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 : 00696)

ANNUAL REPORT 2017

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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, 2017, it had an 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 Credit Management Co., Ltd., 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 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 and held interest in joint stock company, China Merchants RenHe Life Insurance Company Limited.

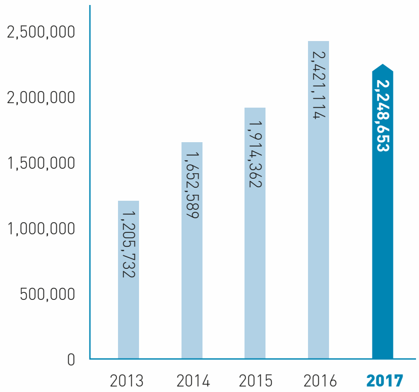
The Group had 7,862 employees as of December 31, 2017.

The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 00696) on February 7, 2001. The Company received notices given by certain shareholders below in relation to change of name in January 2018, among which, the names of China TravelSky Holding Company, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company were changed to China TravelSky Holding Company Limited, China Southern Air Holding Company Limited, China Eastern Air Holding Company Limited and China National Aviation Holding Company Limited, respectively. As of the date of this report, the largest shareholder of the Company is China TravelSky Holding Company Limited, 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 Limited, China Eastern Air Holding Company Limited and China National Aviation Holding Company Limited. The remaining 31.87% of the equity interest in the Company is held by holders of its H shares.

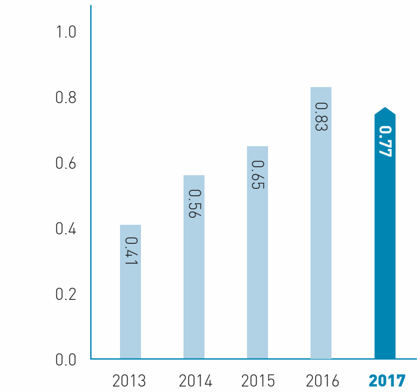
The Company has established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market (OTC) on December 27, 2002.

FINANCIAL HIGHLIGHTS

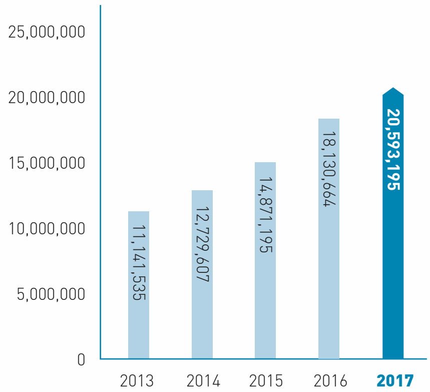
Profit Attributable to Owner of the Parent
RMB'000



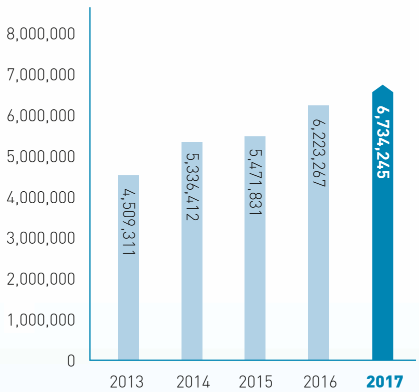
Earnings Per Share
RMB



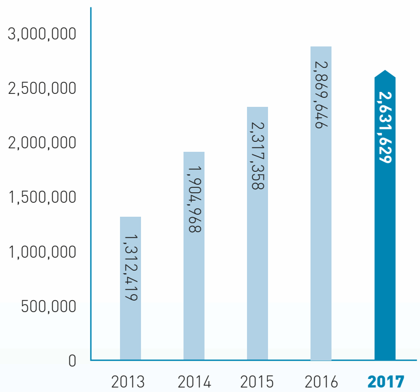
Total Assets
RMB'000



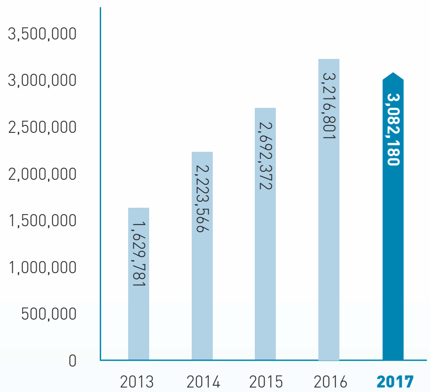
Revenues
RMB'000



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, 2017.

STATEMENT OF THE BOARD

DEAR SHAREHOLDERS,

2017 was a crucial year for the Group to implement the 13th Five-Year Plan and deepen reform in all areas. In face of complicated market environment, the Group has motivated its people to overcome difficulties, consolidated its foundation to ensure security, improved its service to expand market, taken multiple measures to promote innovation and adopted a holistic approach to enhance management. In this way, we achieved sound growth in each business indicator, accomplished the relocation of the new operating centre in Shunyi, Beijing, and secured the operation of the civil aviation passenger information system during the convention of meetings of the Boao Forum, the Belt and Road Forum for International Cooperation, the BRICS Summit and the 19th National Congress of the Communist Party of China (the "**19th CPC National Congress**").

Cui Zhixiong
Chairman

The year 2018 marks the first year of implementing the spirit of the 19th CPC National Congress, a crucial year of securing a decisive victory in building a moderately prosperous society in all respects and bridging the past and the future in implementing the 13th Five-Year Plan, and a year of embarking on a new journey to raise China's civil aviation power, which provides the Group with a rare historic opportunity to consolidate the market, expand its business, and give play to its industry experience and technological superiority. However, we also clearly understand that we must meet many challenges in order to continuously make progress and develop on the basis of our past achievements. The constantly changing industry landscape further adds to the market pressure on the Group. With the deep-going integration and alliance of the aviation industry, increasing emergence of technical products and business models, and augmenting concentration in channels, the needs of various types of customers for information technology solutions have been changing. Ever higher standards of service have been expected. Competitors at home and abroad as well as cross-industry ones have been continuously penetrating the market.

In this connection, the Group will build on its existing development strategies, uphold the underlying principle of pursuing progress while ensuring stability, pursue high-quality development as a way to raise its capabilities, strengthen areas of weakness and emphasize implementation. Firstly, the Group will improve its long-term security mechanism by strengthening safety awareness in production, enhancing support capabilities of safety and security matters, improving the safety responsibility system, strengthening the leadership of security organizations, and laying a solid foundation for development. Secondly, the Group will strengthen its judgment on situation to seize market opportunities by closely keeping up with the industry development trend and focusing on the needs of various types of customers. It will implement business layout comprehensively by taking serious measures to develop products, improving service capability and actively exploring overseas business as a way to focus on our advantages. Thirdly, the Group will strengthen its leading role in innovation with great efforts to be made to promote the construction of technology platforms, continuously optimize the research and development system and strengthen the construction of scientific and technological innovation platforms in order to boost driving forces for development. Fourthly, the Group will optimize its fundamental management by improving development quality and setting up strategies-oriented, talents-oriented, cost-oriented and rule-of-law-oriented approaches.

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 enthusiasm and achievements. Given the dedicated joint efforts from all parties, I believe the Group will be able to accelerate the implementation of strategies, to better serve its customers and the public, and create greater value for the shareholders as well as the society.

Cui Zhixiong
Chairman

March 24, 2018

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 or agents, corporate clients, travelers and cargo shippers, as well as major international organizations 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 system, etc.. With over three decades of tenacious research and development, the Company has built up a complete industry chain for aviation and travel information technology service, established a relatively comprehensive, competitively priced product line of aviation and travel information technology service with robust functionality, aiming to help all industry participants to expand their businesses, improve service quality, minimize operational costs and enhance operational efficiency, and ultimately bring benefits to travelers.

Xiao Yinhong
Executive Director,
General Manager

UMETRIP YOUR
COMPANION IN THE AIR

AVIATION INFORMATION TECHNOLOGY SERVICES

The Company's aviation information technology ("**AIT**") services, which consist of series of products and solutions, are provided to 40 Chinese commercial airlines and over 350 foreign and regional commercial airlines. The AIT services comprise Electronic Travel Distribution ("**ETD**") services (including inventory control system ("**ICS**") services, computer reservation system ("**CRS**") services) and airport passenger processing system ("**APP**") services, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product services to support aviation alliance, solutions for developing e-ticket and e-commerce, data service to support decisions of commercial airlines as well as information management system service to improve ground operational efficiency.

In 2017, the Group's Electronic Travel Distribution (ETD) system processed approximately 586.2 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 11.8% over the same period in 2016. Among which, the processed flight bookings on commercial airlines in China increased by approximately 12.2%, while those on foreign and regional commercial airlines increased by approximately 3.0%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Company reached 148, with sales percentage through direct links exceeding 99.8%. In 2017, 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 services and the Angel Cue platform connecting services, resulting in the increase of the number of such users to 123, with approximately 16 million of passenger departures processed in 100 airports.

In 2017, the Company 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, our self-developed self-help luggage check-in processing system that has been introduced recently has already been put into operation in a number of airports for multiple commercial airlines in China. The commonly used self-service check-in system (CUSS) has been launched in 164 major domestic and international airports, and the online check-in service has been applied in 288 airports at home and abroad. Such products and services, together with the mobile check-in service and SMS check-in service, processed a total of approximately 232.5 million departing passengers. The number of users of our self-developed mobile application, "Umetrip", has witnessed stable growth and introduced international travel online check-in for users for the first time. The Group provided full-process convenient clearance technology solutions for China's commercial airlines, to help improving their passengers' experiences in various services, such as, security check and boarding. The "aviation information inquires" ("**航信通**") realized civil aviation passenger paperless convenient clearance business. It serves for multiple commercial aviation airlines so as to put it into use in more than 100 airports in China. The B2C e-commerce solutions of airlines (TRP) have been put into use in Shenzhen Airlines Company Limited and China United Airlines Co., Ltd. As to the airlines' ancillary service sales solutions ("**Easy add value (增值易)**" product platform), the Group has had 6 new domestic commercial aviation airlines customers, including Loong Airlines Co., Ltd., China Express Airlines Co., Ltd., Kunming Airlines Co., Ltd., achieving a full coverage of China's all large and medium-sized airlines. In 2017, the Company also continued to push forward close cooperation with aviation alliances and technically supported Juneyao Airlines Co., Ltd. to join in Star Alliance to become the first Star Alliance Connecting Partner. The Group responded to the national "The Belt and Road Initiative" strategy, continued to put more efforts for market expansion for overseas market. Four overseas commercial aviation airlines, such as Lanmei Airlines Co. Ltd, newly added the Company's system.

In 2017, all functions of the new-generation of civil aviation passenger service information system (the "**New-generation System**") jointly developed by the Group and China's main commercial airlines, were fully developed and constructed and all of its sub-systems passed the final acceptance check and owned its own intellectual property, thus to realize the independent control of the core technology. Such new system has been put into use, which consolidates the market position of the Group in civil aviation passenger service system field. The Group has made significant achievements in national major scientific and technological projects and scientific research platforms. The "HeGaoJi" projects (meaning core electronic devices, high and general chip and basic software products projects) have been put into production and successfully passed the national task acceptance check and financial acceptance check, representing a major breakthrough of China's basic software in national core transaction system filed has been made. Beijing City civil aviation big data engineering technology research center and Beijing City design innovation center have been formally licensed. The Group's key labs for intelligent technology application in civil aviation passenger services have been approved by CAAC. The research and development system construction has achieved initial success.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

The Group 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 Group's principal activities in air travel service distribution and sales, the above businesses strongly strengthened the Group's information technology business in the air transportation and travel industry. Apart from being the world's largest service provider of IATA Billing and Settlement Plan (BSP) Data Processing ("**BSP DP**"), ACCA is also the largest provider of outsourced services and system products in revenue settlement and clearing in the air transportation industry in China. Its major customers include domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organizations and IATA.

In 2017, the Group continued to consolidate and expand its settlement and clearing service market shares. It entered into a new phase of billing and settlement plans (BSP) service contracts with IATA. The Group successfully obtained extended electronic payment license, such that, its system research and development and production was carried out as scheduled. As to IATA billing and settlement plans system projects (IBSPs), the Group implemented the customer development and implementation work of Spain BSP data processing center by grouping and in batches. In 2017, The settlement company completed approximately 867 million transactions in quantity in system service business, and processed approximately 358.8 million pieces of BSP tickets. As an agent, it settled up to US$9.8 billion of income from passenger and freight transport, miscellaneous expenses and international and domestic clearing fees. Its electronic payment trading volume reached approximately RMB72.8 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

The Group's travel service distribution network comprises over 70,000 sales terminals owned by more than 8,000 travel agencies and travel service distributors, with high-level networking and direct links to all Global Distribution Systems ("**GDSs**") around the world and 148 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localized services to travel agencies and travel service distributors through more than 40 local distribution centers across China and 9 overseas distribution centers across Asia, Europe, North America and Australia. The network processed over 478.6 million transactions throughout the year with transaction amount up to RMB463.1 billion.

In 2017, the Group put more effort to develop and promote its distributed information technology service and products (such as, small and medium-sized enterprises' travel solutions such as "1etrip (行啊)", "Lingda" online agent solutions, "lntlStar (星際)" international airline ticket management system, and international fare search engines), continued to optimize the product lines for distribution information technology services, in response to the needs of various users.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2017, the Group continued to enhance research and development and promotion of airport information technology service and product, secured the market share of the traditional departure front end service and product, actively participated in construction projects of domestic airport information system. The departure front end system of the new-generation APP dominated China's large and medium-sized airports. Furthermore, the Group assisted commercial airline companies in providing various services for passengers, such as, boarding, transit and connection, in 148 overseas or regional airports. The person times of departure passengers receiving such services reached approximately 38.9 million, accounting for 90.1% of the number of passengers returning from overseas of such commercial airline companies. The Group continued to promote Airport Shared Connectivity and Integration (ASCII) to 7 large-sized airport reconstruction and extension projects in Harbin, Changchun, Yancheng and etc. The Group also promoted its ground operation products such as Airport Message Broker (AMB) Platform to 15 airports in Xuzhou, Zhoushan and etc. Its newly developed airport flight operation command information platform was put into use in the airports in Shenzhen, Changsha, Dalian and etc. The customers from the airports in Fuzhou, Jinan, Urumchi and etc. had been newly added to, based on automatic, timely and accurate data collection, assist such airports to achieve universal grasp and fine control of ground production links of flights. This further consolidates the Group's market position in the airport information integration field.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2017, the Group, as per the national "The Belt and Road initiative" strategy and air transport safety policy, continued to improve and promote air cargo transport logistics information technology service and product to assist the cargo station and freight forwarder to improve operation and safety level. The Group also continued to enhance the construction of the production system of airport cargo stations and extended to several cargo stations, such as Guangzhou, Shenzhen, Hangzhou, Guangxi, Hubei and Western Airport Group. Meanwhile, the Group also built up cooperation relationships with Qingdao, Dunhuang and Chaoshan airports as to freight security check system. Electronic goods movement documentation business was further applied in depth by China Cargo Airlines Co., Ltd. and Air China Cargo Co., Ltd. In 2017, the systematically processed air waybills reached about 17.3 million pieces, representing a year-on-year growth of 2.2%.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2017, building on its data centre services, the Group set up an independent and manageable cloud computing service platform, developed multi-layered cloud computing solutions and provided cloud service for China Bidding Public Service Platform Limited (中國招標公共服務平台有限公司) and Guobao Life Insurance Co., Ltd.. While providing long-term data centre services to clients such as China Galaxy Securities Company Limited, the information centre under the Ministry of Civil Affairs and Settlement Centre of the Civil Aviation and Administration of China, the Group leveraged upon the opportunity offered by the completion and commencement of operation of the Beijing Shunyi new operating centre by further pushing ahead with the cooperation with government agencies and enterprises in the financial, transportation and internet industries.

INFRASTRUCTURE

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

In 2017, the Group's ICS, CRS, APP, and core open system operated stably. The relocation work of new and old data centers was completed successfully. The Group stably pushed forward the construction of the information security demonstration projects of NDRC, strengthened the information security situation monitoring and improved the overall information security guarantee capacity. In addition, the Group constructed business availability analysis platforms and built up effective failure positioning decision support systems to provide data and platform support for operation and application operation and maintenance. The Group comprehensively completed the replacement of TIM (Tivoli Identity Manager), a commercial management software with its independently-developed user management system and also completed transformation of micro service for user management. The Group conducted specific safety investigation and emergency drills, strongly ensuring the production security, and successfully completed high-level security guarantee work for Spring Festival, NPC and CPPCC, "The Belt and Road Initiative Forum", and the 19th CPC National Congress, amounting to a guarantee period of 165 days.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the ease of having brief understanding in the situation of the Company, we have selected some key indicators, which can reflect the profitability, solvency and cash liquidity of the Company, to comprehensively reflect the financial position and operating results of the Company. The following discussion and analysis should be read in conjunction with the financial information of the Group contained in the consolidated financial statements (together with the notes thereto) reproduced in this year's results announcement. The consolidated 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 2017, profit before taxation of the Group was approximately RMB2,631.6 million, representing a decrease of approximately 8.3% over that in the year ended December 31, 2016 ("**Year 2016**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB3,082.2 million, representing a decrease of approximately 4.2% over that in Year 2016. Profit attributable to equity holders of the Company was approximately RMB2,248.7 million, representing a decrease of approximately 7.1% over that in Year 2016.

The basic and diluted earnings per share of the Group in Year 2017 were RMB0.77.

TOTAL REVENUE

The total revenue of the Group in Year 2017 amounted to approximately RMB6,734.2 million, representing an increase of approximately RMB511.0 million, or 8.2%, from approximately RMB6,223.2 million in Year 2016. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 57.6% of the Group's total revenue in Year 2017, as compared to 56.2% for Year 2016. Aviation information technology service revenue increased by 10.9% from RMB3,496.4 million in Year 2016 to RMB3,878.5 million in Year 2017. 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 8.2% of the Group's total revenue in Year 2017, as compared to 8.3% for Year 2016. Accounting, settlement and clearing services revenue increased by 7.2% from RMB517.7 million in Year 2016 to RMB555.2 million for Year 2017. 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 11.1% of the Group's total revenue in Year 2017, as compared to 15.3% for Year 2016. System integration service revenue decreased by 21.7% from RMB950.3 million in Year 2016 to RMB744.3 million for Year 2017. 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 decrease of revenue was primarily due to the decrease in the number of contracted projects.

- Data network revenue and other revenue accounted for 23.1% of the Group's total revenue in Year 2017, as compared to 20.2% for Year 2016. Data network revenue and other revenue increased by 23.6% from RMB1,258.8 million in Year 2016 to RMB1,556.2 million for Year 2017. 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 increase 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 2017 amounted to RMB4,260.9 million, representing an increase of RMB214.6 million, or 5.3%, from RMB4,046.3 million in Year 2016. The change in operating expenses is reflected as follows:

- Network usage fees increased 8.9%, mainly due to the increase in the number of the rented network lines of the Group;

- Depreciation and amortization increased by 20.4%, mainly due to transfer from construction in progress and the increase of the equipment the Group;

- Staff costs increased by 16.9%, primarily due to the increase in the number of staff for supporting the Group's business development;

- Operating lease expenses decreased by 5.3%, primarily due to the decrease in leasing office area of the Group; and

- Technical support and maintenance fees increased by 22.4%, mainly due to keeping on intensifying efforts of the Group's new products and new technologies in research and development.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB296.4 million, or approximately 13.6%, from approximately RMB2,177.0 million in Year 2016 to approximately RMB2,473.4 million in Year 2017.

TAXATION

Under the Corporate Income Tax Law of the People's Republic of China ("**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 preferential corporate income tax rate of 15% according to the CIT Law. The Company was 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. The latest review was conducted in October 2017, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as one of the "High and New Technology Enterprises", and was entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019 as a "High and New Technology Enterprise".

In addition to the recognised identification of "High and New Technology Enterprise" and entitlement of 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 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 corporate income 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. The Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout since Year 2006 to Year 2014.

Pursuant to the Notice on Issues Concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (Cai Shui [2016] No. 49) (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》(財稅[2016]49號)) issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Industry and Information Technology of the People's Republic of China on May 4, 2016, the Company had made an application to the relevant authorities for a preferential corporate income tax rate of 10% for the financial year 2016, and the excess income tax rate of 5% paid in 2016 and approved by the relevant tax authorities has been refunded in August 2017 (please refer to the announcement of the Company dated August 24, 2017), which has been reflected in the consolidated financial statements of the Company for the Year 2017. The application for a preferential tax rate of 10% for the Year 2017 will commence in Year 2018, hence the Company has calculated the expenses on corporate income tax for the Year 2017 using the preferential tax rate of 15%.

