'000
Net assets acquired:		
Property, plant and equipment	14	**14,527**
Intangible assets	16	**116**
Inventories		**58**
Trade receivables		**17,521**
Due from related parties, net		**3,097**
Due from a shareholder		**16,713**
Prepayments and other current assets		**8,541**
Cash and cash equivalents		**4,619**
Trade payables and accrued liabilities		**(9,474)**
Due to related parties		**(185)**
Due to a shareholder		**(13,186)**
Income tax payable		**(688)**
Deferred revenue		**(1,254)**
Net assets		**40,405**
Non-controlling interests		**(22,626)**
Net assets attributable to the equity interest acquired by the Group		**17,779**

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

43. BUSINESS COMBINATIONS (continued)

(ii) Acquisition of the control of Xinan Cares in the previous year (continued)

	2014 RMB'000
Net cash inflow arising on step acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	4,619
Net cash inflow	4,619

Included in the revenue and profit for the year are approximately RMB49.8 million and RMB8.0 million respectively attributable to the additional business generated by the acquired subsidiary for the period between the date of acquisition and December 31, 2013.

Had this business combination been effected on January 1, 2013, the revenue of the Group would be approximately RMB4,540.5 million and profit for the year of the Group would be approximately RMB1,244.6 million. The directors of the Group consider this 'pro-formas' an approximate measure of the performance of the combined group on an annualised basis and a reference point only for comparison in future periods.

44. NON-ADJUSTMENT EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, Beijing Shunyi District Houshayu Town People's Government granted a subsidy of RMB410 million as industry development fund to support the business development to the Company as per Company's announcement dated March 10, 2015. Such fund could not be used for dividend distribution.

45. ULTIMATE HOLDING COMPANY

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

46. COMPARATIVE FIGURES

Certain comparative figures have been amended to conform to current year's presentation.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on March 25, 2015.

SUPPLEMENTARY INFORMATION FROM THE MANAGEMENT

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2014

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

	Year ended December 31,				
	2010 RMB'000 (restated)	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenues	3,054,403	3,672,064	4,060,518	4,509,311	**5,336,412**
Profit before taxation	1,047,062	1,283,017	1,304,208	1,312,419	**1,904,968**
Profit attributable to owner of the Parent	894,263	1,047,226	1,132,881	1,205,732	**1,652,589**
Earnings before interests, tax, depreciation and amortisation	1,412,455	1,624,942	1,586,946	1,629,781	**2,223,566**
Earnings per share (Basic and diluted) (RMB)	0.31	0.36	0.39	0.41	**0.56**

	As at December 31,				
	2010 RMB'000 (restated)	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Total assets	7,960,055	9,006,688	9,880,912	11,141,535	**12,729,607**
Total liabilities	1,092,629	1,379,846	1,449,264	1,841,056	**2,153,389**
Total equity	6,867,426	7,626,842	8,431,648	9,300,479	**10,576,218**

Note:

Earnings per share were calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2014.

CORPORATE INFORMATION

(as of the issue date of this report)

BOARD

The fifth session of the Board of the Company established by election by shareholders on June 18, 2013 comprises:

Cui Zhixiong	*Acting as the Chairman* (effective from December 2, 2014), *Executive Director*
Xiao Yinhong	*Executive Director, General Manager* (appointed on June 18, 2013)
Wang Quanhua	*Non-executive Director*
Cao Jianxiong	*Non-executive Director* (appointed on December 23, 2014)
Cai Kevin Yang	*Non-executive Director*
Cheung Yuk Ming	*Independent Non-executive Director*
Pan Chongyi	*Independent Non-executive Director*
Zhang Hainan	*Independent Non-executive Director*

AUDIT COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cheung Yuk Ming	*Chief Member (Chairman)*
Pan Chongyi	*Member*
Zhang Hainan	*Member*

REMUNERATION AND EVALUATION COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Pan Chongyi	*Chief Member (Chairman)*
Cheung Yuk Ming	*Member*
Zhang Hainan	*Member*
Wang Quanhua	*Member*

NOMINATION COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cui Zhixiong	*Chief Member (Chairman)* (appointed on December 2, 2014)
Pan Chongyi	*Member*
Zhang Hainan	*Member*

(as of the issue date of this report)