The Company's subsidiaries in the PRC are entitled to different corporate income tax rates, ranging from 15% to 25% under the CIT Law. 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 EQUITY HOLDERS OF THE COMPANY

As a result of the above factors, the profit attributable to equity holders of the Company decreased by approximately 7.1% from approximately RMB2,421.1 million in Year 2016 to approximately RMB2,248.7 million in Year 2017.

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 consolidated financial statements) from the profit distributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2017, amounted to RMB6,014.4 million (as at December 31, 2016: RMB5,159.9 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	
	2017 (RMB in million)	2016 (RMB in million)
Net cash flow generated from operating activities	**3,062.6**	3,645.4
Net cash flow used in investing activities	**2,167.1**	(2,054.7)
Net cash flow used in financing activities	**664.6**	(501.2)
Net increase in cash and cash equivalents	**230.9**	1,089.5
Effect of foreign exchange rate changes on cash and cash equivalents	**(4.7)**	–

The Group's working capital for Year 2017 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB3,062.6 million. As at December 31, 2017, the Group did not have any short-term and long-term bank borrowings, nor use any financial instruments for hedging purpose. As at December 31, 2017, cash and cash equivalents of the Group amounted to RMB3,558.3 million, of which 88.5%, 10.2% and 0.3% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

CHARGE ON ASSETS

As at December 31, 2017, the Group had no charge on its assets.

RESTRICTED BANK DEPOSITS

As at December 31, 2017, restricted bank deposits in the amount of RMB41.2 million (as at December 31, 2016: RMB468.4 million) mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure the construction of departure system upgrade in Pudong International Airport and etc..

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB1,319.8 million in Year 2017, representing an increase of approximately RMB159.6 million as compared to that of approximately RMB1,160.2 million in Year 2016. The capital expenditure of the Group in Year 2017 consisted principally of upgrade and maintaining of the existing system, 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 2018 will amount to approximately RMB2,657.5 million, which is mainly used for the construction of the new operating centre in Beijing, maintenance and upgrade of system, as well as business expansion. 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 2018 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 2017, the Phase I work of the new operating centre in Beijing has accumulated an expenditure of approximately RMB2,680 million, representing approximately 73.3% of the construction budget of the Phase I work. The expenditure in 2017 was approximately RMB410 million. In 2018, the required expenditure for the Phase I work of the new operating centre in Beijing is expected to be approximately RMB630 million, which has been included in the capital expenditure plan of the Company for 2018.

MAJOR INVESTMENTS

– Discloseable Transactions – Formation of Two Joint Stock Companies

On May 20, 2016, the Company entered into share subscription agreements separately in relation to the formation of two joint stock companies, namely China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**") and China Merchants RenHe Property and Casualty Insurance Company Limited ("**CMRH P&C**"). The registered capital of CMRH Life and CMRH P&C are both RMB5 billion, which will be contributed by the shareholders of each of the two joint stock companies in cash. The Company will contribute RMB875 million to each of CMRH Life and CMRH P&C and will hold 17.5% equity interest in each of CMRH Life and CMRH P&C upon completion of the transactions. The formation of these joint stock companies is conditional upon obtaining the approval from the regulatory authorities and the completion of other applicable approval procedures. As at December 31, 2017, the application for the proposed establishment of CMRH P&C was in progress. The operation approval had been obtained from regulatory authorities by CMRH Life, and the registration with State Administration for Industry and Commerce had been completed on July 4, 2017. The contribution of the Company in CMRH Life was RMB875 million.

INVESTMENT IN FINANCIAL ASSETS

With regard to capital management, based on the principles of prudence and soundness, the Group generally chooses principal-protected wealth management products higher than bank deposit interest rates for the same period, so that the Group can maximize its capital gains.

During the year, the Group had the following financial assets:

– Available-for-sale Financial Assets

Name of investment	Business nature	Percentage of shareholding as at December 31, 2017 %	Percentage of shareholding as at December 31, 2016 %	Fair value as at December 31, 2017 RMB'000	Fair value as at December 31, 2016 RMB'000	Gain for the twelve months ended December 31, 2017 RMB'000	Gain for the twelve months ended December 31, 2016 RMB'000
Unlisted Investment fund (measured at fair value)							
– Bosera wealth management product	Fund	N/A	N/A	878,381	850,000	28,381	–
– Bank of Hangzhou wealth management product	Fund	N/A	N/A	640,890	330,000	10,890	–
Minsheng Bank wealth management product	Fund	N/A	N/A	900,000	–	–	–
Non-listed equity, at cost							
– CMRH Life	Insurance	17.5	–	875,000	–	N/A	N/A
Total				3,294,271	1,180,000	39,271	–

The performance and prospects of the aforementioned funds held by the Group during the period were as follows:

1. Bosera wealth management product
   The Group held the entrusted wealth management products issued by Bosera Asset Management Company Ltd. with principal amount of RMB850 million. The Company expects that the annual rate of return would be approximately 3.3%. The investment portfolio of the fund mainly comprised of cash assets, monetary market fund, assets with fixed returns, etc. The Group expects to hold the fund for no less than one year.

2. Bank of Hangzhou wealth management product
   The Group held the commercial bank wealth management products issued by Bank of Hangzhou Co., Ltd. with principal amount of RMB330 million and RMB300 million, respectively. The Company expects that the annual rate of return would be approximately 3.3% and 5.0%, respectively. The investment portfolio of the fund mainly comprised of cash assets, assets with fixed returns, etc. The Group expects to hold the fund for no less than one year. Bank of Hangzhou wealth management product of RMB330 million was expired on January 28, 2018.

3. Minsheng Bank wealth management product
   The Group placed structural deposits in China Minsheng Bank with principal amount of RMB900 million. The Company expects that the annual rate of return would be approximately 4.3%. The investment portfolio of the fund mainly comprised of cash assets, assets with fixed returns, etc. The Group expects to hold the fund for no less than one year.

4. CMRH Life

(a) The details of the major investments held, including the name of the related company and its main business, the number or percentage of the shares held and the investment cost;

Name of the related company:	China Merchants RenHe Life Insurance Company Limited
Business scope:	General insurance, health insurance business, accident injury insurance business, bonus insurance business, omnipotent insurance business, reinsurance of all of the above insurance businesses, the application of the insurance funds allowed by the state laws and regulations, and other businesses approved by China Insurance Regulatory Commission
The percentage of the shareholding:	17.5%
Investment cost:	RMB875 million

(b) The fair value of such major investment as at the end of the fiscal year and its scale relative to the total assets of the issuer;

The Group invested RMB875 million in China Merchants RenHe Life Insurance Company Limited, accounting for 4.2% of the total assets of the Group.

(c) The performance of such major investment within the fiscal year;

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB138,434,048 in 2017, mainly due to higher initial investments for starting all of its businesses after it obtaining opening approval in June 2017.

(d) Strategies of future investments and the prospects of such investments;

According to the information provided by CMRH Life to the Company, the insurance companies often record loss in the first few years. This is a law of the life insurance industry as to its operation and development. With the step-by-step development of the business scale, CMRH Life will generate increasing profits in a long and steady term. In accordance with the development plans provided by CMRH Life to the Company, it will provide benefits to public customers – its business basis, serve high net worth customers – its characteristic service, and conduct business in China's free trade zones – its business base. Meanwhile, it will give full play to the advantages of its shareholders' resources, and insist on the operation concept of continuous growth of value, on two-wheel drive operation strategy of insurance and investment, on continuous innovation as its feature operation, on market-oriented, specialized and differentiated operation policies, and on legal and compliant operation principles, with an aim to create an all-life-cycle financial insurance service platform for customers, featured with insurance, investment, medical and endowment industries as its pillars, and build CMRH Life into a first-class and innovative integrated insurance service provider by applying "new establishment + merger and acquisition", "online + offline", "insurance + medical and endowment", "onshore + offshore" and many other development strategies.

According to the information provided by CMRH Life to the Company, in future, national economy will provide a powerful support for the sustainable development of the insurance industry and China will successively introduce policies to support the development of insurance industry. Meanwhile, changes in livelihood ways of residents and aging acceleration will bring new opportunities for the development of the insurance industry, especially the medical and endowment insurance fields. Thus, the insurance industry remains in an important period of strategic opportunities. CMRH Life was set up by state-owned shareholders. The powerful strengths of the shareholders and the abundant registered capital provide a good foundation for its development. Meanwhile, it owns professional, efficient and dedicated operation and management team which is a powerful guarantee for its development. Under the situation of industrial development in a better and better direction, CMRH Life will have a very broad prospect for development in the future.

– Held-to-maturity Financial Assets

As at December 31, 2017, the Group held certificates of deposits issued by China Everbright Bank, China Construction Bank, Huaxia Bank, Bank of Huangzhou and Bank of Beijing of RMB900 million, RMB390 million, RMB100 million, RMB270 million and RMB200 million, respectively, with a total amount of RMB1,860 million, representing an increase of RMB1,020 million as compared with that as at December 31, 2016. The annual interest rates of such certificates of deposits vary from 3.9% to 4.4%. Such certificates of deposits have a maturity period ranging from 91 to 182 days and are non-cancellable before maturity.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2017, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited in commercial banks and in accordance with applicable laws and regulations.

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, 2017, the gearing ratio of the Group was approximately 23.0% (as at December 31, 2016: 21.9%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2017.

CONTINGENT LIABILITIES

As at December 31, 2017, the Group had no material contingent liabilities.

EMPLOYEES

As at December 31, 2017, the total number of employees of the Group was 7,862. Staff costs amounted to approximately RMB1,640.6 million for Year 2017 (Year 2016: RMB1,403.9 million), representing approximately 38.5% of the total operating expenses of the Group for Year 2017.

The Group has different rates of remuneration for different employees (including executive directors and staff 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 Year 2017, the aggregate corporate annuity expenses of the Group amounted to approximately RMB28.0 million (Year 2016: RMB32.7 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.

DISTRIBUTION OF PROFIT

In Year 2017, 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, 2016 was approved at the annual general meeting held on June 27, 2017. The amount was accounted for in shareholder's equity as a distribution of retained earnings for Year 2017.

The proposed appropriation of 10% of its net profit amounted to RMB185.1 million to the discretionary surplus reserve fund for the year ended December 31, 2017 is subject to shareholders' approval at the forthcoming annual general meeting (the "**AGM**"). Therefore, the amount will be recorded in the Group's financial statements for the year ended December 31, 2018.

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2017

On March 24, 2018, the Board proposed the distribution of a final cash dividend of RMB740.3 million, which representing RMB0.253 per share (tax inclusive) for Year 2017 ("**Final Dividend**") as calculated based on the total number of shares in issue of the Company of 2,926,209,589 shares as at the date of this report. Upon distribution of the above Final Dividend, the distributable profit as at December 31, 2017 is approximately RMB5,274.1 million (as at December 31, 2016: RMB4,510.3 million).

The Company will submit the above Final Dividend distribution proposal to the AGM. If such proposal is approved at the AGM, the Final Dividend for Year 2017 is expected to be paid on or before September 30, 2018. The date of the AGM has not been fixed, and detailed arrangements in relation to the AGM (including the date and book closure period) will be disclosed by the Company in due course. Further, upon conclusion of the AGM, the Company will publish an announcement on the matters related to the Final Dividend, including, among other things, the amount of Final Dividend per share in Hong Kong dollar, book closure period, ex-date, dividend payment date and dividend tax.

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 2017, the Company fully complied with the Code Provisions.

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 2017.

THE BOARD

According to the provisions of the Articles, the Board comprises 9 directors, including 3 independent directors: (i) Mr. Cui Zhixiong and Mr. Xiao Yinhong acted as the executive directors of the sixth session of the Board of the Company; (ii) Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an acted as the non-executive directors of the sixth session of the Board of the Company; (iii) Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun acted as the independent non-executive directors of the sixth session of the Board of the Company. Upon the election by the sixth session of the Board, Mr. Cui Zhixiong, an executive director, served as Chairman of the sixth session of the Board.

The sixth session of the Board of the Company appointed the members of the relevant committees as follows: (i) Audit and Risk Management Committee: Dr. Ngai Wai Fung (Chief Member), Mr. Cao Shiqing and Mr. Liu Xiangqun; (ii) Remuneration and Evaluation Committee: Mr. Cao Shiqing (Chief Member), Mr. Yuan Xin'an, Dr. Ngai Wai Fung and Mr. Liu Xiangqun; (iii) Nomination Committee: Mr. Cui Zhixiong (Chief Member), Mr. Cao Shiqing and Mr. Liu Xiangqun; (iv) Strategic Committee: Mr. Cui Zhixiong (Chief Member), Mr. Xiao Yinhong, Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an.

For 2017, the list of directors of the Company is set out below and the attendance of each of the directors for relevant meetings is as follows:

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings and shareholders' class meeting	Attendance rate for Audit and Risk Management Committee	Attendance rate for Remuneration and Evaluation Committee	Attendance rate for Nomination Committee	Attendance rate for Strategic Committee
Cui Zhixiong	Chairman, Executive Director; Chief Member of Nomination Committee; Chief Member of Strategic Committee	100%	100%	–	–	–	100%
Xiao Yinhong	Executive Director, General Manager; Member of Strategic Committee	100%	100%	–	–	–	100%
Cao Jianxiong	Non-executive Director; Member of Strategic Committee	60% (Note 1)	75% (Note 1)	–	–	–	50% (Note 1)
Li Yangmin	Non-executive Director; Member of Strategic Committee	20% (Note 1)	0% (Note 1)	–	–	–	50% (Note 1)
Yuan Xin'an	Non-executive Director; Member of Remuneration and Evaluation Committee; Member of Strategic Committee	80% (Note 1)	75% (Note 1)	–	100%	–	50% (Note 1)
Cao Shiqing	Independent Non-executive Director; Member of Audit and Risk Management Committee; Chief Member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	100%	100%	100%	–	–
Ngai Wai Fung	Independent Non-executive Director; Chief Member of Audit and Risk Management Committee; Member of Remuneration and Evaluation Committee	100%	100%	100%	100%	–	–
Liu Xiangqun	Independent Non-executive Director; Member of Audit and Risk Management Committee; Member of Remuneration and Evaluation Committee; Member of Nomination Committee	80% (Note 1)	25% (Note 1)	100%	100%	–	–

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the director in 2017, excluding meetings by way of circulation of written proposals.

   During 2017, the Board held five physical meetings and two meetings by way of circulation of written proposals, and convened one annual general meeting, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting. The Audit and Risk Management Committee held two physical meetings. The Remuneration and Evaluation Committee held one physical meeting and one meeting by way of circulation of written proposals. The Nomination Committee held one meeting by way of circulation of written proposals. The Strategic Committee held two physical meetings.

   When Director Cao Jianxiong, Director Li Yangmin, Director Yuan Xin'an and Director Liu Xiangqun 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.

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 consolidated 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.

The Board is responsible for the establishment and perfection and effective implementation of risk management and internal control system. The management is responsible for organizing and leading daily operation of risk management and internal control of the Company, and reports to the Board about the outcome on a regular basis. The Audit and Risk Management Committee set up under the Board performs supervisory duties regarding to establishment and effective execution of risk management and internal control system, including assessment on the scope, adequacy and effectiveness of risk management and internal control system, and providing recommendations on improvement of such control.

The Company reviews and confirms the risk management and internal control system for the previous year at least once a year and presents the annual report of risk and internal control to the Audit and Risk Management Committee of the Board in order to assist the Board in assessment of the effectiveness of internal control management and risk management of the Company.

The Company conducted systematical assessment on risk evaluation and assessment on internal control in the headquarter of the Company and each of its branches and subsidiaries at the middle and end of 2017. The Board believes that during the report period, the Company has established internal control for businesses and matters included in evaluation range which was implemented effectively, so as to achieve the objectives of internal control of the Company and there is no material and significant defect.

The Board is responsible for the Company's risk management and internal control system, and reviews the effectiveness of the relevant systems. The aim of the Company's risk management and internal control system is to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurances against non-material misstatements or losses.

The resources, qualification and experience of employees as well as training and budget in accounting, internal audit and financial function of the Company are sufficient to basically fulfill the requirements of corporate governance and control, but extra backup resources and budgets are required to meet the needs of corporate governance and control under the expanding business scope.

Last year, the Company identified top 10 major risks in various risk areas such as strategy, market, operation and finance, and formulated risk responding measures and solutions based on further analyzes of sources of risk and causes of risk. Both the possibility and extent of impact of risks were lowered, and there was no material risk claim occurred at the end of 2017. The Company judges and analyzes on the changes in both the internal and external environment as well as its own business every year, and formulates effective responding measures in order to improve its management capabilities and prevent operational risks.

There is no material monitoring error and material monitoring weakness during this year. Such procedures of the Company related to financial report and compliance with the Listing Rules are effective.

Procedures for risk identification, assessment and management:

To organize each of department to seek existing risks in each important operation activity and business progress to supplement and amend the description and classification of original risk event and update risk repository based on changes on internal and external environment the Company faced with. Each responsible department select to key risk event, summarize and determine range of this assessment in conjunction with key area that the Company focus to operate and manage, and conduct risk assessment to staff at all levels by both qualitative and quantitative questionnaires, so as to form a risk assessment conclusion in five types of risk areas, such as strategy, market, finance, laws and operation, and submit to the management for attention. As for material and major risks identified, the relevant responsible units organized by the Company thoroughly analyzed the source of risk and causes of risk, timely proposed risk management strategies and risk solutions, and performed ongoing control and monitoring to ensure the measures adopted have been implemented effectively.

The review procedures of the Company's risk management and internal control system:

Each unit conducts self-assessments firstly, and then professional entities will be engaged as inspection teams to conduct examination, communicate and confirm with the inspected unit on the issues identified during the inspection and give recommendations on the adjustments. The Company persistently optimized and improved its risk management and internal control system by revising and refining its internal control matrix and internal control manual every year, rationalizing the current systems, hierarchies, operational workflow, control measures and risk events of the Company in accordance with the needs of the Company's business management and external regulatory requirements, revising and refining the internal control manual and risk database, and establishing a work mechanism that is constantly updated and optimized, thereby boosting the effectiveness of the internal control manual and risk database. The Company assesses the effectiveness of the internal control system and evaluates the risk management at least once a year, in order to identify the defects in internal control and significant and major risks, and to organize the relevant units to rectify the defects and response to the risks, and perform ongoing supervision and evaluation.

The characteristics of the risk management and internal control system:

The Company's risk management and internal control system organically combined risk management and internal control processes by making internal control an important means of preventing and eliminating risks, and adopting comprehensive risk management as the key criteria for validating and upgrading internal control. The Company tirelessly enhanced its "standardized, scientific, effective and highly efficient" risk management and internal control system "with the internal environment as the key foundation, risk management as a key part, control measures as an important means, communication of information as a crucial condition and internal supervision as a key assurance".

The procedures and internal controls for the handling and dissemination of inside information by the Company: the Company has formulated the "Measures for the Administration of Information Disclosure", which regulates the procedures of identification, confidentiality, pre-warning and disclosure of inside information and such internal control measures are adequate.

The Company has a specialized department of internal audit, which is responsible for annual inspection, analysis and assessment for the effectiveness of risk management and internal control system of the Company.

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.

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. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun, annual confirmations of their independence submitted to the Company 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 2017, 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 2017, 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.

In 2017, 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. Cao Jianxiong	A
Mr. Li Yangmin	A, B
Mr. Yuan Xin'an	A, B
Independent Non-executive Directors	
Mr. Cao Shiqing	A, B
Dr. Ngai Wai Fung	A, B
Mr. Liu Xiangqun	A, B

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 of the Company is Mr. Cui Zhixiong while the General Manager (Chief Executive Officer) of the Company is Mr. Xiao Yinhong.

TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date/ Termination Date
Cao Jianxiong	Non-executive Director	October 18, 2016	October 17, 2019
Li Yangmin	Non-executive Director	October 18, 2016	October 17, 2019
Yuan Xin'an	Non-executive Director	October 18, 2016	October 17, 2019
Cao Shiqing	Independent Non-executive Director	October 18, 2016	October 17, 2019
Ngai Wai Fung	Independent Non-executive Director	October 18, 2016	October 17, 2019
Liu Xiangqun	Independent Non-executive Director	October 18, 2016	October 17, 2019

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 four committees dedicated in conducting investigation and research, making analysis and giving specific advice to the Board in respect of strategic investment, nomination, remuneration and evaluation, financial reporting, and internal control, 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 and Risk Management Committee

The Audit and Risk Management Committee's role and functions 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 financial reporting, risk management and internal control and reporting the same to the Board.

The Audit and Risk Management Committee appointed by the sixth session of the Board comprises the three independent non-executive directors of the sixth session of the Board, namely Dr. Ngai Wai Fung, Mr. Cao Shiqing and Mr. Liu Xiangqun. Dr. Ngai Wai Fung is acting as the Chief Member (chairman) of the Audit and Risk Management Committee of the sixth session of the Board. The term of each member of the committee is the same as his respective term as a director.