STRATEGIC COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cui Zhixiong	*Chief Member (Chairman)* (appointed on December 2, 2014)
Xiao Yinhong	*Member*
Wang Quanhua	*Member*
Cao Jianxiong	*Member* (appointed on December 23, 2014)
Cai Kevin Yang	*Member*

EXECUTIVE COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cui Zhixiong	*Chief Member (Chairman)* (appointed on December 2, 2014)
Xiao Yinhong	*Member*

DIRECTORS RESIGNED (INCLUDING THEIR RESPECTIVE DUTIES IN THE RELEVANT COMMITTEE)

Xu Qiang	*Chairman, Executive Director, Chief Member of the Nomination Committee, Chief Member of the Strategic Committee, Chief Member of the Executive Committee* (appointed on June 18, 2013 and resigned on December 2, 2014)
Sun Yude	*Non-executive Director, Member of the Strategic Committee* (appointed on June 18, 2013 and resigned on December 23, 2014)

SUPERVISORY COMMITTEE

The fifth session of the Supervisory Committee of the Company established by election by shareholders (other than the staff representative supervisors) on June 18, 2013 comprises:

Huang Yuanchang	*Chairperson of the Supervisory Committee* (appointed on March 25, 2015), *Staff Representative Supervisor* (appointed by the staff representative committee of the Company effective from March 25, 2015)
Xiao Wei	*Staff Representative Supervisor* (appointed by the staff representative committee of the Company on January 10, 2014)
Zeng Yiwei	*Supervisor*
He Haiyan	*Supervisor*
Rao Geping	*Independent Supervisor*

SUPERVISOR RESIGNED

Li Xiaojun	*Chairperson of the Supervisory Committee* (appointed on June 18, 2013 and resigned on March 25, 2015), *Staff Representative Supervisor* (appointed by the staff representative committee of the Company on January 10, 2014 and resigned on March 25, 2015)

(as of the issue date of this report)

SENIOR MANAGEMENT

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Rong Gang	*Vice General Manager*
Wang Wei	*Vice General Manager*
Sun Yongtao	*Vice General Manager, Chief Financial Officer (Chief Accountant)*
Zhu Xiaoxing	*Vice General Manager*
Yu Xiaochun	*Company Secretary (Secretary to the Board)*

SENIOR MANAGEMENT MEMBERS RESIGNED

Huang Yuanchang	*Vice General Manager* (resigned on January 21, 2015)
Li Jinsong	*General Counsel* (resigned in March 2014)

AUDITORS

International auditors:
Baker Tilly Hong Kong Limited
2nd Floor, 625 King's Road, North Point, Hong Kong

PRC auditors:
Baker Tilly China
Building 12, Foreign Cultural and Creative Garden, No. 19, Chegongzhuang West Road,
Haidian District, Beijing 100048, PRC

LEGAL ADVISERS

as to Hong Kong law:
Baker & McKenzie
14th Floor, Hutchison House, 10 Harcourt Road,
Central, Hong Kong

as to the PRC law:
Guantao Law Firm
17/F, Tower 2, Yingtai Center
No. 28, Finance Street, Xicheng District, Beijing 100140, PRC

(as of the issue date of this report)

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
2402, Admiralty Centre I, 18 Harcourt Road, Hong Kong

CONTACT DETAILS FOR INVESTORS

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Telephone:	(8610) 5765 0696 Secretarial Office to the Board
Facsimile:	(8610) 5765 0695
E-mail:	ir@travelsky.com

REGISTERED ADDRESS

7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing 101308, PRC

PLACE OF BUSINESS IN HONG KONG

Room 3606, 36/F, China Resources Building
26 Harbour Road, Wanchai, Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (Stock Code: 00696)

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 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.

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:
www.travelskyir.com

Shareholders can obtain a copy of this report through the website of the Company at www.travelskyir.com.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

DIRECTORS

Mr. Cui Zhixiong, aged 54, 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 held positions as a deputy supervisor, deputy secretary and secretary of the Communist Youth League Committee of the State Organs of the CPC. From February 1993 to February 2003, he worked in the Communist Youth League Work Committee of the Central Government Departments (中央國家機關團工委) and served as deputy secretary and secretary. From June 2000 to April 2004, 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, he served as Deputy Secretary-General of Gansu Provincial Committee from November 2001 to September 2002 and Deputy Secretary of Municipal Committee of Jiayuguan, Gansu Province from September 2002 to October 2003. He has been the party secretary of China TravelSky Holding Company (a promoter of the Company) since April 2004 and served as a deputy general manager of China TravelSky Holding Company from April 2004 to June 2008. Since August 2008, he has been the Party Secretary of the Company. Since October 2008, Mr. Cui served as an executive director of the third session of the Board of the Company. Since March 2010, Mr. Cui served as an executive director of the fourth session of the Board of the Company. Since June 2013, Mr. Cui has served as an executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee and the Executive Committee. Since December 2014, Mr. Cui has exercised the powers of the Chairman, and served as the Chief Member of the Nomination Committee, the Strategic Committee and the Executive Committee.