In 2017, the sixth session of the Audit and Risk Management Committee convened two meetings, and the attendance rate of all members at the meetings was 100%. The work of the sixth session of the Audit and Risk Management 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 consolidated 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; and had discussions with the management of the Company.

2. met with the auditor at least twice and met with the auditor at least annually 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. conducted a half-year review and an annual review on the Company's connected transactions, and gave opinions and recommendations regarding the relevant internal management and control mechanism.

4. reviewed the risk management and internal control system of the Company and reported to the Board.

5. received reports on the preparation work of Environmental, Social and Governance Report of the Company, and gave opinions and recommendations in respect of relevant disclosure content and procedures.

6. reviewed the independence of auditors and audit procedures, and proposed recommendations in relation to the appointment of auditor and remuneration budget to the Board.

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 sixth session of the Board comprises three independent non-executive directors, namely Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun, and a non-executive director, namely Mr. Yuan Xin'an. Mr. Cao Shiqing is continuing to serve as the Chief Member (chairman) of the Remuneration and Evaluation Committee. The term of each member of the committee is the same as his respective term as a director.

In 2017, the Remuneration and Evaluation Committee held one physical meeting and one meeting by way of circulation of written proposals. All members attended the meeting, completed the renewal of the liability insurance for directors and senior management, and received reports on remuneration work of the Company.

Pursuant to the approval obtained in the general meeting and 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 of the sixth session of the Board and the sixth session of Supervisory Committee of the Company are as follows: (i) the annual basic remuneration of each independent non-executive director is RMB60,000 (inclusive of tax). If he serves as a Chief Member of a committee, his annual remuneration shall be RMB70,000 (inclusive of tax). 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. If an independent non-executive director is a retired person-in-charge of a state-owned enterprise, then he is not entitled to receive the remuneration of directors pursuant to the aforementioned standards. Instead, he is entitled to receive a monthly work subsidy (basic salary) of RMB5,000 per person (inclusive of tax) and cannot receive any other monetary income from the Company; (ii) the basic annual remuneration of each independent supervisor is RMB60,000 (inclusive of tax), with no meeting allowance; (iii) with reference to the relevant regulatory requirements, except for independent directors and independent supervisors, other directors and supervisors (regardless of being Chairman of the Board and chairperson of the Supervisory Committee, or member or Chief Member of any relevant Committee) are not entitled to such remuneration, bonus and meeting subsidies; (iv) the adjustment procedures of remuneration standard: the remunerations of directors and supervisors are determined by the general meeting of the Company. The aforementioned adjustments of the current remuneration have to be submitted to the general meeting of the Company for the consideration and approval in accordance with the instruction of supervisory authorities and relevant requirements of laws and regulations before implementation. In particular, the adjustment proposal of director remuneration has to be formulated by the Remuneration and Evaluation Committee of the Board of the Company and submitted to the Board for consideration and approval.

Details of remuneration of the directors and senior management are set out in Note 8 to the consolidated 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 sixth session of the Board appointed the chairman of the Board, namely Mr. Cui Zhixiong, and two independent non-executive directors, namely Mr. Cao Shiqing and Mr. Liu Xiangqun, to form the Nomination Committee. Mr. Cui Zhixiong is acting as the Chief Member (chairman) of the Nomination Committee. The term of each member of the Nomination Committee is the same as his respective term as a director.

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 general meeting. The appointment and removal of directors shall be determined by the general meeting.

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.

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 2017, the Nomination Committee held one meeting by way of circulation of written proposals, considered the relevant issues of nomination of deputy general manager. The attendance rate of members at the meeting was 100%.

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 sixth session of the Board continued to appoint the two executive directors, namely Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an to form the Strategic Committee. Mr. Cui Zhixiong is acting as the Chief Member (Chairman) of the Strategic Committee. The term of each member of the committee is the same as his respective term as a director.

The Strategic Committee convened two meetings in 2017, considered matters in relation to significant investments of the Company.

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 2017 amounted to RMB2,569.0 thousand, comprising annual audit fee of approximately RMB1,725.2 thousand and non-audit service fees of approximately RMB843.8 thousand for the review of interim financial statements, compliance review of continuing connected transactions and compliance review of preliminary results announcements and others.

COMPANY SECRETARY

On October 18, 2016, the sixth session of the Board of the Company re-appointed Mr. Yu Xiaochun (also as the secretary to the Board) to serve as the company secretary. Mr. Yu completed 15 hours of relevant professional training in 2017.

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) 5765 0696
Facsimile: (8610) 5765 0695
Email: ir@travelsky.com
Postal address: TravelSky High-tech Industrial Park, Houshayu Town, Shunyi District, Beijing, PRC (中國北京順義區後沙峪鎮中國航信高科技產業園區)

INVESTOR RELATIONS

There were no amendments or changes to the Articles in 2017.

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 one independent supervisor and two staff supervisors. Other supervisors are all appointed and removed at the general meeting of the Company, except for staff 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 sixth session of the Supervisory Committee of the Company comprised Mr. Huang Yuanchang, Mr. Xiao Wei, Ms. Zeng Yiwei, Mr. He Haiyan and Mr. Rao Geping. Mr. Rao Geping was an independent supervisor while Mr. Huang Yuanchang and Mr. Xiao Wei were staff supervisors. Mr. Huang Yuanchang acted as the chairman of the Supervisory Committee upon the election of the Supervisory Committee. Mr. Huang Yuanchang and Mr. Xiao Wei were re-elected as the staff supervisors in the staff representative meeting of the Company held on January 17, 2017.

The list of supervisors of the Supervisory Committee of the Company and the attendance of each supervisor at the Supervisory Committee meetings in 2017 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings	Attendance rate for general meetings and shareholders' class meeting	Attendance rate for Board meetings (as non-voting attendee)
Huang Yuanchang	Chairman of the Supervisory Committee, Staff Supervisor	100%	100%	100%
Xiao Wei	Staff Supervisor	50% (Note 1)	75% (Note 1)	40% (Note 1)
Zeng Yiwei	Supervisor	50% (Note 1)	0% (Note 1)	40% (Note 1)
He Haiyan	Supervisor	100%	75% (Note 1)	60% (Note 1)
Rao Geping	Independent Supervisor	100%	25% (Note 1)	80% (Note 1)

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the supervisor in 2017. The attendance rate for meetings by way of circulation of written proposals was not included in the above attendance rate.

   In 2017, the Supervisors shall be present in two meetings of the Supervisory Committee; five physical meetings of the Board; one annual general meeting, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting.

   Where Supervisor Xiao Wei and Supervisor Zeng Yiwei were unable to attend a meeting of the Supervisory Committee in person, they appointed other supervisors to attend and vote at the meeting on their behalves in writing.

During 2017, the Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2016 and the interim results for the six months ended June 30, 2017, 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 2017.

By Order of the Board
Yu Xiaochun
Company Secretary

March 24, 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT DESCRIPTION

Travelsky Technology Limited (the "**Company**", or together with its subsidiaries, the "**Group**") aims to build itself into a world-class comprehensive information service provider by constantly consolidating the development layout featured by "diversified development with focus on the main business". While strengthening business level, improving governance capacity and creating economic performance, the Group is committed to integrating corporate social responsibility into its daily operation, with a view to creating sustainable development value in terms of environmental protection, social responsibility fulfillment and governance.

The Board of Directors is responsible for the Environmental, Social and Governance (ESG) strategies and reports. The ESG report (hereinafter referred to as the report) is prepared with reference to the Guideline on Environment, Society and Governance ("**ESG**") specified in Appendix 27 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The report covers a period from Jan. 1, 2017 to Dec. 31, 2017 (hereinafter referred to as "**the reporting period**"), and certain parts may be beyond this time frame. Unless otherwise stated, the report is applicable to the headquarters and affiliates of China TravelSky Holding Company.

Upon evaluation by ESG panel, the following list is considered to be major ESG events for the Group and relevant events within the scope of *ESG Guideline*.

Topics of ESG Guideline	Contents in the report
A Environment	
A1 Emissions	Management of emissions
A2 Use of resources	Green office, green construction, e-service
A3 Environment and natural resources	Environment and natural resource protection
B Society	
B1 Employment	Equal employment and employee rights and interests
B2 Health and safety	Occupational health and safety & care for employees
B3 Development and training	Employee training and development
B4 Labor standards	Put an end to child labor and forced labor
B5 Supply chain management	Fair and public procurement
B6 Product responsibility	Safeguarding production safety, technology and business innovation, customer experience improvement
B7 Anti-corruption	Combat corruption and uphold integrity
B8 Community investment	Concern people's livelihood, and return to the society

A. ENVIRONMENT

A1. Emissions

The Group strictly abides by *Environmental Protection Law of the People's Republic of China* and relevant laws and regulations, carding and managing major emissions of the Group during the operation process. The Group will comply with energy conservation and emission reduction statistical monitoring statements and summary analysis reports of the State-owned Assets Supervision and Administration Commission, advancing emission management work continuously.

During the operation process within the reporting period, major emissions involved include greenhouse gases generated due to various types of energy consumption, where, greenhouse gases within Scope I come from carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O) generated due to combustion of gasoline, diesel oil and natural gas. Greenhouse gases within Scope II include CO_2 generated due to utilization of outsourcing electricity and outsourcing heating power. Meanwhile, it also includes household garbage and domestic sewerage generated due to office operation and electronic wastes generated due to update of old equipment.

During the daily operation process, emission reduction is implemented continuously and multi-dimension measures are developed according to characteristics of emissions.

- Comply with carbon emission trading pilot work of Beijing Municipal Commission of Development and Reform, calculate and monitor carbon dioxide emission of the Group in Beijing area and participate in carbon emission transaction of Beijing.

- Prepare *Reform Scheme of Official Car System of TravelSky Technology Limited*, revise *Management Methods for Official Car of China TravelSky Holding Company and China TravelSky Holding Company*, manage official cars strictly and conduct vehicle inspection regularly according to relevant national regulations on official cars of the Company while taking into consideration of actual situations of the Group. Rectify or reject vehicles with emissions exceeding standards or falling short of national regulations in time.

- Rejected obsolete computers and other electronic equipment shall be disposed by enterprises with electronic product and scrap metal recovery qualification.

- During the construction of Shunyi Industrial Park within the reporting period, field emission management measure 2016 is implemented continuously for classified disposal of emissions generated during constructing Shunyi Industrial Park. Sewage at construction sites is discharged into municipal sewage pipelines after sediment in septic tanks; solid wastes produced in construction are separately collected, intensively stacked and timely removed; and resource wasting and waste materials are minimized by optimizing construction schemes, preparing reasonable material procurement plans, reducing the consumption of temporary and revolving materials and using solid waste recovery and utilization technology.

- Household garbage and domestic sewage produced in business operation are intensively disposed by local municipal administration institution or a qualified third party.

Case: Reform in official car system

During the reporting period, the Group has implemented official car system reform work comprehensively under the premise of ensuring safe system operation.

During this period, the Group has canceled 20 official cars (including shunting 3 official cars), saving by 14%. All subordinate enterprises have canceled 23 vehicles, saving by 29.5%. Meanwhile, the Group has implemented periodic inspection for internal cars, rectified or rejected vehicles with emissions exceeding or falling short of national regulations in time and implemented proportional travel for official cars in case that air pollution exceeds standard so as to enhance emission reduction management.

With the implementation of emission management policies and measures in the reporting period, each emission data within the reporting period is shown in the following table:

Index	Unit	FY2017
Total greenhouse gas emissions (Scope I and Scope II)	Ton CO_2e	57,631.19
Greenhouse gas emissions per one million operating income	Ton CO_2e/1 million yuan	7.89
Scope I: Greenhouse gas emissions from direct emission source	Ton CO_2e	5,107.74
Scope II: Greenhouse gas emissions from indirect emission source	Ton CO_2e	52,523.45
CO_2 emission	Ton	57,620.22
CH_4 emission	Ton	0.26
N_2O emission	Ton	0.01
Total domestic sewage emission	Ton	58,555.28
Total domestic sewage emission per one million operating income	Ton/1 million yuan	8.02
Total household garbage	Ton	530.29
Total household garbage generated per one million operating income	Ton/1 million yuan	0.07
Total electronic wastes	Pcs	1,781
Including: Wasted computers	Pcs	1,115
Wasted communication line equipment	Pcs	111
Wasted servers	Pcs	117
Wasted printers	Pcs	122
Other electronic wastes	Pcs	316
Total electronic wastes generated per one million operating income	Pcs/1 million yuan	0.24

Note:

1. Unless otherwise stated, the above data only involves the headquarters and affiliates of TravelSky Technology Limited operated in mainland China. Those operated overseas are not covered as their influences on the environment are relatively small.

2. Refer to *Greenhouse Gas Protocol: Accounting and Reporting Standard of Enterprise 2012 (revised edition)* for greenhouse gas emission calculation methods. The emission factor calculation of Scope II refers to *The Emission Factor Calculation Each Regional Power Grid of China* latest published by National Development and Reform Commission

3. Refer to *Code of Urban Wastewater Engineering Planning* (GB 50318-2017) for domestic sewage emission calculation method.

4. Refer to *Urban Domestic Source Production and Blowdown Coefficient Manual of the First National Pollution Source Census* for calculation method for total household garbage produced.

5. All electronic wastes are 100% recovered by recycling companies.

6. For electronic wastes, the wasted computers include desktop computers, laptops, and netbooks; the wasted communication line equipment includes routers, firewall, and switches; and other electronic wastes include fax machines, cameras, video cameras, air conditioners, scanner guns, cases, etc.

A2. Use of Resources

The Group will continue to pay attention to effective use of resources, enhance resource conservation and environmental protection, increase capital and technology input and minimize energy consumption in office area and machine rooms to the maximum extent. The Group is devoted to implement resource saving and environmental protection into various operation links through promoting green office, e-service, daily water and electricity conservation in operation sites.

During the operation process, resource consumption of the Group mainly comprises of consumption of municipal water supply, outsourcing electricity, gasoline, diesel oil, natural gas and outsourcing heat power. The Group mainly provides information technology solutions to China aviation tourism. Therefore, packing materials for finished products are not involved yet.

Green operation

At the same time of developing businesses, the Group will focus on resource utilization management, save energies from daily office to construction of Shunyi Industrial Park, improve resource utilization ratio continuously and implement green operation.

- During non-office hours, patrolling personnel shall turn off lighting in the office area in time so as to save electric power.

- Centralized management of vehicles is used to reduce maintenance expenses. Before driving out, routes are planned to reduce fuel consumption.

- OA system is used continuously for document transferring management, daily maintenance of nodes, signing and reporting, sealing and other internal daily work. Meanwhile, administrative information platform is established, meeting room, office supplies and other administrative work application and approval work flow is realized and paperless office is realized gradually.

- Requirement change management system (CQ system) with the help of ClearQuest software is used to handle the Company's all development requirements on tests and production. During the reporting period, 10,753 requirements have been processed with CQ system.

- The layout of on-site water supply network in Shunyi Industrial Park is reasonable, and the configuration rate of water saving instrument is 100%, and no leakage is found from pipe network and water supply instrument. High-intensity, long service life and low-power LEDs are used in project construction area, such energy conservation and environmental protection technologies as solar-powered street lamps are adopted, the usage rate of energy saving lamps is up to 100% in construction site. Meanwhile, solar PV power generation equipment is equipped to supply power for work and living.

E-service

The Group has introduced many e-service products such as electronic tickets, online check-in, electronic boarding pass, electronic bills of lading and electronic customs declaration. Whiling providing convenience to customers, the Group uses high-tech means to fulfill the responsibility of resource conservation, which reduces the consumption of paper raw materials.

In 2017, the Group's ETD system processed approximately flight reservations of 588.5 million passengers for domestic and foreign commercial airlines, the accounting, settlement and clearing system processed about 359 million BSP tickets which were used in 164 major domestic and international airports through CUSS.

Case: "TravelSky Solution" e-boarding pass

In 2017, the Group developed "TravelSky Solution" e-boarding pass product based on self-service products. The product could provide electronic 2D code information verification, passenger security check status check, online printing of reimbursement voucher and other services to passengers based on the support of e-boarding pass backstage support and service platform. Full-process efficient and convenient electronic trip of passengers can be realized by "TravelSky Solution" convenient product through e-ticket, e-boarding pass and e-reimbursement voucher. Passengers could complete security check and boarding with e-boarding pass and no paper boarding pass was required. Therefore, printing time could be saved and rapid pass could be achieved.

With the resource saving measures put into practice, the utilization of major resources during the reporting period is as shown below:

Index	Unit	FY2017
Total water consumption	Ton	68,888.57
Total water consumption per one million operating income	Ton/1 million yuan	9.43
Total power consumption	kW•h	68,525,035.38
Total power consumption per one million operating income	kW•h/1 million yuan	9,381.25
Total gasoline consumption	Liter	329,351.02
Total gasoline consumption per one million operating income	Liter/1 million yuan	45.09
Total diesel oil consumption	Liter	37,569.77
Total diesel oil consumption per one million operating income	Liter/1 million yuan	5.14
Total natural gas consumption	m^3	1,958,328.03
Total natural gas consumption per one million operating income	m^3/1 million yuan	268.10
Total outsourcing heat power consumption	Gigajoule	11,739.86
Total outsourcing heat power consumption per one million operating income	Gigajoule/1 million yuan	1.61

Note: Unless otherwise stated, the above data only involves the headquarters and affiliates of TravelSky Technology Limited operated in mainland China. Those operated overseas are not covered as their influences on the environment are relatively small.

A3. Environment and Natural Resources

Emissions induced by group operation are properly disposed in order to minimize adverse impacts on environment and natural resources. Meanwhile, during the reporting period, Shunyi Industrial Park under construction takes Green Building LEED Certification as standard continuously and adopts low-carbon and environmental protection construction consistently. It is included on the list of the fifth batch of "National Green Building Demonstration Projects".

Solid waste recovery and utilization technology and vertical cleaning channel of indoor construction wastes are adopted for waste disposal on the construction site to realize appropriate placement and recovery of wastes. Meanwhile, the construction site is arranged with enclosed waste storage tanks, which are used to collect harmless wastes generated during the construction process. Afterwards, the wastes will be disposed appropriately upon project completion. The site is also arranged with a canteen separation tank so as to separate suspended substances in wastewater and to optimize sewage treatment. Automatic spraying technology, high altitude spraying technology as well as automatic spraying devices for construction roads and automatic washing devices for construction vehicles are adopted to reduce dust on the construction site. Multiple soil protection measures are adopted on the construction site. Besides, the construction site is arranged according to requirements for safe and civilized construction site so as to prevent affecting surrounding landscape environment and to minimize adverse impact of project construction on environment and natural resources to the greatest extent. During the reporting period, the Group has not involved any litigation and fine due to violation of environmental laws and regulations.

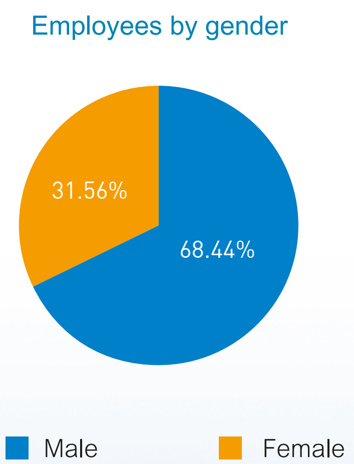
Meanwhile, the Group continued to practice the use of environmentally friendly paper and environmental printing technologies. The printing paper for this annual report adopts the of environmentally friendly paper certified by the Forest Stewardship Council (FSC), adopts the latest printing environmental protection technology, uses vegetable oil instead of conventional inks, and applies for certification marks, and build the direct cognition of report's users that our group focus the environmental issue and social responsibility in the information disclosure process.

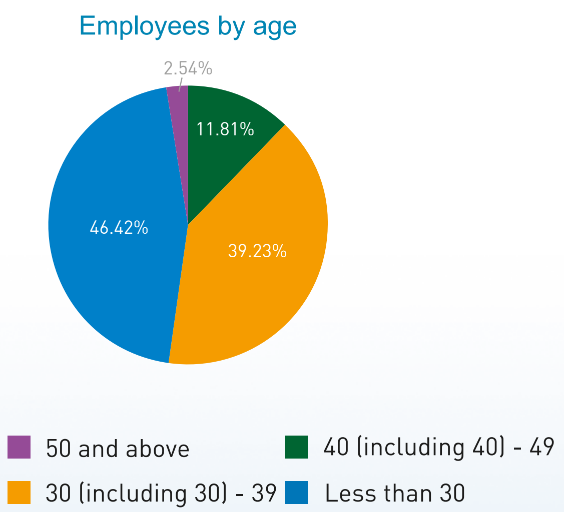
B. SOCIETY

B1. Employment

The Group has implemented regulations on employment of the nation and operation site strictly and consistently, complied with *Labor Law of the People's Republic of China* and relevant regulations, protected staff's working conditions, working environment, labor remuneration, working hours and holiday, labor safety and health, and other welfare and requirements and prevented such phenomenon as forced labor. Meanwhile, the Group has established a series of management systems on attendance and discipline management, salary incentive and post promotion, including, *China TravelSky Salary Management Methods*, *China TravelSky Attendance Management Regulations, Rules on the Administration of Labor Contracts of TravelSky Technology Limited,* and *Employee Handbook (Discipline Part) of TravelSky Technology Limited*, etc., to safeguard basic rights of employees, enhance group management level and establish an equal employment relationship.