Mr. Xiao Yinhong, aged 52, an executive director and the General Manager of the Company. Mr. Xiao is a professor-level senior engineer graduated from Zhejiang University. He was awarded a master's degree from Beihang University (北京航空航天大學) with over 20 years of management experience in the aviation industry in the PRC. From July 1984 to October 2000, Mr. Xiao 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), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). Mr. Xiao served as an executive director of the first session of the Board of the Company from October 2000 to December 2003. From October 2000 to August 2008, Mr. Xiao served as a Vice 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 an executive director of the third session of the Board of the Company. Since March 2010, Mr. Xiao served as an executive director of the fourth session of the Board of the Company. Since June 2013, Mr. Xiao has served as an executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee and the Executive Committee. Currently, Mr. Xiao is also the chairman of Civil Aviation Cares of Qingdao Limited, a subsidiary of the Company.

(as of the issue date of this report)

Mr. Wang Quanhua, aged 60, 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 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 was the Deputy General Manager of China Southern Air Holding Company from October 2002 to December 2014 and a director of China Southern Airlines Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and a subsidiary of China Southern Air Holding Company; stock code: 1055 (Hong Kong); 600029 (Shanghai)) from March 2003 to March 2015. Since December 2003, Mr. Wang served as a non-executive director and a Vice Chairman of the second session of the 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 session of the Board. Since January 2007, Mr. Wang has been re-appointed as a non-executive director of the Company's third session of the 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 session of the Board of the Company. Since March 2010, Mr. Wang served as a non-executive director of the fourth session of the Board of the Company, and a member of the Remuneration and Evaluation Committee and the Strategic Committee. Since June 2013, Mr. Wang has served as a non-executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Remuneration and Evaluation Committee and the Strategic Committee. China Southern Air Holding Company has interests 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 a retired employee of China Southern Air Holding Company.

Mr. Cao Jianxiong, aged 55, a non-executive director of the Company and a senior economist. Mr. Cao graduated from East China Normal University and was awarded a master's degree in economics. He was appointed as the Deputy General Manager and Chief Financial Officer of China Eastern Airlines Corporation Limited in December 1996. From September 1999 to December 2008, he served as the Vice President of China Eastern Airlines Group Corporation. From October 2000 to June 2007, he served as the non-executive director, Vice Chairman and the chairman of the Strategic Committee of the Company. From June 2001 to December 2008, he served as a director of China East Airlines Corporation Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and a subsidiary of China Eastern Air Holding Company (a promoter and a substantial shareholder of the Company); stock code: 0670 (Hong Kong Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)). From October 2006 to December 2008, he served as the President and the Deputy Party Secretary of the Communist Party Committee of China Eastern Airlines Corporation Limited. Since December 2008, Mr. Cao has been serving as the Deputy General Manager and a member of Communist Party Group of China National Aviation Holding Company. Since June 2009, he has been a non-executive director of Air China Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and a subsidiary of China National Aviation Holding Company (a promoter and a substantial shareholder of the Company); stock code: 0753 (Hong Kong Stock Exchange); 601111 (Shanghai Stock Exchange); AIRC (London Stock Exchange)). Since December 2014, Mr. Cao has served as a non-executive director of the fifth session of the Board of the Company and a member of the Strategic Committee. China National Aviation Holding Company has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Cao is an employee of China National Aviation Holding Company.