By the end of the reporting period, the Group has 7,862 employees. Refer to the following for statistics of employee structure.





The Group will safeguard employee interests comprehensively, object to any form of discrimination and make sure that employees will not be discriminated for race, age, gender, etc. factors. The Company has established the labor union. During the reporting period, the 1st session and the 2nd session of the 3rd workers conference are convened. Specialized training courses for employee representatives are held too to improve performance ability of employee representatives. Collective negotiation of work research is completed to promote local union to sign collective contracts. In 2017, the labor contract signing rate of the Group reaches 100%.

The Group has established a smooth communication channel for employees, listened to employee suggestions actively, fed back to reasonable complaints of employees promptly and respected and safeguarded legal rights of employees. During the reporting period, employee representatives and employees are organized to visit the Park on a regular basis and to understand the project progress of the new office area – Houshayu Area. Besides, the Group listens to opinions and suggestions of employees and safeguards right to know of employees on company relocation and park construction.

B2. Health and Safety

The Group strictly abides by *Trade Union Law of the People's Republic of China*, *Law of the People's Republic of China on Labor Rights and Interests*, *Law of the People's Republic of China on the Protection of the Rights and Interests of Women* and relevant laws and regulations. The Group has safeguarded employee health and safety comprehensively and improved employee happiness from such aspects as safeguarding sound body and mind of employees, creating safe, healthy and comfortable office environment, sustained cohesion and caring for employees, organizing abundant employee activities, etc. No job-related death is reported during the reporting period.

Caring for body and mental health of employees

The Group pays close attention to providing safety guarantee for employees and implementing administrative security work. The executive of the group headquarters has deployed a security team to provide a safe working environment for employees. During the reporting period, the executive of the group headquarters has signed security liability statement with the executive of each organization and department so as to distribute administrative safety work to each person. The Group has safeguarded sound body and mind of employees from such perspectives as fire safety, distribution of labor protection appliances, organizing physical examination, canteen food safety, optimizing office environment and caring for mental health.

Fire safety	The Group has used *Job Responsibilities of Fire Control Room Staff*, *Practice Code of Fire Control Room* and other rules to enhance firefighting management of the Group. Firefighting knowledge of employees are popularized and enhanced, firefighting responsibilities are implemented comprehensively and fire drills are organized and conducted regularly to implement fire safety guarantee work continuously.
Distribution of labor protection appliances	The Group issues professional anti-haze masks to employees on a yearly basis, so as to reduce bodily injury to employees under haze weather.
Organizing physical examination	Organizing physical examination regularly, send personnel for all-process supervision of physical examination and ensure orderly and efficiently physical examination work so as to achieve prompt notification, repeated reminding and targeted follow-up. During the reporting period, except for personnel giving up actively, make sure that annual physical examination rate of employees can reach 100%
Canteen food safety	To safeguard environmental sanitation of employee canteens and improve dish quality, the Group conduct periodic inspection for sanitary conditions of kitchens, operation rooms and heat preservation and disinfection equipment. Meanwhile, the Group supervise relevant food delivery companies to clean and disinfect appliances and other equipment regularly so as to ensure favorable sanitary conditions of each related environment.
Optimizing office environment	The working area of the Company is arranged with green plants and air cleaners so as to provide favorable office environment to employees. Meanwhile, "caring mother" is established, maintained and managed. The Group has arranged with 16 cabins to serve women employees.
Caring for mental health	The Labor Union of the Group will conduct employee health seminars and health education activities regularly, provide psychological counseling services to employees and establish a psychological decompression chamber to improve mental health level of employees.

Case: Fire evacuation drill

During the reporting period, the Group conducted fire evacuation drills in Dongsi and Sanlitun office areas. Sense of self-protection of employees in case of emergencies is further enhanced through regular fire drills. Meanwhile, the degree of familiarity on emergency processes and degree of proficiency of basic firefighting knowledge of central control and security personnel is practiced. According to field statistics, except for necessary personnel on duty and outgoing office personnel, about 600 persons in two places participate in the fire drills.

Case: "Healthy Heart and New Journey" employee assistance program (EAP)

The Group has established and developed "Healthy Heart and New Journey" Employee Assistance Program (EAP) to provide professional psychological care and psychological counseling services to employees. The new service program, on the basis of existing counseling service mode, can provide site counseling service to 50 employees of 6 office areas in Beijing and that in Shanghai, Guangzhou, Shenzhen and Chongqing per quarter. Meanwhile, the Group can provide calling-out interview services for expatriate cadres and employees and has served expatriate cadres and employees for over 60 person times.

EAP has provided trainings related to classified mental health of each stage to employees. During the reporting period, 270 persons participated in the "workplace adaptation of new employees" special training for new employees. 46 employees participated in EAP ambassador intermediate training. Three phases of team leader management and training courses included psychological knowledge training and 141 team leaders participated in the training.

In 2017, the Group developed "EAP Sound Body and Mind Month" activity for the first time and conducted 5 sessions of theme trainings. Altogether 418 persons participated in the theme trainings. And 617 persons participated in 3 Wechat courses. As for the EAP employee assistance program, the number of people counseling reached 229, accumulative counseling time reached 287 hours and hotline service had provided for 402 times.

Enhancing employee care

The Group, people-oriented, promotes such preference services as "preferential promotion", "preferential health", "preferential care" and "preferential life". Meanwhile, care for employees. The Group will communicate and solve problems reflected by employees and relevant production and living complaints in time and establish "Employee Loving Mutual Fund", "TravelSky Employee Loving Mutual Fund" and other mutual projects for the needy employees units. During the reporting period, process the third phases Loving Mutual Fund raising and 55,770 has been raised.

- Develop "Improving Quality and Helping Growth" theme activity with main content as "narrating real stories, recording growth experience and recommending growth books", improve business skills, professional accomplishment, culture and art, life interest and other comprehensive quality of women employees comprehensively taking International Working Women's Day special activity as the turning point and safeguard special interests of women employees.

- Develop demand research for school enrollment, kindergarten enrollment and child holiday care of employee children in Shunyi Houshayu Park (Beijing) 2018-2019 in allusion to issues raised by employees.

- Establish "Three saluting and three visiting" (visiting employees with serious illness, family members of employees with serious illness and employees with deceased relatives and visiting employees suffering from illness, pregnant and postpartum women employees and employees with family members with serious illness). During the reporting period, salute 6 employees with serious illness, 4 family members of employees with serious illness and 20 employees with deceased relatives. Visit 112 employees suffering from illness, pregnant and postpartum women employees and employees with family members with serious illness.

Case: "Warm-winter and Cool-summer" Activity

The Group has developed "Sending Warmth and Coolness" Activity and established and improved files of needy employees so as to help them rapidly and effectively. In 2017, during the "Warm-winter and Cool-summer" activity, company's leaders visited over 20 organizations in Guizhou, Sansha and other remote districts and saluted over 1,000 persons. During the activity, the Group had appropriate 639,000 yuan special warmth fund, 29,500 yuan migrant employees subsidy, 235,000 yuan condolence money for needy workers and 395,000 yuan special heatstroke prevention fund.

Enrich recreational and sports activities of employees

To promote healthy and harmonious development of labor relations, motivate work enthusiasm of group members and promote internal cohesion, the Group has organized various types of rich and colorful recreational and sports activities for employees and provided demonstration space for employees. Meanwhile, to help employees develop activities, the Group has established the recreational activity association, which includes 13 single associations. In 2017, altogether 1,400 members participated in daily activities of the association.

- Holding phase IV "TravelSky employee lecture" etc. series of large lecture activities successfully, which comprises of TravelSky strategies, education of employee children, sound body and mind of employees and promotion of model deeds. Almost 1,400 person times participated in the activities.

- To make employees enhance reading ability, TravelSky Wechat official account, mailing system, each level of labor union and other channels are used to promote civil aviation e-book house for group employees.

- Holding the first "Healthy TravelSky and Colorful Blue Sky Dream" employee children painting and calligraphy competition. 143 persons participated in the competition.

- Organizing and developing the first "Healthy TravelSky and Colorful Blue Sky Dream" National TravelSky Employee Walking Competition.

- Holding "TravelSky Cup" National Badminton Competition. 1,560 person times of employees participated in the competition.

- Create "TravelSky Cup" football, basketball, table tennis, swimming, fishing and bridge competitions in Beijing. 1,580 person times of employees participated in the competition. Meanwhile, in 2017, fun competition of football, basketball and fishing were added in 2017. 841 person times of employees participated in the competition, which had increased level of participation of young and women employees.

- Holding employee sports convention in Houshayu office area. And 1,700 persons participated in it.

Fig. "TravelSky Cup" Football Match

Fig. "TravelSky Cup" Swimming Match

Fig. "TravelSky Cup" Basketball Match

Fig. Special Activities for Women Employees

Case: **Developing Post Skill Competition**

To increase enthusiasm and knowledge skill of employees, in 2017, the Group held the 11th China TravelSky Civil Aviation Passenger Reservation Ordering System Operation Skill Competition and the 1st China TravelSky Civil Aviation Departure System Front-end Maintenance Skill Competition. 587 personnel of the Group participated in the competition and 4 candidates had won "National Civil Aviation Technical Expert" honorary title.

B3. Development and Training

The Group puts emphasis on talent development and training. To help employee development and growth and improve their business and working ability, the Group has provided abundant learning resources and promotion channels for employees. Based on *Medium- and Long-term Plan for Talent Development (2012-2020)*, the Group pushes the construction of training system, prepares *Measures for the Management of Internal Trainers (Trial)*, *Interim Provisions on the Administration of Employee Education and Training* and other training-related regulations, and puts them into full implementation.

The Group has established an on-line learning platform according to actual situations of the industry and itself and provided e-training files and general curriculum systems for employees to facilitate their on-line learning. As for expanding talent growth channel, the Group has established one internal trainer system, encouraging employees becoming expert in one field while possessing all-round knowledge and ability and turning technical talents into inter-disciplinary talents through professional training and development paths on one hand and promoting a new learning upsurge among group employees.

Trainings conducted by the Group headquarters during the reporting period is summarized as follows:

Total employee training sessions	148
Total person-times of employee training	2,439
person-times of middle and senior management staff	165
person-times of general employees	2,274

Note: the above data covers the headquarters of TravelSky Technology Limited.

Case: "Sending trainings to primary level organizations" training

In 2017, the Group organized five times of "Sending trainings to primary level organizations" training activities respectively to solve various problems generated by insufficient training expenses and training resource shortage of primary level branches. The Group could transfer high-quality training resources to first-line branches through such training activities, solving training problems related to grass roots, enhance understanding and communication between headquarters and branches and enable smooth development of primary level trainings.

Case: Three phases of team leader training

The Group has established and organized team management basic class, actual simulation class and project management class etc. team leader trainings. 141 team leaders from 52 organizations of the Group participated in the training. Meanwhile, the Group organized the 9th team leader post management ability qualification certification remote training class enrollment for central enterprises. During this period, 315 team leaders from 32 organizations applied for the training. During the reporting period, 5 exemplary groups of the Group were awarded with "National Civil Aviation Exemplary Group" and awarded by the civil aviation labor union.

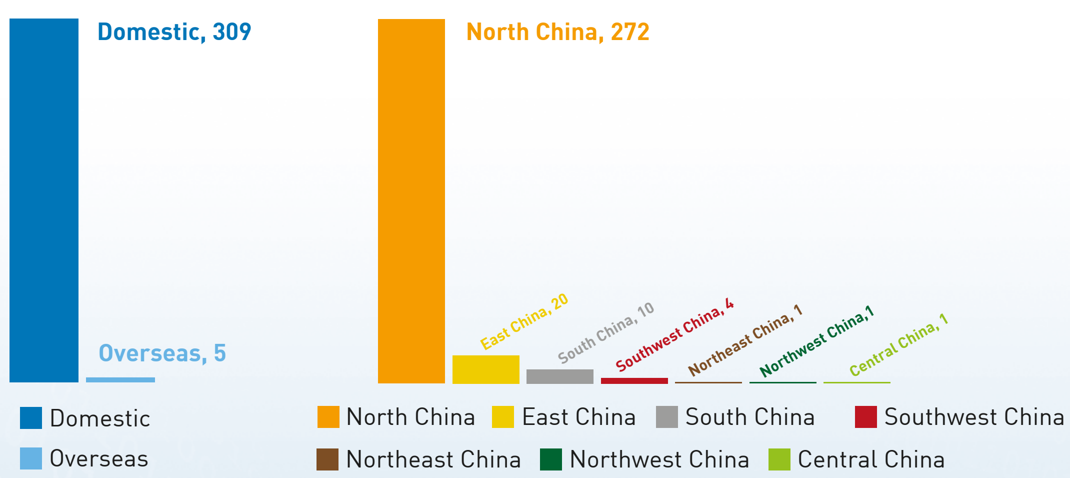
B4. Labor Standards

The Group strictly complies with *Labor Law of the People's Republic of China*, *Labor Law of the People's Republic of China*, *Rules Prohibiting the Use of Child Labor* and other related laws and regulations consistently. The Group has signed *Collective Contract*, *Special Collective Contract on the Protection of Women Workers' Rights and Interests*, *Special Collective Contract on Labor Safety and Health* with employees, in order to protect the staff's benefits and requirements including working conditions, working environment, labor remuneration, working hours and holiday, labor safety and health, and other welfare and requirements, and to put an end to the forced labor. Meanwhile, during the employment process, the Group has clear age requirement for employees and will review identify information of applicants during the employment process so as to prevent employ and use of child labor.

B5. Supply Chain Management

The Group will improve its supplier management system continuously. The Group has established *Supplier Management Measures* to enhance supplier management of the Group and to establish a long-term mechanism for procurement management. It has specified scope of responsibilities, management methods and other content related to supplier management. The supplier evaluation standard is determined preliminarily and checked through practices continuously. The Group upholds the principle of a fair, open, and just procurement, conducts a rather strict review and supervision of suppliers by adopting the procedure of introduction, cooperation, management and review, and builds a safe, reliable, stable and win-win supply-demand partnership. Currently, about 314 suppliers have been enlisted into the list of qualified suppliers of the Group. Besides, detailed evaluation, classification and elimination mechanism is provided. By the end of the reporting period, the distribution of suppliers per area is shown as follows:

Suppliers by area



The Group manages the suppliers by abiding by the "market admission system". In accordance with the principle of unified screening, centralized storage, and standardized use, the Group strictly implements supplier review standards and update the supplier level in time. The enterprise asset management system is also adopted to manage suppliers, according to which the supplier management responsibilities are divided into the purchasing department and other departments concerning the suppliers and the badly-behaving supplier management system is established as well.

The materials for projects in progress shall be purchased locally and preferentially from the directory of qualified suppliers selling these materials. The material requisition on quota is adopted to make it well documented and accountable.

B6. Product Responsibility

"Safety First" is an unshakeable foundation of China TravelSky and the fundamental guarantee for robust operation of the Group. The Group complies with the *Cybersecurity Law of the People's Republic of China*, the *Production Safety Law of the People's Republic of China*, and other laws and regulations consistently, improves product and service quality of the Group continuously and fulfills product responsibilities from such dimensions as establishing a safe management system, implementing and operation safety, optimizing strategic layout, adhering on innovation and development and improving user experience.

Improving quality management system

The Group is operated in a standardized way since it has passed the ISO9001 quality management system certification, ISO20000 information technology service management certification, and ISO27001 information security management system certification. Currently, the Company has realized "Full coverage" of each management system, further improved management system, increased company management level continuously and laying a solid management foundation for work safety by benchmarking with international advanced standards. Meanwhile, the Group has enhanced quality management over the full life cycle of the product. During the research and development stage, it has established "product research, development and management flow system" and formulated quality management and project management specifications on product demand, structure, development, testing and other stages and guaranteed product development quality. During the stage of putting into operation, the Company has established *Rules on Quality Management of Online Product* for compliance inspection during the product research and development process. Meanwhile, "On-line change management system" is established, strict examination and approval control is used to ensure smooth on-line work. During the operation and maintenance stage, the Company has formulated *Work Safety System of China TravelSky*, *Management Methods for Classification of China TravelSky Production System* and other management systems, clarified service guarantee level and requirements and ensured safe, efficient and stable operation of products and services through signing safety reasonability statement, safety indicator evaluation and other measures.

Ensuring safe operation

The Group has formulated *Operation Safety Management System of China TravelSky Management Information System*, *Management Measures for Security Classification of China TravelSky Management Information System*, and *Emergency Management System of China TravelSky Management Information System* and complied with them strictly. The Company has formed a safe closed-loop management mechanism by improving the safety system, the safety management organization, the safety responsibility system, the safety guarantee ability, and the daily management to create a safe operation environment.

During the reporting period, the Group has conducted in-depth investigation for failures and organized rectification of many typical failures from such three aspects as consciousness, management and skills. Secondly, the Group has enhanced emergency drills. During the reporting period, 219 drills were conducted, including 52 actual drills, which have ensured effective operation of the emergency management system. Meanwhile, the Group has increased inspection work continuously, improved emergency response capability, conducted surprise inspection for emergency disposal, traced and rectified problems discovered and improved system operation, maintenance and guarantee capability conscientiously.

The Group has implemented various work safety work carefully. During the reporting period, none of the three host systems and core opening platform systems has been shut down, availability of core network reaches 99.99% and each open system can operate stably. Besides, various key assurance tasks have been completed smoothly, no major information safety accident has occurred, innovation and key task development is organized and completed, TravelSky cloud and big data platform construction and other projects have reached staged objectives, CIDS machine room has been relocated smoothly, production scale of Houshayu and Jiaxing data center is expanding continuously and information safety projects are developing comprehensively.

Case: Completing key tasks comprehensively

In 2017, the key task period for safety reached 165 days, setting a new record again. The Group has completed Spring Festival travel rush, NPC &CPPCC, National Day, "Belt and Road Forum", "BRICS National Summit", "19th CPC National Congress" and other key assurance tasks satisfactorily through underlining and elaborate organization of company leaders and teamwork and hard working of all employees. During the key task period, the Group has used a safe commanding platform and video duty room and other new measures to realize unified commanding and real-time linkage between headquarters and national subsidiaries.

With positive cooperation of all employees, the Group has realized zero system shutdown, zero service complaint and zero network accident and completed assurance work satisfactorily.

Optimizing strategic layout

Business summary

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.

Optimizing strategic planning

The Group is deploying strategic planning positively and optimizing business layout continuously. The Group has completed *Outline of Development Strategy of TravelSky Technology Limited* (2016-2025) in February 2017. The strategy outline supplement has improved the mission vision of becoming main force, national team and world first-class enterprise, proposed the strategic path of large platform, big data and major service, and clarified strategic emphasis from such aspects as business development, ability improvement and key tasks.

When optimizing the strategic outline, the Group has firstly clarified the future strategic path of "creating large platform, gathering big data and developing major service". Secondly, it has clarified "4+1" business development pattern and business development positioning, i.e., such 4 major traditional businesses as developing businesses of airline companies through consolidation, developing distribution businesses through integration, developing airport businesses with great effort and developing settlement businesses innovatively and developing new businesses per classification. Thirdly, it has clarified that the promotion comprises of the promotion of such four abilities as "scientific research and development capability", "operation and maintenance support ability", "market competition" and "customer service ability". Fourthly, it has clarified four major tasks, i.e., the development of the new system will be expedited according to the principle of "independent, progressive and open"; international operation will be developed centering on major businesses; institutional mechanism will innovate continuously; and as for capital operation, the Company will develop along combined intensive and extended direction through establishing a capital operation platform.

Improving business pattern

The Group will improve business pattern continuously and expanding overseas passenger service system market actively. The Company will improve international operation strategy gradually through product research and development, technical innovation and market development.

- As for QUICK system, South Korea, Vietnam, Indonesia, Iran and other countries and regions in Asia-Pacific and Middle East with market demand and relatively mild competition will be considered preferentially.

- The development of overseas airports shall respond to such two dimensions as "The Belt and Road" and feasibility. New and reconstructed airport projects in Africa and along "The Belt and Road" will be considered as target market preferentially.

- In 2017, the Company signed a contract with Micronesia express transportation.

Case: Gradual promotion of China TravelSky distribution system in Australia

In June 2017, Australia agent All Link issued the first neutral ticket with TravelSky system with joint effort of Group headquarters and Travelsky Technology Australia Pty. Ltd ("**Australia Company**"), which symbolized that TravelSky distribution system had landed in Australia market officially.

In August 15, TravelSky travel solution "1etrip(行啊)" system went into production in China Travel Service (Holding) Hong Kong Limited Australia Company, signaling the first successful completion and commissioning of "1etrip" system overseas and becoming the first 1E front end system launched overseas. The Project, lasted for half a year, had solved over 30 functions and demand modifications of users with joint effort of TravelSky Australia Company and the Channel Business Department of Global Distribution System (GDS) of headquarters and realized successful completion and commissioning of the Project.

Moreover, "IntlStar" (星際) international ticket solution was preparing for completion and commissioning in China Travel Service (Holding) Hong Kong Limited Australia Company. China Travel Service (Holding) Hong Kong Limited Australia Company became one of the five largest ticket wholesalers in Australia, distributing about 15% tickets of Chinese commercial airlines in Australia.

Successful completion and commissioning of these projects had laid solid foundation for TravelSky system to assist with Chinese commercial airlines to expand overseas market, signaling that TravelSky system had helped Chinese airline companies made breakthrough progresses with respect to sales in Australia.

Adhering to innovative development

Innovation system and innovation practices

To implement technological innovation strategy outline of the Group comprehensively, the Group has prepared *Three-year Rolling Plan Outline on Scientific Research* (2017 – 2019) and *Strategy Outline on Scientific Research of the Company*. Meanwhile, it has formulated and issued *Interim Measures for Management of the Company Undertaking Scientific Projects Issued by Superior Organizations* and *Management Methods for Scientific Research Projects of the Company* to promote normalized management of scientific research projects.

The Group has optimized existing research and development system continuously, improved general planning and management over research and development system from Group level and developed various activities actively to promote integration and layout of the system. On the one hand, the Group organized field investigation activities in Shenyang, Jiaxing and other places and completed feasibility study on establishing northeast research and development center in Shenyang and establishing East China research and development center in Jiaxing. On the other hand, the Group, taking relevant provincial/ministerial scientific platform as an important carrier for improving technological innovation ability, has realized commercialization of research findings taking "gathering talents, receiving tasks and producing results" as strategies based on the platform. In 2017, "Key Laboratory for Civil Aviation Passenger Service Intelligent Technology Application" was finally affirmed by Civil Aviation Administration of China after careful preparation and communication of the Group, becoming an important carrier for implementing the innovation driving development strategy.

Case: Promoting "Easy add value" (增值易) 2.0 scheme

The Group has promoted function update according to product planning requirements and market demands and launched Easy add value 2.0 service solution. The scheme can be used by airline companies to realize autonomous control over seat selection products. Besides, completion and commissioning of new airline business and business change efficiency have increased substantially, decreasing from several days to several seconds. Meanwhile, additional service orders of excess baggage and prepaid baggage products have reconstructed and updated from the host Passenger Name Record (PNR) to the new-generation Passenger Service System BOOKING (PSS BKG) subsystem, breaking the development bottleneck of additional services, shortening transaction response time from 3,000ms to 200ms and improving performance by 15 times.

Case: QUICK PSS system

International Cooperation Department of the Group has launched QUICK PSS passenger retail system complying with standards of International Air Transport Association (IATA) for growth type small and middle airline companies with low cost. QUICK PSS comprises of such 4 core modules as Computer Reservation System (CRS) services, booking service, product service, and operation data analysis. Meanwhile, independent DEP departure module is provided, capable of supporting online and local departure businesses, completing seamless connection and providing various open application interfaces for airline companies to support any third party access so as to provide real-time operation and query. The new system has combined passenger service system and e-commerce retail comprehensively, which has initiated a new retail platform for airline companies.

Transformation of scientific research achievements

During the reporting period, the Group has improved platform development continuously and enriched product system through the technological innovation strategy. Many scientific research achievements have been put into operation in succession, realizing commercialization of scientific research achievements successfully.

- Carriers Direct Platform (CDP) had gone into operation in 7 airline companies in 2017, realizing brand new altering process based on Ticket Reissue and Refund (TRR), sales of international infants tickets, update and reconstruction of international IET sales. B2G websites of China Southern Airlines and Sichuan Airlines went into operation successfully.

- In terms of platform development, the Travel Retail Platform (TRP) has such functions as international reconstruction development, full link sales of additional services, direct access of domestic and internal insurance, full function support of mobile Tribe interface, etc. As for promotion among airline companies, at the same time of guaranteeing Hainan airlines and Sichuan Airlines, external completion and commissioning of Shenzhen Airlines and Hong Kong Airlines completion and commissioning of China United Airlines have been completed and the development of standard version has initiated taking Tibet Airlines as the target.

- V3.5 Airport Shared Connectivity and Integration (ASCII) system is issued and Guangzhou Terminal 2 has been deployed and tested successfully. Product system centering on ASCII has been awarded with Beijing New Airport Departure Project. Research and development of TravelSky e-access, data transfer, combined person and certificate business supporting by Airport Message Broker (AMB) has been completed and the businesses have been put into operation in 67 airports, covering 75% departure passengers in China. Research and development of Airport Operate Center (AOC) has been completed and AOC has been put into operation in Shenzhen and Changsha. Meanwhile, the Group supports the completion and commissioning in Jinan, Shenyang, Fuzhou, Dalian, Urumqi and other airports. The neutral counter solution has been completed in Air China and Hainan Airlines and is waiting for acceptance and approval by customers. Meanwhile, the Group also supports completion and commissioning in 6 airline companies and 10 airports signed.

Case: Completion and commissioning of new-generation flight management system in China Eastern Airlines and Shanghai Airlines

The new-generation flight management system researched and developed by the Group has transferred flight plan management, code sharing management, passenger protection, seating plan management, non-Original Destination (OD) flight decision and other core businesses of China Eastern Airlines and Shanghai Airlines to the new system. After completion and commissioning, the new system has provided strong support for flight management business of China Eastern Airlines, supporting integration of China Eastern Airlines comprehensively with respect to flight management and user self-help management of the code sharing flight plan for the first time.

The implementation of flight management system in China Eastern Airlines symbolized that TravelSky implementation methods aiming at large complicated solutions were becoming mature day by day, laying a solid foundation for delivery of large scale system with high complexity in the future.

Enhancing intellectual property right consciousness

The Group respects independent scientific research achievements and underscores intellectual property management. After issuing *Interim Measures for Patent Management* and *Patent Management Implementation Rules* in 2010, the Group has continuously and effectively organized the independent intellectual property rights declaration and protection work. In 2017, the subordinate research and development center, as the primary patent application organization, formulated *Management Methods for Patent of Research and Development Center*, further normalizing patent application process and achieving remarkable achievements with respect to patent application. Meanwhile, to prevent commercial information from being leaked, the Group was dedicated to enhancing confidentiality consciousness of group employees and providing effective confidentiality guarantee.

By the end of 2017, the total number of persons in the research and development team reached thousands of people. The Group has applied hundreds of patents, 39 patent authorizations, increasing by 20 ones compared with that in 2016.

Improving customer experience

The Group will fulfill the product liabilities consistently, improve the safety and service quality of the internal operation system, and provide considerate services for customers whenever and wherever possible.

Customer service system and monitoring management

The Group is dedicated to promoting customer service management information development and establishing highly efficient basic management platform for customer service work with great effort. During the reporting period, the Group has restructured the customer service core system, implementing new customer service work order system comprehensively. Compared with the traditional customer service work order system, stability issue of the new system has been solved fundamentally, providing a much more convenient and friendly service work disposal interface for each department.

User service demand and feedback

The Group controls service quality strictly, taking improving user service and satisfaction as an important guarantee for sustainable development of the Group. Besides, the Group is dedicated to meeting customer requirements from all dimensions and providing customers with the best service experience and highly efficient complaint disposal efficiency.

- 7 customer calling centers are established to provide 7*24h uninterrupted service to customers with branch service desks at different places.

- "Internet + customer service" strategic layout is formulated and service evaluation and supervision mechanism is established. Customer service site clusters, Wechat subscription account and mobile APP are established to increase customer contact, establishing a mobile internet channel and platform for customer communication.

- Develop customer satisfaction survey by cooperating with a third party investigation company and add online Wechat official account, mailing investigation and other anonymous investigation means to ensure authenticity and impartiality of survey results. Meanwhile, in allusion to key issues fed back by customers during the survey, supervise and rectify them in the customer service work order system and pay attention and follow up continuously in the next year's satisfaction survey.

- Visit national airline company customers, airport customers and agent customers according to *Management Requirements for Visiting China TravelSky Customers* and visiting records may be managed through electronic format and traditional mails. During the reporting period, the Group has visited airline company customers for over 400 times, airport customers for over 700 times and agent customers for over 3,000 times.

- Monitor the customer service month by month, and focus on the key problems

Case: Providing residence permit automatic reading function

Self-help check-in software developed by the Group can read new mainland travel permits for Taiwan residents, mainland travel permits for Hong Kong and Macao residents and foreigner's permanent residence cards automatically. Meanwhile, the self-help check-in software can be used to check authenticity of old foreigner's permanent residence cards and read new certificates automatically for airport customers, ensuring usage of foreigner's permanent residence cards in civil aviation. The Group has updated software for mainland travel permits for Taiwan residents and foreigner's permanent residence cards according to requirements of Civil Aviation Administration of China and supports mainland travel permits for Hong Kong and Macao residents update task at the same time.

Protecting customer privacy

The Group continues to pay attention to privacy protection of civil aviation customers, underlines trends of relevant rules and laws continuously and complies with these rules and laws consistently. After formal implementation of *Network Security Law of People's Republic of China*, *Interpretation of Supreme People's Court and Supreme People's Procuratorate on Relevant Issues concerning Laws Applicable to Violating Citizen Individual Information Criminal Case*, the Company has studied them and prepared *Specification on Personal Information and Privacy Data Protection Management of China TravelSky*, stipulating the Company's responsibilities, methods, procedures, etc. on personal information and privacy data protection from data acquisition, information release, data usage, etc.

B7. Anti-corruption

To normalize operation and management and to prevent bribery, extortion, fraud, money laundering and other illegal acts of the management and employees, the Group strictly complies with Company *Law of the People's Republic of China*, *Criminal Law*, *Law of Criminal Procedure*, *Anti-Money Laundering Act*, *Regulation on Punishing Public Servants of Administrative Organizations* and other laws and regulations. Meanwhile, to enhance legal support for operation activities, improve legal audit on daily operation activities and establish a "non-corruption" mechanisms, the Group has revised and reviewed relevant systems of each department, ensuring major project investment, procurement project and other major decisions of the Group are complying with laws and regulations.

The Group has strengthened supervision and constraint to build a sound anti-corruption and anti-commercial bribery mechanism. It has improved the supervision management system involving the key fields and aspects such as "Three Importance and One Greatness" system, personnel arrangement, and procurement. The Group has formulated right list and responsibility list for each department leader to divide boundaries of rights and clarify liability subject, so that departments with concentrated rights, major responsibilities and dense fund can clarify their rights and responsibilities. The Group has formulated *Interim Measures for Supervision and Management of Cadres of China TravelSky*, established a clean government management system and enhanced supervision and constraint for exercising and performance through information means. During the reporting period, the Company has checked and evaluated implementation of clean construction responsibility system of subordinate organizations and cadres. The Group has established a sound petition reporting process and unblocked reporting channels, and complied with confidentiality and security system when disposing complaint reporting and other issues. In terms of honesty education, the Group has used meetings, watching warning and education videos, expert teaching, special training and other forms to make employees understand the importance of anti-corruption. During the reporting period, no interpellations, cases and punishments under the laws and regulations of operating place related to anti-embezzlement, anti-racketeering, anti-fraud and anti-money laundry occurred.

Case: 2017 TravelSky clean construction meeting

The Group organized 2017 Clean Construction and Anti-corruption Working Conference in Beijing from February 16, 2017 to February 17, 2017 to further study and implement anti-corruption spirit. The meeting summarized and arranged the key works. In the meeting, the Group issued the clean construction responsibility statement, and organized participants to view special anti-corruption documentary *On the Way – Abide by Laws Firstly*. Group leaders, persons in charge of each subsidiary and persons in charge of department totaling over 240 persons participated in the meeting.

B8. Community Investment

The Group is deeply concerned with the people's livelihood, and always ready to contribute to the society. The Group, taking advantage of industrial characteristics and advantages, complied with the *Outline of China's Rural Poverty Alleviation and Development (2011-2020)* of the operation site, developed series of poverty reduction work taking into consideration of internal public charity plan of the Group and led employees to fulfill social responsibilities of the enterprise jointly.

To guide continuous development of fixed-point help work effectively, the Group has implemented guidance and work ideas in *TravelSky Work Plan for Targeted Assistance to Shenchi County (2015-2020)*. continuously during the reporting period. The Group has arranged key measures from such five perspectives as infrastructure help, brand promotion help, information and e-commerce help, education and culture help and pair help with poor families to create conveniences for development of Shenchi and common people to achieve prosperity.

As a High-Tech enterprise, the Group, taking advantage of industrial characteristics and advantages, adheres to the principle and policy of "scientific poverty reduction, information poverty reduction, complete poverty reduction and precise poverty reduction" as well as combined poverty reduction, wisdom nourishing and aspiration cultivation, works hard from such perspectives as intelligence help and promotes entrepreneurship quality and ability of people in Shenchi.

Case: Precise poverty alleviation work in Shenchi County

In 2017, according to deployment and guidance of poverty reduction work plans, the Group followed with China TravelSky Holding Company Limited, started from the most difficult and most urgent issues in poverty areas and implemented a series of help projects in succession taking into consideration of education and industry help.

Infrastructure help – solve drinking water problem of three villages

In 2017, the Group followed with China TravelSky Holding Company Limited, continue to promote the succession to implement auxiliary projects for drinking water in Qiancun, Houcun and Chenjiagou Villages in Longquan Town, covering 507 poor people. Currently, the project is under progress. By far, all poor villages in Shenchi County had access to safe drinking water.

Information and e-commerce help – developing procurement activities and helping the poor to achieve prosperity

In 2017, the Group followed with China TravelSky Holding Company Limited, conducted "Lvliang Mountain Products" poverty reduction activities with Shanxi Poverty Alleviation and Development Office, mobilizing cadres and employees to procure agricultural and special products in poverty areas in Shenchi and Shanxi, transferring public welfare advertisement on poor areas through Wechat and Microblog and caring for poverty reduction public welfare undertaking and assisting poverty reduction and prosperity with practical actions.

The Group followed with China TravelSky Holding Company Limited, helped over 1,400 recorded poor persons directly and over 2,000 recorded poor households and providing strong support and help for Shenchi County to complete annual poverty reduction tasks satisfactorily.

REPORT OF DIRECTORS

The Board of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for Year 2017.

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 2017 were principally derived from the operations of the Group in the PRC.

BUSINESS REVIEW

A review of the business of the Group during the year and discussions on its future business development are set out in the sections headed "Statement of the Board" and "Business Review". Analysis of the Group's financial and operational conditions using financial key performance indicators is set out in the sections headed "Management Discussion and Analysis of Financial Condition and Results of Operations" and "Supplementary Information from the Management". Compliance with relevant laws and regulations which have a significant impact on the Group is set out in the sections headed "Corporate Governance Report", "Environmental, Social and Governance Report" and this section.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2017 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2017, 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, 2017, 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)
JPMorgan Chase & Co.	93,081,102 H shares of RMB1 each (L) (Note 3):		9.98%	3.18%
	84,952,436 H shares (L)	Approved lending agent		
	4,408,666 H shares (L)	Beneficial owner		
	3,720,000 H shares (L)	Investment manager		
	1,390,990 H shares of RMB1 each (S) (Note 3)	Beneficial owner	0.14%	0.05%
	84,952,436 H shares of RMB1 each (P) (Note 3)	Approved lending agent	9.10%	2.90%
The Capital Group Companies, Inc.	84,862,456 H shares of RMB1 each (L) (Note 4)	Interest of corporation controlled by the substantial shareholder	9.10%	2.90%
Citigroup Inc.	59,259,053 H shares of RMB1 each (L) (Note 5):		6.35%	2.03%
	55,607,177 H shares (L)	Approved lending agent		
	3,651,876 H shares (L)	Interest of corporation controlled by the substantial shareholder		

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)
	1,298,262 H shares of RMB1 each (S) (Note 5)	Interest of corporation controlled by the substantial shareholder	0.14%	0.04%
	55,607,177 H shares of RMB1 each (P) (Note 5)	Approved lending agent	5.96%	1.90%
BlackRock, Inc.	55,655,683 H shares of RMB1 each (L) (Note 6)	Interest of corporation controlled by the substantial shareholder	5.97%	1.90%
	25,000 H shares of RMB1 each (S) (Note 6)	Interest of corporation controlled by the substantial shareholder	0.00%	0.00%
Norges Bank	53,809,500 H shares of RMB1 each (L)	Beneficial owner	5.77%	1.84%
China TravelSky Holding Company Limited (Note 11)	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Southern Air Holding Company Limited (Note 11)	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%

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)
China Eastern Air Holding Company Limited (Note 11)	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 Limited (Note 11)	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) The percentage is calculated by the amount of shares held by relevant person/the amount of relevant types of shares issued as at December 31, 2017. 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, 2017; 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, 2017.

3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on October 18, 2017, JPMorgan Chase & Co. was deemed to be interested in 93,081,102 H shares (L) and 1,390,990 H shares (S) and 84,952,436 H shares (P). These shares were held by J.P. Morgan Securities LLC, JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., JPMorgan Asset Management (UK) Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, J.P. Morgan Capital Financing Limited, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holdings Inc, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Chase (UK) Holdings Limited, JPMorgan Asset Management Holdings (UK) Limited, J. P. Morgan Overseas Capital LLC, JPMorgan Asset Management International Limited, JPMorgan Chase Bank, N.A., J.P. Morgan International Finance Limited, 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.

4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Capital Group Companies, Inc. on October 28, 2017, The Capital Group Companies, Inc. was deemed to be interested in 84,862,456 H shares (L). These shares were held by Capital Research and Management Company, which was directly controlled by The Capital Group Companies, Inc. The Capital Group Companies, Inc. was deemed to be interested in the shares held by such company by virtue of the SFO.

5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on October 13, 2017, Citigroup Inc. was deemed to be interested in 59,259,053 H shares (L) and 1,298,262 H shares (S) and 55,607,177 H shares (P). These shares were held by Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Inc., Citigroup Global Markets (International) Finance AG, Citigroup Global Markets Europe Limited, Citigroup Global Markets Limited, Citicorp Banking Corporation, Citibank (Switzerland) AG, Citibank, N.A., Citicorp Trust Delaware, National Association, 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.

6) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by BlackRock, Inc. on January 4, 2018, BlackRock, Inc. was deemed to be interested in 55,655,683 H shares (L) and 25,000 H shares (S). These shares were held by Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Cayco Limited, BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock (Netherlands) B. V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Luxembourg Holdco S.à r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock (Singapore) Limited, BlackRock UK Holdco Limited, BlackRock Asset Management (Schweiz) AG, BlackRock Investment Management (Taiwan) Limited, which were directly or indirectly controlled by BlackRock, Inc. BlackRock, 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 Limited. China Southern Air Holding Company Limited 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 Limited. China Eastern Air Holding Company Limited 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 Limited. China Eastern Air Holding Company Limited 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 Limited. China National Aviation Holding Company Limited was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.

11) The Company received notices given by certain shareholders below in relation to change of name in January 2018, among which, the names of China TravelSky Holding Company, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company were changed to China TravelSky Holding Company Limited, China Southern Air Holding Company Limited, China Eastern Air Holding Company Limited and China National Aviation Holding Company Limited, respectively.

12) Information disclosed above is based on the reasonable inquiries made by the Company and the data published on the website of Hong Kong Exchanges and Clearing Limited ("**HKEx**") (www.hkexnews.hk). 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 HKEX (www.hkexnews.hk).

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2017, 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, 2017, 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, 2017.

As at December 31, 2017, each of China TravelSky Holding Company Limited, China Southern Air Holding Company Limited, China Eastern Air Holding Company Limited and China National Aviation Holding Company Limited 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, 2017,

(a) Mr. Cui Zhixiong (an executive director) was chairman and general manager of China TravelSky Holding Company Limited;

(b) Mr. Xiao Yinhong (an executive director) was a director of China TravelSky Holding Company Limited;

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

(d) Mr. Li Yangmin (a non-executive director) was an employee of China Eastern Air Holding Company Limited; and

(e) Mr. Yuan Xin'an (a non-executive director) was an employee of China Southern Air Holding Company Limited.