(as of the issue date of this report)

Mr. Cai Kevin Yang, aged 46, a non-executive director of the Company with Australian nationality. Mr. Cai graduated from Monash University in Australia with a master's degree in information management and then obtained Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院). Mr. Cai has profound expertise and experience in the aviation industry. From November 1992 to November 1997, Mr. Cai served as a senior analyst programmer of IBM Global Service Australia Company. From November 1997 to December 1998, Mr. Cai served as a senior consultant of Cable & Wireless Hong Kong Telecommunications Limited. From December 1998 to April 2001, Mr. Cai served as a software development manager of Airport Authority Hong Kong. From April 2001 to March 2003, Mr. Cai served as the vice president of technology development of Global China Technology Group. From March 2003 to September 2006, Mr. Cai served as the senior manager of system delivery of Hong Kong Dragon Airlines Limited. From September 2006 to October 2009, Mr. Cai served as the IT planning manager of Cathay Pacific Airways Ltd.. From October 2009 to March 2014, Mr. Cai served as the chief information officer of China East Airlines Corporation Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and a subsidiary of China Eastern Air Holding Company (a promoter and a substantial shareholder of the Company); stock code: 0670 (Hong Kong Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)). Since September 2011, Mr. Cai has served on IBM Board of Advisors. From July 2013 to November 2014, Mr. Cai was a non-executive director of the board of directors of SITA. Since June 2013, Mr. Cai has served as a non-executive director of the fifth session of the Board of the Company and a member of the Strategic Committee.

Mr. Cheung Yuk Ming, aged 62, an independent non-executive director of the Company and a member of the HKICPA, the Hong Kong Institute of Bankers, the Institute of Internal Auditors (United States), the Institute of Chartered Accountants (England and Wales), the Chartered Institute of Arbitrators (United Kingdom) and the Hong Kong Securities Institute. Mr. Cheung is also a member of the Construction Management Association of America, the Society of Construction Law (Hong Kong), the Hong Kong Economic Association and the Canadian Institute of Mining, Metallurgy and Petroleum. Mr. Cheung holds a Master's Degree in Business Administration awarded by the University of East Asia, Macau in 1987 and completed courses on construction management, New York bar exam, development and financing in the mining industry, petroleum economics and petroleum risk management conducted by the China University of Geosciences in Beijing, the School of Law of the Pace University in New York, the Institute of Civil Engineering Surveyors (United Kingdom) and other associations. Prior to June 2009, Mr. Cheung worked at the Hong Kong Government, the Overseas Trust Bank Group, PriceWaterhouse and other organizations. Since January 2005, Mr. Cheung has been appointed an executive director of Lawrence CPA Limited. Mr. Cheung had been appointed as an independent non-executive director of Metallurgical Corporation of China Ltd., a state-owned enterprise (Hong Kong Stock Exchange stock code: 1618) since 2009 and retired together with four other directors in October 2014 on change of the board membership under Chinese corporate governance regulation. Mr. Cheung had been an independent non-executive director of EPI (Holdings) Limited (Hong Kong Stock Exchange stock code: 0689) since June 2011 and retired in July 2013 on change of executive management of the company. Since March 2010, Mr. Cheung served as an independent non-executive director of the fourth session of the Board of the Company, the Chief Member of the Audit Committee and a member of the Remuneration and Evaluation Committee. Since June 2013, Mr. Cheung has served as an independent non-executive director of the fifth session of the Board of the Company, the Chief Member of the Audit Committee and a member of the Remuneration and Evaluation Committee.

Mr. Pan Chongyi, aged 69, 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. 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) (Hong Kong Stock Exchange 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 October 2010, Mr. Pan successively took up 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. China TieTong Telecommunications Corporation (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). Since March 2010, Mr. Pan has served as an external director of China Coal Technology & Engineering Group Corporation. From January 2011 to January 2014, he served as an external director of China Machinery Engineering Corporation. Since March 2010, Mr. Pan was an independent non-executive director of the fourth session of the Board of the Company and a member of the Audit Committee and the Remuneration and Evaluation Committee. Since June 2013, Mr. Pan has been an independent non-executive director of the fifth session of the Board of the Company and a member of the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee.

Mr. Zhang Hainan, aged 70, an independent non-executive director of the Company, is a senior engineer graduated from Northwestern Polytechnical University, majoring in aeronautical engineering computer science. From October 1984 to October 1989, Mr. Zhang served as deputy head of 782 factory and 762 factory of the former Ministry of Electronics Industry. From November 1989 to January 1996, Mr. Zhang served as director of the Electronic Industry Bureau of Shaanxi Province and executive deputy director of Shaanxi Economic and Trade Commission. From February 1996 to October 2001, Mr. Zhang served as a member of the communist party committee of the government of Shaanxi Province, the assistant to the Governor of Shaanxi Province and concurrently the director of Shaanxi Economic and Trade Commission. From November 2001 to June 2006, Mr. Zhang served as the president and the secretary to the communist party committee of China Satellite Communication Corporation (中國衛星通信集團公司). From 2002 to 2006, Mr. Zhang served as a non-executive director of APT Satellite Holdings Limited (香港亞太衛星控股有限公司) and the vice chairman of China Users Association for Satellite Communications, Broadcasting & Television (中國衛星通信廣播用戶協會). From February 2007 to December 2010, Mr. Zhang successively served as an external director of Yunnan Airport Group Co., Ltd. (雲南機場集團有限公司) and an external director of China TieTong Telecommunications Corporation. Since April 2009, Mr. Zhang has served as an external director, the chairman of the Remuneration and Evaluation Committee and a member of Nomination Committee of China Iron & Steel Research Institute Group. Since June 2013, Mr. Zhang has served as an independent non-executive director of the fifth session of the Board of the Company and a member of the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee.

(as of the issue date of this report)

SUPERVISORS

Mr. Huang Yuanchang, aged 52, a vice general manager of the Company and a senior engineer graduated from Nanjing Institute of Technology (南京工業學院). Mr. Huang holds a master's degree of administration from Beihang University and has more than 30 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 Head of the Machine Room, the Head of Operation Room, assistant to the General Manager, the Head of Production Management Department and the Deputy General Manager of China Civil Aviation Computer Center (中國民航計算機中心), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). Mr. Huang served as an executive director of the first session of the Board of the Company from October 2000 to December 2003. Mr. Huang served as a vice 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, a promoter of the Company. From September 2008 to January 2015, Mr. Huang acted as a vice general manager of the Company. He has become the chairperson of the labour union of the Company since January 2015. Since March 2015, he has become a staff representative supervisor and the chairperson of the fifth session of the Supervisory Committee of the Company.

Mr. Xiao Wei, aged 45, a staff representative supervisor of the Company, graduated as a postgraduate from Beihang University with a master's degree in engineering. Mr. Xiao joined China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the 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 of the Company, general manager of Shenyang Civil Aviation Cares of Northeast China, Ltd., a subsidiary of the Company, and Deputy Director and Director of the Community Union Working Department of the Company. Mr. Xiao has been working as Office Manager to the Disciplinary Committee (Supervision) of the Company since October 2008. Since March 2010, Mr. Xiao served as a staff representative supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Mr. Xiao has been re-appointed as a staff representative supervisor of the fifth session of the Supervisory Committee of the Company. Currently, Mr. Xiao is also a supervisor of TravelSky Technology Huadong Data Center Limited, Beijing TravelSky Birun Technology Co., Ltd., Cares Hubei Co., Ltd., Civil Aviation Cares Technology of Xi'an Ltd. and InfoSky Technology Co., Ltd., all of which are subsidiaries of the Company.

Ms. Zeng Yiwei, aged 43, a supervisor of the Company, graduated from Xiamen University with a master's degree and is a senior accountant. Since 1993, Ms. Zeng has been working as the deputy manager and manager of the Finance Division of the Finance and Accounting Department and deputy general manager of the Finance and Accounting Department of Xiamen Airlines (廈門航空有限公司). She has been promoted to be the general manager of the Finance and Accounting Department of Xiamen Airlines since September 2010. Since March 2010, Ms. Zeng served as a supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Ms. Zeng has been re-appointed as a supervisor of the fifth session of the Supervisory Committee of the Company.

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Mr. He Haiyan, aged 52, graduated from Lanzhou University, majoring in nuclear physics. Mr. He has extensive technological research and development and management experience in IT industry. From July 1982 to October 1992, Mr. He was a lecturer in Lanzhou University. From November 1992 to July 1994, Mr. He visited and studied at GSI Helmholtz Centre for Heavy Ion Research (德國國立重粒子研究所). From August 1994 to December 1994, Mr. He worked at the computer centre of Hainan Provincial Airlines Co., Ltd. (海南省航空公司). From December 1994 to June 2000, Mr. He served as the department manager and then the general manager of Hainan Phoenix Information System Co., Ltd. (海南鳳凰信息系統有限公司). From July 2004 to September 2007, Mr. He served as the general manager of Information Planning and Management Department of HNA Group Co., Ltd. (海航集團有限公司), and from November 2006 to January 2010, he served as the general manager of Hainan Baicheng Systems Co., Ltd. (海南百成信息系統有限公司). From October 2000 to November 2012, Mr. He successively served as the deputy general manager, general manager, president and chairman of HNA Systems Co., Ltd. (海南海航航空信息系統有限公司). Mr. He has served as the general manager of the Information Management Department of HNA Airlines Holding Co., Ltd. (海航航空控股有限公司) since November 2012. Mr. He has served as a supervisor of the fifth session of the Supervisory Committee of the Company since June 2013.