Save as disclosed above, as at December 31, 2017, 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.

CHANGE OF DIRECTORS

Details in relation to the change of directors during the year are set out in the section headed "Corporate Governance Report".

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All members of the sixth session of the Board and the sixth session of the Supervisory Committee of the Company have entered into service contracts with the Company. The term for the sixth session of the Board and the Supervisory Committee is from October 18, 2016 to October 17, 2019. 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, 2017, 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 terminable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND SUPERVISORS OR THEIR CONNECTED ENTITIES IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Certain members of the sixth 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 above, none of the directors or supervisors or their connected entities were materially interested, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party during, or at the end of Year 2017.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

PERMITTED INDEMNITY PROVISION

As of December 31, 2017, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

INTEREST CAPITALISED

No interest was capitalised for the Group in Year 2017.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2017 are summarised in Note 14 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2017 are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board proposed the payment of a final cash dividend amounting to RMB0.253 per share (tax inclusive) for Year 2017. For details, please refer to the section headed "Proposed Distribution of a Final Cash Dividend for 2017" in "Management Discussion and Analysis of Financial Condition and Results of Operations".

SHARE APPRECIATION RIGHTS

For the share appreciation rights scheme provided by the Company and details of share appreciation rights as at December 31, 2017, please refer to Note 39 to the consolidated financial statements.

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 consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

SITA was the largest supplier of the Group for Year 2017 and the total fees paid by the Group to the company in Year 2017 accounted for 1.2% of the Group's total operating expenses (after deducting depreciation and amortisation expenses). During Year 2017, the total amount paid to the five largest suppliers of the Group accounted for 4.86% 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 12.4% of the Group's revenues from its sales of goods or rendering of services for Year 2017. During the same period, total sales to the Group's five largest customers accounted for 44.5% of the Group's revenues from its sales of goods or rendering of services. 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 Limited (a substantial shareholder of the Company), China Eastern Air Holding Company Limited (a substantial shareholder of the Company) and China National Aviation Holding Company Limited, held an aggregate of approximately 36.2% of the number of the issued shares of the Company as at December 31, 2017. Since listing, the Company has been providing continuous services to the above major customers, which are commercial airlines in China. The revenue derived from the above major customers is set out in Note 43 to the consolidated financial statements.

Save as disclosed in this report and in Note 43 to the consolidated 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 number of the issued shares of the Company) 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, 2017 are set out in Note 1 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The Company has formulated connected transaction management measures, including the arrangements in relation to the identification, management, control, approval and disclosures of connected transactions, as well as the relevant internal control measures.

Continuing Connected Transactions

During the Year 2017, 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.

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 following prescribed prices of Civil Aviation Administration of China ("**CAAC**") determined through amicable negotiation between both parties, subject to 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 planning 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, and determined after taking into account factors including but not limited to the following: (i) the cost of provision of those products or services; (ii) the volume handled and complexity involved in handling those products or services; (iii) customer value of those products or services; (iv) pricing of similar competitive products or services; and (v) the exclusive value of those products or services. The pricing of PID connection and maintenance services is determined with reference to the 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 October 17, 2014, October 20, 2016, November 10, 2016, December 5, 2016, August 25, 2017 and November 8, 2017 and circulars of the Company dated November 7, 2014, November 25, 2016 and December 13, 2017.

Waiver regarding written agreements:
As stated in the circular of the Company dated November 7, 2014, November 25, 2016 and December 13, 2017, 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, 2017 were as follows:

Airlines (connected persons)	**Term of Waiver**	**Latest Signing of Agreements**	**Year 2017 Annual Caps** (RMB'000)	**Year 2017 Transaction Amounts** (RMB'000)
Southern Airlines[1]	Three years from 2017 to 2019	Agreement for a term of one year for 2017 was entered into on November 15, 2017.	660,519	625,920
Sichuan Airlines	No waiver	Agreement for a term of three years for 2017–2019 was entered into on October 20, 2016, and the annual caps for 2017-2019 were revised on August 25, 2017.	255,000	201,915
Eastern Airlines[2]	Three years from 2015 to 2017 and three years from 2018 to 2020	The signing procedure for the service agreement for a term of two years from 2017 to 2018 is under processing.	818,707	749,254

Notes:

(1) Southern Airlines includes its subsidiaries, such as Xiamen Airlines Company Limited, Chongqing Airlines Company Limited, Hebei Airlines Company Limited and Jiangxi Airlines Company Limited.

(2) Eastern Airlines includes its subsidiaries, such as Shanghai Airlines Company Limited and China United Airlines Company Limited.

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

As China TravelSky Holding Company Limited is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. As stated in the announcements of the Company dated October 15, 2015 and December 16, 2015, the Company leases two properties from China TravelSky Holding Company Limited:

(i) The Company leases the properties in Dongsi, Beijing from China TravelSky Holding Company Limited as data centers for daily operation. The Company re-entered into the Beijing Tenancy agreement with China TravelSky Holding Company Limited for the lease of the Dongsi properties, for a term of three years starting from January 1, 2016. The amount of the rental payable to China TravelSky Holding Company Limited by the Company is RMB5.0 per square metre per day to be paid quarterly. The annual cap for each of the years during the term of the agreement was RMB37,300,000.

(ii) The Company also entered into the Shanghai Tenancy agreement with China TravelSky Holding Company Limited, for a term of three years starting from January 1, 2016. The amount of the rental payable to China TravelSky Holding Company Limited by the Company is RMB3.90 per square metre per day to be paid quarterly for the Shanghai properties. The annual cap for each of the years during the term of the agreement was RMB13,200,000.

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

For Year 2017, the total rental paid by the Company to China TravelSky Holding Company Limited for the lease of the Dongsi properties in Beijing stated in (i) above amounted to approximately RMB37,013,901.75, and the total rental paid by the Company to China TravelSky Holding Company Limited for the Shanghai properties stated in (ii) amounted to approximately RMB13,123,004.53.

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

As set out in the announcements of the Company dated August 27, 2015, June 28, 2016 and October 18, 2016, 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, 2016 and ending December 31, 2018.

As set out in the announcement of the Company dated June 27, 2017, the Company raised the 2017-2018 annual caps for transactions between the Company and 10 Connected Cares, meanwhile, established (i) the aggregate annual caps for transactions contemplated under the Services Framework Agreement with Hainan Cares, Shenzhen Cares, Xiamen Cares, Xinjiang Cares and Dongbei Cares; and (ii) the aggregate annual caps for transactions contemplated under the Services Framework Agreement with Xi'an Cares, Hubei Cares, Yunnan Cares, Qingdao Cares and Huadong Cares.

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 of the Company, being connected persons as defined under Rule14A.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 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, 2017 were as follows:

Connected Cares	**Year 2017 Annual Caps** (RMB'000)	**Year 2017 Transaction Amounts** (RMB'000)
The aggregate annual caps for transactions contemplated under the Services Framework Agreement with Hainan Cares, Shenzhen Cares, Xiamen Cares, Xinjiang Cares and Dongbei Cares;	311,000	156,718
The aggregate annual caps for transactions contemplated under the Services Framework Agreement with Xi'an Cares, Hubei Cares, Yunnan Cares, Qingdao Cares and Huadong Cares.	160,000	95,137

(d) Services Provided by ACCA to the Airlines (as Specified in Item (a) of 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. For details of such continuing connected transactions, please refer to the announcements of the Company dated December 30, 2014, November 27, 2015, June 30, 2016, November 16, 2016, December 28, 2016, June 27, 2017, August 25, 2017, December 29, 2017, December 13, 2017, December 28, 2017 and January 31, 2018.

(i) The services provided by ACCA to the Airlines include (if applicable):

(1) the provision of application systems in relation to passenger transport, which include, among others, (i) domestic/international passengers transport revenue accounting management system, (ii) passenger transport business analysis system, (iii) passenger transport promotion and incentive accounting management system; as well as relevant support and maintenance services for the abovementioned system products, which include the systematic infrastructure services required for the operation of application systems, the implementation of application system products, the application support and maintenance for daily operation as well as the customized program development;

(2) the provision of revenue accounting services, which include, among others, the passenger revenue accounting services (i.e., the passenger billing services, the passenger interline audit services and the passenger sales audit services), and the service fee or other miscellaneous settlement services;

(3) the provision of clearing services through domestic and/or international platforms; and

(4) the provision of application systems in relation to cargo transport, which include, among others, (i) domestic/international cargo transport revenue accounting management system, (ii) cargo transport business analysis system, as well as relevant support and maintenance services for the abovementioned system products, which include the systematic infrastructure services required for the operation of application systems, the implementation of application system products, the application support and maintenance for daily operation as well as the customized program development.

The service fees shall generally be calculated on a monthly basis and shall be settled in cash. Such service fees shall generally be paid on a monthly basis. The pricings of the relevant services are as follows if applicable:

(1) the pricing of the provision of application systems in relation to passenger transport as well as relevant support and maintenance services is as follows: (i) the pricing of the abovementioned provision of domestic/international passengers transport revenue accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). The rate of unit price for such services is not more than RMB0.4 for domestic passengers and not more than RMB1.65 for international passengers. (ii) the pricing of the abovementioned provision of passenger transport business analysis system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but are determined through arm's length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB3,200,000 or RMB3,400,000 (depending on specific airline companies) for the usage and technology support of business analysis system products; a one-off system implementation fee of RMB100,000 or a system implementation fee of RMB2,500 per person per day (depending on specific airline companies); and a customized development fee of RMB2,000 or RMB2,500 per person per day (depending on specific airline companies). (iii) the pricing of the abovementioned passenger transport promotion and incentive accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB1,200,000 for the technology support of the system products; a one-off system implementation fee of not more than RMB100,000 or a system implementation fee of RMB2,500 per person per day (depending on specific airline companies); and a customized development fee of RMB2,000 or RMB2,500 per person per day (depending on specific airline companies); or a system service fee of RMB60,000 per month (for domestic business) or RMB40,000 per month (for international business);

(2) the pricing of the abovementioned revenue accounting services is generally determined with reference to the guidance prices prescribed by CAAC, and are generally calculated based on certain percentage rates, ranging from 0.3% to 0.9% of the total amount involved in the revenue accounting services, depending on each individual type of revenue accounting services with the exception that the passenger sales audit services fee is calculated based on the volume of tickets at a rate of not more than RMB0.8 per ticket plus an adjusted fee charged at a rate of 6% of the adjusted amount, or a rate of not more than RMB0.7 per ticket plus an adjusted fee charged at a rate of 8% of the adjusted amount (depending on specific airline companies);

(3) the pricing of the abovementioned clearing services is generally determined with reference to the guidance prices prescribed by CAAC. For the clearing services provided through domestic platforms, the services fees mainly consist of: (i) a fixed monthly fee of RMB5,000 on the assumption that the transaction amount is not more than RMB1 million; and (ii) if the transaction amount is more than RMB1 million, then the exceeding part will be charged at a rate of 0.06%. For the clearing services provided through international platforms, the services fees mainly consist of (i) a fixed annual fee of USD8,000 on the assumption that the transaction amount is not more than USD1 million; (ii) if the transaction amount is more than USD1 million, then the exceeding part will be charged at a rate not more than 0.09%; and (iii) if the transaction amount is more than USD10 million, then the exceeding part will be charged at a rate of 0.06%; and

(4) the pricing of the provision of application systems in relation to cargo transport as well as relevant support and maintenance services is as follows: (i) the pricing of the abovementioned provision of domestic/international cargo transport revenue accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). The rate of unit price for such services is not more than RMB1.8 for domestic cargoes and not more than RMB5.2 for international cargoes. (ii) the pricing of the abovementioned provision of cargo transport business analysis system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but are determined through arm's length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB3,400,000 for the usage and technology support of business analysis system products; a one-off system implementation fee of RMB100,000 or a system implementation fee of RMB2,500 per person per day (depending on specific airline companies); and a customized development fee of RMB2,000 or RMB2,500 per person per day (depending on specific airline companies).

In Year 2017, 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)	**Latest signing of agreements**	**Year 2017 Annual Caps** (RMB'000)	**Year 2017 Transaction Amounts** (RMB'000)
Southern Airlines	Agreement for a term of two years for 2017-2018 was entered into on December 28, 2016, and the annual caps for 2017 and 2018 were revised on June 27, 2017.	111,000	87,854
Sichuan Airlines	Agreement for a term of three years for 2015-2017 was entered into on December 30, 2014, and the annual cap for 2017 was revised on August 25, 2017. Agreement for a term of three years was entered into for 2018-2020 on December 29, 2017.	15,000	13,384
Eastern Airlines	Agreement for a term of two years for 2016-2017 was entered into on November 27, 2015. Both parties confirmed in writing to renew for one year to December 31, 2018 on December 13, 2017.	93,150	81,909
China Cargo	Agreement for a term of two years for 2016-2017 was entered into on November 27, 2015. Both parties confirmed in writing to renew for six months to June 30, 2018 on December 28, 2017, and agreement for a term from February 1, 2018 to December 31, 2019 was entered into on January 31, 2018 to replace the aforesaid renewal.	15,440	12,262

(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 IATA on the basis of a "Standard Charging Unit" per processing transaction, and ACCA could obtain from the BSP DP system the corresponding service fees paid to IATA by certain connected persons of the Company (certain airline companies) for the services obtained under this agreement, i.e. the transaction amount of continuing connected transactions under this 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 2017 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) and certain associates of them was RMB34,409,000. In 2017, the transaction amount of such continuing connected transaction was approximately RMB32,535 thousand.

Since 2018, such transaction will not constitute a connected transaction of the Company due to the changes of business mode.

(iii) Domestic Mail Revenue Accounting and Settlement

As stated in the announcement of the Company dated June 30 and November 16, 2016, ACCA entered into the Domestic Mail Revenue Accounting and Settlement Agreement for a term commencing January 1, 2017 and ending December 31, 2019 with Xiamen Airlines Company Limited ("**Xiamen Airlines**") and China Cargo Airlines Co., Ltd. ("**China Cargo**"), respectively.

Xiamen Airlines is a subsidiary of Southern Airlines and China Cargo is a subsidiary of China Eastern Air Holding Company Limited ("**Eastern Holding**"), i.e. Xiamen Airlines and China Cargo are both the associates of a substantial shareholder of the Company. Xiamen Airlines and China Cargo are therefore connected persons of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Services: Stock control, sales control, sales audit, uplift revenue proration, accounting processing, sales and uplift matching, clearing and settlement services.

Service fee: The system service fee is charged on a monthly basis. The service fee is based on the rate as set out in the agreement in which ACCA receives payment of 1.5% handling charges from the China Cargo, and such fee is charged by reference to the relevant documents issued by the industry regulatory authorities.

In Year 2017, 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)	**Latest signing of agreements**	**Year 2017 Annual Caps** (RMB'000)	**Year 2017 Transaction Amounts** (RMB'000)
Xiamen Airlines	Agreement for a term of three years for 2017-2019 was entered into on June 30, 2016.	6,600	5,663
China Cargo	Agreement for a term of three years for 2017-2019 was entered into on November 16, 2016.	11,000	8,602

(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 Shanghai Eastern Air Logistics Co., Ltd. ("**Eastern Logistics**") and China Cargo, respectively. As stated in the announcement dated June 28, 2016,the Company confirmed that the Technology Services Provision Agreement would extend for another year by 2017, with each of Eastern Logistics and China Cargo, respectively. As stated in the announcement of the Company dated August 25, 2017, the Company revised and set aggregated annual cap of 2017 of Eastern Logistics and China Cargo under Technology Services Provision Agreement, and confirmed that the Technology Services Provision Agreement would extend for another year by 2018, with each of Eastern Logistics and China Cargo.

Eastern Logistics is a subsidiary of Eastern Holding, and China Cargo is a subsidiary of Eastern Logistics. Therefore, they both are 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 2017, the transaction amounts and annual caps of the above continuing connected transactions between the Company and the connected persons below were as follows:

Airlines (connected persons)	**Latest signing of agreement**	**Year 2017 Annual Caps** (RMB'000)	**Year 2017 Transaction Amounts** (RMB'000)
Eastern Logistics and China Cargo	Agreement for a term of three years for 2014-2016 was entered into on December 19, 2013, both parties confirmed to renew for one year to December 31, 2017 on June 28, 2016. Annual cap of 2017 was revised on August 25, 2017.	16,000	14,771

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 successful bidding price of the general contracting projects. 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 2017:

Connected Cares	Date of Agreement	Date of Announcement	Content of contracts	Contract Sum (RMB)
Qingdao Cares	May 8, 2017	May 8, 2017	The Company will subcontract to Qingdao Cares the construction of the flight information display and broadcast integrated VIP system for the Maotai Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and the system implementation as well as the two-year quality warranty for the flight information display and broadcast integrated VIP system.	1,300,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Qingdao Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	June 29, 2017	June 29, 2017	Qingdao Cares will subcontract to the Company the construction of the departure system for the Jiansanjiang Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the two-year quality warranty for the departure system.	16,723,035.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Qingdao Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement	Date of Announcement	Content of contracts	Contract Sum (RMB)
Huadong Cares	March 27, 2017	March 27, 2017	The Company has agreed to subcontract to Huadong Cares the construction of the domestic departure software upgrading project for the Shanghai Pudong Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the system implementation and the one-year quality warranty for the domestic departure software upgrading project.	2,300,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual cost of the provision of installation, testing and implementation services under the Huadong Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	May 12, 2017	May 12, 2017	The Company has agreed to subcontract to Huadong Cares the construction of the departure system and security inspection information system for the Jinggangshan Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the departure system and the security inspection information system.	5,821,200.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	August 10, 2017	August 10, 2017	The Company has agreed to subcontract to Huadong Cares the construction of the departure system and security inspection information system for the Yancheng Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the departure system and the security inspection information system.	16,125,400.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Yancheng Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement	Date of Announcement	Content of contracts	Contract Sum (RMB)
			The Company has agreed to subcontract to Huadong Cares the construction of the departure system and security inspection information system for the Xuzhou Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the departure system and the security inspection information system.	16,215,900.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Xuzhou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	September 29, 2017	September 29, 2017	The Company has agreed to subcontract to Huadong Cares the construction of the self-service luggage check-in system for the Hongqiao Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the self-service luggage check-in system.	3,524,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	October 19, 2017	January 19, 2018	The Company will subcontract to Huadong Cares the construction of the passenger self-service system for the Yantai Airport Project, which includes but not limited to, the procurement, installation and testing of the required hardware and the overall system implementation and the one-year quality warranty for the passenger self-service system.	712,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware, and the provision of services under the Huadong Cares Yantai Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement	Date of Announcement	Content of contracts	Contract Sum (RMB)
	November 2, 2017	January 19, 2018	The Company will subcontract to Huadong Cares the construction of the security inspection information management system and the departure system for the Jinan Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the security inspection information management system and the departure system.	3,654,400.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Jinan Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Xiamen Cares	July 13, 2017	July 13, 2017	The Company has agreed to subcontract to Xiamen Cares the construction of the project equipment and the security inspection information system for the Shaoyang Airport Project, 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 project equipment and the security inspection information system.	3,754,200.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Shaoyang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
			The Company has agreed to subcontract to Xiamen Cares the construction of the project equipment and the security inspection information system for the Guangxi Airport Group Project, 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 project equipment and the security inspection information system.	9,715,865.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Guangxi Airport Group Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement	Date of Announcement	Content of contracts	Contract Sum (RMB)
	September 7, 2017	December 15, 2017	The Company has agreed to subcontract to Xiamen Cares the construction of the security inspection information system for the Harbin Taiping International Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the security inspection information system.	2,365,600.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Harbin Taiping international Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	November 7, 2017	December 15, 2017	The Company has agreed to subcontract to Xiamen Cares the construction of the security inspection information system for the Wenzhou Yongqiang Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the three-year quality warranty for the security inspection information system.	3,334,900.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Wenzhou Yongqiang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	December 15, 2017	December 15, 2017	The Company has agreed to subcontract to Xiamen Cares the construction of the departure system and the security inspection information system for the Fuzhou Airport Project, 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 the security inspection information system.	6,002,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Fuzhou Airport Project Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement	Date of Announcement	Content of contracts	Contract Sum (RMB)
	December 15, 2017	February 12, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Boao Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and the overall system implementation and the one-year quality warranty for the security inspection information system.	210,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Xiamen Cares Boao Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	December 20, 2017	February 12, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection system for the Sansha Airport Project, 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 security inspection system.	900,400.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Sansha Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Xi'an Cares	January 24, 2017	January 24, 2017	The Company has agreed to subcontract to Xi'an Cares the construction of the weak current system for the Geermu Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation and the five-year quality warranty for the weak current system.	15,262,922.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xi'an Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	August 10, 2017	August 10, 2017	The Company has agreed to subcontract to Xi'an Cares the construction of the departure system for the Yinchuan Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the three-year quality warranty for the departure system.	2,093,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xi'an Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement	Date of Announcement	Content of contracts	Contract Sum (RMB)
Dongbei Cares	June 29, 2017	June 29, 2017	The Company has agreed to subcontract to Dongbei Cares the construction of the departure system for the Jiansanjiang Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the two-year quality warranty for the departure system.	5,997,350.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Dongbei Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Xinjiang Cares	May 11, 2017	May 11, 2017	The Company has agreed to subcontract to Xinjiang Cares the construction of the departure system and security inspection information system for the Korla Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation as well as the five-year quality warranty for the departure system and security inspection information system.	5,405,075.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Korla Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
			The Company has agreed to subcontract to Xinjiang Cares the procurement of the required hardware equipment for the departure system for the Urumqi Airport Project, which includes but not limited to, the provision, installation and testing of the required hardware equipment and the three-year quality warranty.	2,639,400.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware under the Xinjiang Cares Urumqi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement	Date of Announcement	Content of contracts	Contract Sum (RMB)
	August 10, 2017	August 10, 2017	The Company has agreed to subcontract to Xinjiang Cares the construction of the departure system and security inspection information system for the Shache Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the system implementation and the five-year quality warranty for the departure system and security inspection information system.	5,041,140.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	October 25, 2017	February 2, 2018	The Company will subcontract to Xinjiang Cares the construction of the departure system for the Hetian Airport Project, which includes but not limited to the procurement, installation and testing of the required software and hardware and the overall system implementation and the five-year quality warranty for the departure system.	3,743,100.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Hetian Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Note: In the aforesaid connected transactions of the Company, agreements of certain connected transactions are signed by the Company and connected persons during the reporting period, but were disclosed in announcements after the reporting period pursuant to relevant requirements of aggregation of the Listing Rules.