Mr. Rao Geping, aged 67, an independent supervisor of the Company, is a professor and doctorate tutor of the Law School of Peking University, the head of the Hong Kong and Macau Research Center and the head of Hong Kong, Macau and Taiwan Law Research Center in Peking University, a member of the Chinese People's Political Consultative Conference 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. Mr. Rao specialises in areas such as laws of Hong Kong, Macau and Taiwan as well as international law. Mr. Rao serves as an independent director of CITIC Securities Company Limited (Hong Kong Stock Exchange stock code: 6030, Shanghai Stock Exchange stock code: 600030). Since December 2003, Mr. Rao served as an independent supervisor of the second session of the Supervisory Committee of the Company and was re-appointed as an independent supervisor of the third session of the Supervisory Committee in January 2007. Since March 2010, Mr. Rao was re-appointed as an independent supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Mr. Rao has been re-appointed as an independent supervisor of the fifth session of the Supervisory Committee of the Company.

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SENIOR MANAGEMENT

Mr. Rong Gang, aged 52, a vice general manager of the Company, is a professor-grade senior engineer. He graduated from Chongqing University and holds a master's degree in business administration from Guanghua School of Management, Peking University. He has over 30 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), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). 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 and secretary of the disciplinary committee of Civil Aviation Computer Information Centre. He was a deputy general manager of China TravelSky Holding Company, a promoter of the Company, from September 2002 to June 2008. From October 2000 to March 2009, Mr. Rong acted as a non-executive director of the Company. He also served as a member of the Company's Strategic Committee from March 2004 to March 2009. Mr. Rong has been a vice general manager of the Company since December 2008.

Mr. Wang Wei, aged 54, a vice general manager of the Company, is a senior engineer. He graduated from Tsinghua University and holds a master's degree in business administration from the China Europe International Business School. From July 1993 to April 2002, he served as a deputy general manager of the Beijing branch 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 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 a deputy general manager of China TravelSky Holding Company, a promoter of the Company. Mr. Wang has been a vice general manager of the Company since December 2008.

Mr. Sun Yongtao, aged 57, a vice general manager and the Financial Controller of the Company, is a senior accountant. He graduated as a postgraduate from Nankai University and holds a master's degree in economics. From May 1988 to July 1990, Mr. Sun served as manager of the 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 Investment Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, now known as Shenzhen Investment Limited). From January 1996 to March 2001, he served as the Financial Controller, the Deputy General Manager (General Affairs) and a director of Hengli Weaving (Holdings) Limited (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 was 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 vice general manager of the Company since December 2008 and the Financial Controller of the Company since March 2010.

Mr. Zhu Xiaoxing, aged 50, a vice general manager of the Company, graduated from Jilin University majoring in computer software and was awarded a master's degree in business administration by Tsinghua University. Mr. Zhu has nearly 30 years of experience in management and technical support in China's civil aviation industry. Mr. Zhu held positions including Division Head of the System Division, the Deputy Head and Head of the Operation Department and Head of the Customer Service Department of China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), from August 1987 to October 2000. Since the establishment of the Company in October 2000, Mr. Zhu was successively 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 served as the General Manager of the Company. From October 2004 to March 2009, he served as an executive director of the Company. Mr. Zhu has been a vice general manager of the Company since August 2008.

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COMPANY SECRETARY

Mr. Yu Xiaochun, aged 47, the company secretary of the Company (Secretary to the Board), received a bachelor's degree from Beihang University majoring in management engineering and obtained a master's degree in management from Beihang University in 2002. Since joining China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), in July 1989, Mr. Yu has nearly 30 years of experience in China's civil aviation industry. Mr. Yu was the deputy director of the marketing department of China Civil Aviation Computer Information Center from 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 the 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, a promoter of the Company. From July 2009 to March 2013, he was the head of the Planning and Development Department of the Company. Mr. Yu served as a joint company secretary and secretary to the Board of the Company since March 2010. Mr. Yu has served as the company secretary and secretary to the Board of the Company since June 2013.