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 43(2) to the consolidated 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

Details of the deposits of the Group are set out in the section headed "Trust Deposits and Irrecoverable Overdue Time Deposits" in "Management Discussion and Analysis of Financial Condition and Results of Operations".

TAX RELIEF AND EXEMPTION

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management 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 and risk management, internal control and financial reporting, including the review of the audited consolidated financial statements of the Group for the Year 2017.

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 2017.

DONATION

In 2017, the Company donated RMB193 thousand.

AUDITORS

Pursuant to the resolutions passed at the annual general meeting held on June 27, 2017, Baker Tilly Hong Kong and Baker Tilly China were engaged as the Company's international and PRC auditors respectively for Year 2017. They were also the Company's international and PRC auditors respectively for Year 2011, Year 2012, Year 2013, Year 2014, Year 2015 and Year 2016.

By order of the Board
Cui Zhixiong
Chairman

March 24, 2018

REPORT OF SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2017, 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 supervisors is more than one-third of the number of members of the Supervisory Committee and there is one independent supervisor: (i) Ms. Zeng Yiwei and Mr. He Haiyan acted as the supervisors of the sixth session of the Supervisory Committee of the Company; (ii) Mr. Rao Geping acted as an independent supervisor of the sixth session of the Supervisory Committee of the Company; (iii) Mr. Huang Yuanchang and Mr. Xiao Wei acted as staff supervisors of the sixth session of the Supervisory Committee of the Company. Mr. Huang Yuanchang acted as the chairman of the Supervisory Committee upon the election of the sixth session of the Supervisory Committee.

Mr. Huang Yuanchang and Mr. Xiao Wei were re-elected as the staff supervisors in the staff representative meeting of the Company held on January 17, 2017. 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.

The sixth session of Supervisory Committee of the Company convened 2 meetings in Year 2017. The Supervisory Committee reviewed the Company's annual consolidated financial statements for Year 2016 and interim financial statements for Year 2017, also attended the Board meetings of the Company, 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 work of the Supervisory Committee, please also refer to the section headed "Supervisory Committee" in the "Corporate Governance Report".

On March 24, 2018, the sixth session of Supervisory Committee of the Company reviewed the Company's consolidated financial statements for Year 2017, and considered that the consolidated 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 sixth 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 2017.

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 2017, 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, 2017 reflected the actual operational circumstances of the Company. The Supervisory Committee has great confidence in the future prospects and development of the Company.

By Order of the Supervisory Committee
Huang Yuanchang
Chairman of the Supervisory Committee

March 24, 2018

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG | 天職香港

To the shareholders of TravelSky Technology Limited
(A Joint Stock Limited Company incorporated in the People's Republic of China with limited liability)

OPINION

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 100 to 185, which comprise the consolidated statement of financial position as at December 31, 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by International Auditing and Assurance Standard Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill	
Refer to Note 18 to the consolidated financial statements and the accounting policies 3(b) and 3(j).	
As required by IAS 36, the Group is required to test its goodwill for impairment annually, or more frequently where there is an indication that carrying value of the cash-generated unit may be impaired. The impairment tests were significant procedures for our audit because of the complexity of the valuation assessment process and the significant judgements and assumptions involved in the valuation process which might be affected by, amongst other factors, the expected condition of the Group's market and future general economic conditions.	Our procedures in relation to goodwill and management's impairment assessment included: – assessing the valuation methodology; – considering the historical financial performance and growth rates of the relevant cash-generating units; – challenging the reasonableness of key assumptions by the management based on our understanding of the Group's business and its industry; and – reconciling input data and relevant factors with supporting evidence, such as approved financial budgets and considering the reasonableness of these budgets including in the light of the accuracy of historical budgets and forecasts. We found the assumptions applied by management in relation to the value in use calculations of the cash-generating unit to be reasonable based on available evidence. The significant inputs of discount rate and growth rate involved have been appropriately disclosed in note 18.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Refer to Note 5 to the consolidated financial statements and the accounting policy 3(t).	
The Group recognises revenue when the services are rendered and risks and reward of the underlying products sold have been transferred to the customer. We identified the recognition of revenue as key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet financial targets.	Our audit procedures included: – assessing the appropriateness of the Group's accounting policies for revenue recognition and assessing the compliance of those policies with IFRSs; – testing on a sample basis the effectiveness of the Group's monitoring controls and the correct timing of the Group's recognition of revenue; and – assessing the testing results of the cut-off of sales transactions taking place before and after the year-end to ensure that revenue was recognised in the correct accounting period and assessing the accuracy of the recorded sales transactions.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
Refer to Note 25 to the consolidated financial statements and the accounting policy 3(n).	
As at December 31, 2017, gross trade receivables of the Group amounted to approximately RMB1,310 million, which accounted for approximately 6.4% of the Group's total assets. The provision for impairment of trade receivables amounted to RMB192 million, mainly was attributable to customers located in China. Management performed periodic credit monitoring, which included the review of customers' credit worthiness, collection of outstanding balances and individual credit terms. If there is an indicator that the receivables are impaired, management would make specific provision against individual balances with reference to the recoverable amount. We focused on this area due to the size of the receivables and the estimations and judgements involved in the determination of the recoverable amounts of trade receivables.	Our audit procedures included: – understanding and validating the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on recoverability of these receivables; – testing on a sample basis, the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices, sales contracts and document on date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised; and – testing subsequent settlement of trade receivable balances. Where settlement had not been received subsequent to the year end for those unprovided aged receivables beyond the credit period as at year end, we obtained management's assessments of the recoverability of those debts and corroborated management explanations with the historical settlement pattern.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information in the annual report other than the consolidated financial statements and our auditor's report thereon (the "**other information**").

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, March 24, 2018

Choi Kwong Yu
Practising Certificate number P05071

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2017
(Amounts expressed in thousands of Renminbi ("**RMB**"), except per share data)

	Note	2017 RMB'000	2016 RMB'000
Revenues			
Aviation information technology services		**3,878,516**	3,496,437
Accounting, settlement and clearing services		**555,185**	517,682
System integration services		**744,338**	950,332
Data network and others		**1,556,206**	1,258,816
Total revenues	5	**6,734,245**	6,223,267
Operating expenses			
Business taxes and other surcharges		**(35,847)**	(32,975)
Depreciation and amortisation		**(577,043)**	(479,315)
Network usage fees		**(71,193)**	(65,396)
Personnel expenses		**(1,640,610)**	(1,403,927)
Operating lease payments		**(174,716)**	(184,458)
Technical support and maintenance fees		**(613,849)**	(501,475)
Commission and promotion expenses		**(527,571)**	(537,725)
Costs of software and hardware sold		**(319,791)**	(521,207)
Other operating expenses		**(300,269)**	(319,835)
Total operating expenses		**(4,260,889)**	(4,046,313)
Operating profit		**2,473,356**	2,176,954
Financial income, net		**122,974**	164,118
Government grant	6	**–**	500,000
Share of results of associated companies	19	**35,299**	26,709
Gain on disposal of a subsidiary	45	**–**	1,865
Profit before taxation	7	**2,631,629**	2,869,646
Taxation	11	**(313,040)**	(384,045)
Profit after taxation for the year		**2,318,589**	2,485,601

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2017
(Amounts expressed in thousands of Renminbi ("**RMB**"), except per share data)

	Note	2017 RMB'000	2016 RMB'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		2,241	(615)
Changes in fair value of available-for-sale financial assets		39,271	–
Other comprehensive income, net of tax		41,512	(615)
Total comprehensive income for the year		2,360,101	2,484,986
Profit after taxation attributable to			
Owner of the Parent		2,248,653	2,421,114
Non-controlling interests		69,936	64,487
		2,318,589	2,485,601
Total comprehensive income attributable to			
Owner of the Parent		2,290,165	2,420,499
Non-controlling interests		69,936	64,487
		2,360,101	2,484,986
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	13	0.77	0.83
Cash dividends	12	740,331	649,619

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, 2017
(Amounts expressed in thousands of Renminbi ("**RMB**"))

	Note	**2017** **RMB'000**	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	14	**4,186,143**	3,401,218
Investment properties	15	**1,336**	–
Lease prepayment for land use right, net	16	**1,703,109**	1,755,842
Intangible assets, net	17	**276,003**	423,583
Goodwill	18	**147,483**	141,466
Investments in associated companies	19	**236,431**	209,623
Deferred income tax assets	21	**143,931**	134,095
Other long-term assets	22	**45,153**	48,555
Available-for-sale financial assets	23	**2,953,381**	1,180,000
Deposits with banks with original maturity date over three months	30	**102,063**	320,174
Restricted bank deposits	31	**3,654**	5,893
		9,798,687	7,620,449
Current assets			
Inventories	24	**36,960**	36,967
Trade receivables, net	25	**1,118,976**	1,096,241
Due from related parties, net	26, 43(3)	**2,482,248**	2,518,302
Due from associated companies	27	**46,064**	31,663
Income tax recoverable		**6,735**	1,399
Prepayments and other current assets	28	**661,080**	608,703
Available-for-sale financial assets	23	**340,890**	–
Held-to-maturity financial assets	29	**1,860,000**	840,000
Deposits with banks with original maturity date over three months	30	**645,750**	1,582,336
Restricted bank deposits	31	**37,506**	462,470
Cash and cash equivalents	31	**3,558,299**	3,332,134
		10,794,508	10,510,215
Total assets		**20,593,195**	18,130,664

Consolidated Statement of Financial Position

as at December 31, 2017
(Amounts expressed in thousands of Renminbi ("**RMB**"))

	Note	2017 RMB'000	2016 RMB'000
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital	34	**2,926,209**	2,926,209
Reserves	35	**4,437,013**	4,002,547
Retained earnings	36	**8,062,425**	6,856,345
		15,425,647	13,785,101
Non-controlling interests		**434,791**	379,809
Total equity		**15,860,438**	14,164,910
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	**45,577**	35,087
Deferred revenue		**141,692**	10,045
		187,269	45,132
Current liabilities			
Trade payables and accrued liabilities	32	**3,871,502**	3,503,630
Due to related parties	33	**289,456**	136,123
Income tax payable		**205,399**	249,099
Deferred revenue		**179,131**	31,770
		4,545,488	3,920,622
Total liabilities		**4,732,757**	3,965,754
Total equity and liabilities		**20,593,195**	18,130,664

Approved by the Board of Directors on March 24, 2018.

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, 2017
(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, 2016		2,926,209	3,641,176	5,282,968	330,732	12,181,085
Profit for the year		–	–	2,421,114	64,487	2,485,601
Other comprehensive income:						
Currency translation differences	35	–	(615)	–	–	(615)
Total comprehensive income		–	(615)	2,421,114	64,487	2,484,986
Dividends relating to 2015		–	–	(485,751)	(15,431)	(501,182)
Disposal of a subsidiary	45	–	–	–	21	21
Appropriation to reserves	35,36	–	361,986	(361,986)	–	–
Balance at December 31, 2016		2,926,209	4,002,547	6,856,345	379,809	14,164,910
Balance at January 1, 2017		**2,926,209**	**4,002,547**	**6,856,345**	**379,809**	**14,164,910**
Profit for the year		**–**	**–**	**2,248,653**	**69,936**	**2,318,589**
Other comprehensive income:						
Currency translation differences	35	**–**	**2,241**	**–**	**–**	**2,241**
Changes in fair value of available-for-sale financial assets	35	**–**	**39,271**	**–**	**–**	**39,271**
Total comprehensive income		**–**	**41,512**	**2,248,653**	**69,936**	**2,360,101**
Dividends relating to 2016	12	**–**	**–**	**(649,619)**	**(14,954)**	**(664,573)**
Appropriation to reserves	35,36	**–**	**392,954**	**(392,954)**	**–**	**–**
Balance at December 31, 2017		**2,926,209**	**4,437,013**	**8,062,425**	**434,791**	**15,860,438**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2017
(Amounts expressed in thousands of Renminbi ("**RMB**"))

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	38	**3,423,450**	3,962,725
Refund of enterprise income tax		**94,284**	36,518
Enterprise income tax paid		**(455,150)**	(353,851)
Net cash generated from operating activities		**3,062,584**	3,645,392
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets, land use right and other long-term assets		**(928,307)**	(1,134,231)
Purchases of available-for-sale financial assets		**(2,075,000)**	(1,180,000)
Maturities of deposits with banks with original maturity date over three months		**1,576,335**	1,361,641
Placement of deposits with banks with original maturity date over three months		**(421,638)**	(1,695,357)
Interest received		**101,484**	138,845
Net cash paid for acquisition of subsidiaries	44	**–**	(234,907)
Net cash received from disposal of a subsidiary	45	**–**	5,476
Net cash paid for establishment of an associate	19	**–**	(1,960)
Dividends received from associated companies		**10,644**	–
(Increase)/decrease in held-to-maturity financial assets		**(1,020,000)**	850,000
Decrease/(increase) in restricted bank deposits		**427,203**	(168,744)
Proceeds from disposal of property, plant and equipment		**162,168**	4,523
Net cash used in investing activities		**(2,167,111)**	(2,054,714)

Consolidated Statement of Cash Flows

for the year ended December 31, 2017
(Amounts expressed in thousands of Renminbi ("**RMB**"))

	Note	2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		–	274,355
Repayment of borrowings		–	(274,355)
Dividend paid to the Company's shareholders		(649,619)	(485,751)
Dividend paid to non-controlling shareholders of subsidiaries		(14,954)	(15,431)
Net cash used in financing activities		(664,573)	(501,182)
Net increase in cash and cash equivalents		230,900	1,089,496
Cash and cash equivalents at beginning of the year		3,332,134	2,242,661
Effect of foreign exchange rate changes on cash and cash equivalents		(4,735)	(23)
Cash and cash equivalents at end of the year	31	3,558,299	3,332,134

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, 2017, 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., Taiwan TravelSky Limited Company, TravelSky Technology Australia Pty. Ltd., OpenJaw Technologies Limited, OpenJaw Technologies Iberica S.L., OpenJaw Technologies Polska Sp. Z.O.O. and OpenJaw Technologies AsiaPac Ltd. which are limited liability companies incorporated and operated in Hong Kong, Singapore, Korea, Japan, Europe, the United States, Taiwan, Australia, Ireland, Spain, Poland and Hong Kong respectively.

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2017		2016			
		Direct	Indirect	Direct	Indirect		
Subsidiaries							
Hainan Civil Aviation Cares Co., Ltd. ("**Hainan Cares**")	March 2, 1994	64.78%	-	64.78%	-	RMB 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%	-	RMB 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%	RMB 15,000,000	Provisions of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems

Notes to the Consolidated Financial Statements

(Amounts expressed in 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
		2017		2016			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Cares Chongqing Information Technology Co., Ltd. (**"Chongqing Cares"**)	December 1, 1998	51%	-	51%	-	RMB 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%	-	RMB 20,000,000	Computer hardware and software development and data network services
InfoSky Technology Co., Ltd. (**"InfoSky"**)	September 20, 2000	94.62%	5.38%	94.62%	5.38%	RMB 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%	-	RMB 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%	-	RMB 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%	-	RMB 25,000,000	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%	-	RMB 15,000,000	Computer hardware and software development and data network services

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2017		2016			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Civil Aviation Cares Technology of Xinjiang Ltd. (**"Xinjiang Cares"**)	August 16, 2002	51%	-	51%	-	RMB 10,000,000	Computer hardware and software development and data network services
TravelSky Technology (Singapore) Limited (**"TravelSky Singapore"**)	October 21, 2005	100%	-	100%	-	RMB 277,568,328	Computer hardware and software consulting services
TravelSky Technology (Korea) Limited (**"TravelSky Korea"**)	December 28, 2005	100%	-	100%	-	RMB 5,421,746	Computer software development and data network services
TravelSky Technology (Japan) Limited (**"TravelSky Japan"**)	December 16, 2005	100%	-	100%	-	RMB 3,939,483	Software development and computer equipment maintenance services
Shanghai TravelSky Information Technology Limited (**"TravelSky Shanghai"**)	July 1, 2008	100%	-	100%	-	RMB 4,000,000	Computer hardware and software development and data network services
Guangzhou TravelSky Information Technology Limited (**"TravelSky Guangzhou"**)	September 28, 2008	100%	-	100%	-	RMB 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%	-	RMB 759,785,200	Accounting, settlement and clearing services, and related information system development and support services
Beijing YaKe Development Company Limited (**"YaKe"**)	October 30, 2007	-	100%	-	100%	RMB 156,121,600	Provision of information system development and related services
TravelSky Technology (Europe) GmbH (**"TravelSky Europe"**)	March 23, 2009	100%	-	100%	-	RMB 4,680,000	Technology services and technology support

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
		2017		2016			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
TravelSky CARES (Beijing) Real Estate Limited (**"Beijing Estate"**)	August 28, 2009	100%	-	100%	-	RMB 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%	-	RMB 9,738,500	Technology services and technology support
Beijing TravelSky Travel Service Limited (**"BTTSL"**)	January 11, 2011	100%	-	100%	-	RMB 72,000,000	Conference service, exhibition of tour consulting services and technology promotion services
Taiwan TravelSky Limited Company (**"TravelSky Taiwan"**)	April 4, 2011	100%	-	100%	-	RMB 12,456,767	Technology services and technology support
Inner Mongolia TravelSky Information Technology Limited (**"TravelSky Inner Mongolia"**)	May 26, 2011	100%	-	100%	-	RMB 5,000,000	Computer and related equipment, development on network systems, sales, provision of rental, maintenance, computer system and tour consulting services
Hunan TravelSky Information Technology Limited (**"TravelSky Hunan"**)	June 13, 2011	100%	-	100%	-	RMB 5,000,000	Computer hardware and software development, import and export business and provision of tour consulting services

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2017		2016			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
TravelSky Technology Huadong Data Center Limited ("**Huadong Data Center**")	November 8, 2011	100%	-	100%	-	RMB 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**") [1]	January 22, 2007	60%	-	60%	-	RMB 8,800,000	E-commerce, provision of online and ticketing agency services
Henan TravelSky Information Technology Limited ("**TravelSky Henan**")	August 27, 2012	100%	-	100%	-	RMB 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	51%	-	51%	-	RMB 37,347,300	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%	-	RMB 50,010,000	Technical development services and transfer; trading of computer software, hardware and accessory equipments
Beijing TravelSky Birun Technology Co., Ltd ("**TravelSky Birun Technology**")	January 9, 2013	51%	-	51%	-	RMB 8,000,000	Technical development, transfer and 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
		2017		2016			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Guangxi TravelSky Cloud Data Service Co., Ltd. ("**TravelSky Cloud Data**")	February 7, 2013	51%	-	51%	-	RMB 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**") [2]	November 28, 1999	44%	-	44%	-	RMB 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%	-	100%	-	RMB 6,158,000	Technology services and technology support
TravelSky R&D USA, Inc. ("**TravelSky R&D USA**")	April 18, 2013	100%	-	100%	-	RMB 62,078,850	Technology development, technology services and technical consulting services
TravelSky Mobile Technology Limited ("**TravelSky Mobile Tech**")	May 13, 2014	100%	-	100%	-	RMB 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%	-	51%	-	RMB 2,000,000	Computer hardware and software technology 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
		2017		2016			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Beijing HangJu Information Technology Limited ("**Beijing Hangju**")	November 14, 2014	100%	-	100%	-	RMB 5,000,000	Technical development, transfer and consulting services and computer software development
OpenJaw Technologies Limited ("**OpenJaw Ireland**") [3]	February 21, 2002	-	100%	-	100%	EUR0252,101	Research and development, marketing and selling of travel distribution software solutions to travel industry
OpenJaw Technologies Iberica S.L. ("**OpenJaw Iberica**") [3]	August 16, 2005	-	100%	-	100%	EUR03,010	Sale of travel distribution software and development services
OpenJaw Technologies Polska Sp. Z.O.O. ("**OpenJaw Polska**") [3]	July 21, 2011	-	100%	-	100%	EUR01,170	Software development services
OpenJaw Technologies AsiaPac Ltd. ("**OpenJaw AsiaPac**") [3]	May 27, 2014	-	100%	-	100%	HKD1	Software development services

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

1 The Company is in the process of voluntary winding up.

2 Xinan Cares was accounted for as subsidiary of the Company by virtue of the Group's controlling voting rights eligible to be casted in its shareholders' and directors' meetings.

3 These companies were acquired by the Group in May 2016. Please refer to Note 44 for details.

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
		2017		2016			
		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

(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
		2017		2016			
		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%**	**-**	40%	-	10,000,000	Computer hardware and software development and technical consulting services
HangTu Cruse (Wuhan) Information Technology Services Co., Ltd. (**"HangTu Cruse"**)	December 22, 2015	**-**	**49%**	-	49%	4,000,000	Technical development, transfer and consulting services and computer software development

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

2. BASIS OF PREPARATION

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

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.

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. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 7, Disclosure Initiative

- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

- Amendments to IFRSs, Annual Improvements to IFRSs 2014-2016 Cycle

The adoption of the above amendments to IFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

(b) New and revised IFRSs issued but not yet effective

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, Financial instruments	January 1, 2018
IFRS 15, Revenue from contracts with customers	January 1, 2018
Amendments to IFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	January 1, 2018
IFRIC 22, Foreign currency transactions and advance consideration	January 1, 2018
IFRS 16, Leases	January 1, 2019
IFRIC 23, Uncertainty over income tax treatments	January 1, 2019

Except for the new and amendments to IFRSs and interpretations mentioned below, the Group anticipate that the application of all other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

(b) New and revised IFRSs issued but not yet effective (continued)

IFRS 9 (continued)

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:

The Group's debt instruments currently classified as available-for-sale financial assets will be reclassified to financial assets at fair value through profit or loss (FVTPL) or FVTOCI, which is being under the process of the election. Based on the fair value assessments undertaken to date, the Group does not expect material impact on the consolidated financial statements.

The Group's equity investment currently classified as available-for-sale financial assets will be reclassified to financial assets at FVTOL or FVTOCI, which is being under the process of the election. Based on the fair value assessments undertaken to date, the Group does not expect material impact on the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

(b) New and revised IFRSs issued but not yet effective (continued)

IFRS 9 (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVTOCI, contract assets under IFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change of the loss allowance for the Group's trade debtors and other debt investments held at amortised cost.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step approach to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract(s) with a customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations in the contract; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

(b) New and revised IFRSs issued but not yet effective (continued)

IFRS 15 (continued)

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group anticipate that the application of IFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and adjust interest and lease payments on the lease liability, and to classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. In addition, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17. Furthermore, extensive disclosures are required by IFRS 16.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at December 31, 2017, the Group has non-cancellable operating lease commitments of approximately RMB91,298,000 as disclosed in Note 42 (b). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

The application of new IFRSs and requirements may result in changes in measurement, presentation and disclosure as discussed above.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Merger accounting for common control combination

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

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

The consolidated statement of profit or loss and other 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(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.

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(j)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of profit or loss and other comprehensive income. 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 the other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in the other comprehensive income are reclassified to the profit or loss.

(iv) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Company. 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.

(v) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(v) Associated companies (continued)

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, TravelSky Australia, OpenJaw Ireland, OpenJaw Iberica, OpenJaw Polska and OpenJaw AsiaPac, the functional currency of the Company's subsidiaries is 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 consolidated 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 consolidated 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 securities and other changes in the carrying amount of the securities. 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 other comprehensive income.

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.

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 useful lives, depreciation method and residual values 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(j)).

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

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) Investment properties

Investment properties are land and/or buildings which are owed or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated at their cost less accumulated depreciation and any provision for impairment loss (Note 3(j)). Depreciation is calculated to write off the cost over their estimated useful lives on the straight line method for 20 to 30 years.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (Note 3(f)) and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

(g) Intangible assets (other than goodwill)

(i) Computer software

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.

(ii) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful lives of 15 years.

(iii) Development costs

Costs that are directly associated with development of an identifiable model controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the development staff costs and cost of raw materials consumed.

Development costs are amortised over their estimated useful life of five years.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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 stated at cost less their residual values and 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, 2017, no development costs were capitalised as they did not meet all the criteria listed above (2016: nil).

(j) 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)

(k) 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the statement of profit or loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the statement of profit or loss. Dividends from available-for-sale financial assets are recognised when the right to receive payment is established. When available-for-sale financial assets are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the statement of profit or loss.

(l) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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 consolidated statement of profit and loss. 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 profit or loss.

(o) 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.

(p) 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, unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) 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)

(q) 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liabilities to pay the related dividends is recognised.

(r) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) 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.

(s) 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.

(t) 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;

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Revenue recognition (continued)

- 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.

(u) 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.

(v) 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.

(w) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(x) 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.

(y) Related parties

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

(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 and has significant influence over 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);

(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);

(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; or

(viii) the party, or any member of a group of which its is a part, provides key management personnel services to the Group or to the Group's parent.

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 party.

State-owned enterprises, other than entities under China TravelSky Holding Company Limited (formerly known as 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.

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 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.

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (continued)

(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.

(e) 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 of goodwill 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 substantial shareholders of the Company.

6. GOVERNMENT GRANT

	2017 **RMB'000**	2016 RMB'000
Industry support development fund	–	500,000

Government grant was 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 development on Beijing Shunyi District Houshayu Town. It was an 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 was 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:

	2017 RMB'000	2016 RMB'000
After charging:		
Depreciation	341,758	183,638
Amortisation of intangible assets	177,207	234,211
Amortisation of leasehold improvements	5,345	8,734
Amortisation of lease prepayment for land use right	52,733	52,732
Loss on disposal of property, plant and equipment	1,330	759
Provision for impairment of receivables	27,401	32,452
Reversal of impairment loss on property, plant and equipment	(839)	(906)
Costs of software and hardware sold	319,791	521,207
Retirement benefits	167,862	139,071
Auditors' remuneration	2,569	2,825
Contribution to housing benefits	94,966	78,581
Exchange loss, net	2,294	–
Research and development expenses	407,846	355,271
After crediting:		
Interest income	(126,492)	(132,160)
Exchange gain, net	–	(34,391)
Gain on disposal of a subsidiary	–	(1,865)

(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, 2017 (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. Cui Zhixiong (Chairman) (iii) (vii) (ix) #	-	-	258	332	86	676
Mr. Xiao Yinhong (vi) (ix) #	-	-	258	332	86	676
Non-executive directors						
Mr. Cao Jianxiong (vi)	-	-	-	-	-	-
Mr. Li Yangmin (vi)	-	-	-	-	-	-
Mr. Yuan Xin'an (vi)	-	-	-	-	-	-
Independent non-executive directors						
Mr. Cao Shiqing (i) (vi)	60	-	-	-	-	60
Mr. Ngai Wai Fung (i) (vi)	70	-	31	-	-	101
Mr. Liu Xianquan (iv) (vi)	60	-	-	-	-	60
Supervisors						
Mr. Huang Yuanchang (Chairman, Staff Representative Supervisor) (vii) (viii) (ix)	-	-	235	292	83	610
Mr. Rao Geping (Independent Supervisor) (vi)	60	-	-	-	-	60
Ms. Zeng Yiwei* (vi)	-	-	-	-	-	-
Mr. Xiao Wei (Staff Representative Supervisor) (viii) (ix)	-	-	358	339	82	779
Mr. He Haiyan* (vi)	-	-	-	-	-	-
	250	-	1,140	1,295	337	3,022

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)

The emoluments of the directors and supervisors during the year ended December 31, 2016 (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. Cui Zhixiong (Chairman) (iii) (vii) (ix) #	–	–	244	350	89	683
Mr. Xiao Yinhong (vi) (ix) #	–	–	244	350	89	683
Non-executive directors						
Mr. Cao Jianxiong (vi)	–	–	–	–	–	–
Mr. Li Yangmin (vi)	–	–	–	–	–	–
Mr. Yuan Xin'an (vi)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Cheung Yuk Ming (v)	56	–	33	–	–	89
Mr. Cao Shiqing (i) (vi)	63	–	33	–	–	96
Mr. Ngai Wai Fung (i) (vi)	58	–	38	–	–	96
Mr. Liu Xianquan (iv) (vi)	12	–	–	–	–	12
Mr. Pan Chongyi (ii)	5	–	–	–	–	5
Mr. Zhang Hainan (ii)	4	–	–	–	–	4
Supervisors						
Mr. Huang Yuanchang (Chairman, Staff Representative Supervisor) (vii) (viii) (ix)	–	–	278	454	81	813
Mr. Rao Geping (Independent Supervisor) (vi)	60	–	–	–	–	60
Ms. Zeng Yiwei* (vi)	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor) (viii) (ix)	–	–	328	326	77	731
Mr. He Haiyan* (vi)	–	–	–	–	–	–
	258	–	1,198	1,480	336	3,272

(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.

The remuneration of the executive directors include part of the incentive bonus and pre-determined incentive salary is evaluated by the supervisory authority.

(i) Appointed on January 26, 2016

(ii) Resigned on January 26, 2016

(iii) Appointed as Chairman on March 31, 2016

(iv) Appointed on October 18, 2016

(v) Resigned on October 18, 2016

(vi) Re-appointed on October 18, 2016

(vii) Re-elected as Chairman on October 18, 2016

(viii) Re-appointed on January 17, 2017

(ix) Apart from the above emoluments, the Company's share appreciation rights scheme on August 29, 2011 had granted to certain eligible directors, senior management and key technical and managerial personnel of the Company.

The final tranche of the above share appreciation rights were eventually exercised during 2015 and the amount had been paid during the year 2016. The number of outstanding share appreciation rights (settled in cash when they were exercised) granted to the directors and supervisors, the amounts of actual paid and recognised in the consolidated statement of profit or loss and other comprehensive income during prior year under the share appreciation rights scheme of the Company is set out below:

2016

	Quantity of share appreciation rights					
	January 1, 2016 Share'000	Exercised during the year Share'000	Forfeited during the year Share'000	December 31, 2016 Share'000	Exercised in 2015 and actual paid during 2016 RMB'000	Recognised in consolidated statement of profit or loss during 2016 RMB'000
Executive directors						
Mr. Cui Zhixiong	–	–	–	–	336	–
Mr. Xiao Yinhong	–	–	–	–	336	–
Supervisors						
Ms. Li Xiaojun#	–	–	–	–	214	–
Mr. Huang Yuanchang*	–	–	–	–	214	–
Mr. Xiao Wei	–	–	–	–	122	–
	–	–	–	–	1,222	–

* Appointed as supervisor on March 25, 2015

Resigned as supervisor on March 25, 2015

(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 Nil (2016: Nil) directors whose emoluments (excluding share appreciation rights) are reflected in the analysis presented above. The emoluments (excluding share appreciation rights) payable to the remaining five (2016: five) individuals during the year are as follows:

	2017 **RMB'000**	2016 RMB'000
Basic salaries and allowances	**1,725**	1,935
Bonuses	**2,372**	1,907
Retirement benefits	**424**	410
	4,521	4,252

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

	Number of the five highest paid individuals	
	2017	2016
Nil – HKD1,000,000 (equivalent to RMB833,000)	**1**	–
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,249,000)	**4**	5
	5	5

During the year ended December 31, 2017, 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 (2016: nil). No directors, supervisors and the five highest paid employees had waived or agreed to waive any emolument (2016: 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 the annual report fell within the following bands:

	Number of individuals	
	2017	2016
Nil – HKD1,000,000 (equivalent to RMB833,000)	**6**	4
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,249,000)	**–**	2
	6	6

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, 2017 (2016: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2017 amounted to approximately RMB139.8 million (2016: RMB106.3 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, 2017 amounted to approximately RMB28.0 million (2016: RMB32.7 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, 2017, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2016: 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, 2017 amounted to approximately RMB95.0 million (2016: RMB78.6 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 consolidated 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 consolidated 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. Since the above mentioned one-time lump sum housing benefits had expired in 2015, hence no further provision be provided for subsequent years thereafter.

As of December 31, 2017, the total number of employees of the Group was 7,862 (2016: 7,255).

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

11. TAXATION

Income tax

	2017 RMB'000	2016 RMB'000
Current tax:		
PRC enterprise income tax expenses	**408,050**	465,117
Over-provision in respect of prior years	**(99,863)**	(34,020)
Overseas income tax expenses	**3,643**	7,138
Deferred tax	**1,210**	(54,190)
	313,040	384,045

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, TravelSky Australia, OpenJaw Ireland, OpenJaw Iberica, OpenJaw Polska and OpenJaw AsiaPac, 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 in applicable jurisdictions prevailing in the locations in which the Group operates.

Under the Corporate Income Tax Law of the People's Republic of China ("**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 preferential corporate income tax rate of 15% according to the CIT Law. The Company was 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.

The latest review was conducted in October 2017, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as the "High and New Technology Enterprise", and was entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019 as a "High and New Technology Enterprise".

In addition to the recognised identification of "High and New Technology Enterprise" and entitlement of 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 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 corporate income 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.

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC on May 4, 2016, the Company has applied for a preferential tax rate of 10% for Year 2015 regarding to the "Important Software Enterprise" to the relevant authority. As at November 9, 2016, the difference between the tax amount paid at the rate of 15% for Year 2015 and the tax amount calculated at the preferential corporate income tax rate of 10% was refunded and reflected in the financial statements in Year 2016.

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

11. TAXATION (continued)

Income tax (continued)

Application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2016 was conducted in Year 2017. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2016. In 2017, the Company has applied for a preference tax rate of 10% regarding to the "Important Software Enterprise" to the relevant authority for Year 2016. As at August 24, 2017, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% has been received, and will be reflected in the Company's financial statements in Year 2017. Details of the relevant information are set out in the Company's announcement dated August 24, 2017.

According to the relevant requirements, application for a preference tax rate of 10% regarding to the "Important Software Enterprise" of this year will be conducted in next year. Thus, refer to paragraph 3 of this note, pursuant to the relevant regulatory requirement, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2017.

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

In 2017 and 2016, 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:

	2017 **RMB'000**	2016 RMB'000
Profit before taxation	**2,631,629**	2,869,646
Weighted average statutory tax rate	**25%**	25%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**652,982**	705,998
Share of profits of associated companies	**(8,759)**	(6,677)
Effect of non-taxable income	**(75,356)**	(50,781)
Effect of non-deductible expenses	**94,033**	87,626
Effect of tax losses not recognised	**13,932**	15,009
Effect of tax losses utilised	**(3,403)**	(2,754)
Effect of preferential tax rates	**(260,526)**	(330,356)
Over-provision in respect of prior years	**(99,863)**	(34,020)
Actual tax charge	**313,040**	384,045

Business Tax

On March 24, 2016, the Ministry of Finance and the State Administration of Taxation jointly released the Notice on the Comprehensive Roll-out of the Business Tax ("**BT**") to Value Added Tax ("**VAT**") Transformation Pilot Programme (Caishui [2016] No. 36). Pursuant to which, the reform of replacing BT with VAT will be extended to the construction, real estate, financial services and lifestyle services sectors commencing from May 1, 2016. By now, all industries under the BT regime have been transformed to the VAT regime.

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

11. TAXATION (continued)

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 its subsidiaries which located in the PRC are certified by the tax authorities as general tax payers. The applicable tax rate is 6% to 17% for general tax payers.

For general tax payers, input VAT from purchase of equipment for sale can be netted off against output VAT from sales.

VAT payable or receivable is the net difference between periodic output and deductible input VAT.

12. DIVIDENDS DISTRIBUTION

The equity holders approved the distribution of a final dividend of RMB649.6 million (RMB0.222 per share) for Year 2016 in the annual general meeting of the Company held on June 27, 2017. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2017.

On March 24, 2018, the Board recommended the distribution of a final cash dividend of RMB740.3 million for Year 2017 (RMB0.253 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 ended December 31, 2018.

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:

	2017	2016
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**2,248,653**	2,421,114
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	**0.77**	0.83

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2017 and December 31, 2016.

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 of:

	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, 2016		826,749	2,699,848	80,277	326,482	1,691,312	121,158	5,745,826
Purchases		11,993	6,368	54	304,317	521,271	11,064	855,067
Disposals/write off		–	(38,884)	(2,814)	(27,498)	(3,192)	–	(72,388)
Transfer from assets under construction to other assets		376,787	–	–	–	(376,787)	–	–
Transfer to intangible assets	17	–	–	–	–	(663)	–	(663)
Acquisition of subsidiaries	44	–	–	–	1,816	–	–	1,816
Disposal of a subsidiary	45	–	–	–	(350)	–	–	(350)
As at December 31, 2016 and January 1, 2017		1,215,529	2,667,332	77,517	604,767	1,831,941	132,222	6,529,308
Purchases		1,846	366,387	1,831	59,412	864,926	2,020	1,296,422
Disposals/write off		–	(58,167)	(4,773)	(259,075)	–	(206)	(322,221)
Transfer from assets under construction to other assets		1,768,797	509,604	–	–	(2,278,401)	–	–
Transfer to intangible assets	17	–	–	–	–	(399)	–	(399)
Transfer to investment properties	15	(6,072)	–	–	–	–	–	(6,072)
As at December 31, 2017		**2,980,100**	**3,485,156**	**74,575**	**405,104**	**418,067**	**134,036**	**7,497,038**
Accumulated depreciation								
As at January 1, 2016		(199,798)	(2,373,697)	(57,845)	(223,109)	–	(111,730)	(2,966,179)
Charge for the year		(34,739)	(5,892)	(6,652)	(136,355)	–	(8,734)	(192,372)
Disposals/write off		–	37,749	2,701	26,656	–	–	67,106
Disposal of a subsidiary	45	–	–	–	171	–	–	171
As at December 31, 2016 and January 1, 2017		(234,537)	(2,341,840)	(61,796)	(332,637)	–	(120,464)	(3,091,274)
Charge for the year		(66,170)	(226,631)	(5,750)	(43,207)	–	(5,345)	(347,103)
Disposals/write off		–	56,423	4,630	97,670	–	–	158,723
Transfer to investment properties	15	4,736	–	–	–	–	–	4,736
As at December 31, 2017		**(295,971)**	**(2,512,048)**	**(62,916)**	**(278,174)**	**–**	**(125,809)**	**(3,274,918)**

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

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

	Note	Buildings	Computer systems and software	Motor vehicles	Furniture, fixtures and other equipment	Assets under construction	Leasehold improvements	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for impairment								
As at January 1, 2016		–	(37,722)	–	–	–	–	(37,722)
Provision for the year		–	–	–	(132)	–	–	(132)
Reversal on impairment		–	1,038	–	–	–	–	1,038
As at December 31, 2016 and January 1, 2017		–	(36,684)	–	(132)	–	–	(36,816)
Provision for the year		–	–	–	–	–	–	–
Reversal on impairment		–	710	–	129	–	–	839
As at December 31, 2017		**–**	**(35,974)**	**–**	**(3)**	**–**	**–**	**(35,977)**
Net book value								
As at December 31, 2017		**2,684,129**	**937,134**	**11,659**	**126,927**	**418,067**	**8,227**	**4,186,143**
As at December 31, 2016		980,992	288,808	15,721	271,998	1,831,941	11,758	3,401,218

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

15 INVESTMENT PROPERTIES

	RMB'000
Cost	
At January 1, 2016, December 31, 2016 and January 1, 2017	–
Transfer from property, plant and equipment (Note 14)	6,072
At December 31, 2017	**6,072**
Accumulated depreciation	
At January 1, 2016, December 31, 2016 and January 1, 2017	–
Transfer from property, plant and equipment (Note 14)	(4,736)
At December 31, 2017	**(4,736)**
Carrying value	
At December 31, 2017	**1,336**
At December 31, 2016	–

At December 31, 2017, the Group has assessed the fair value of the investment properties located in China approximate RMB30.8 million.

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

16. LEASE PREPAYMENT FOR LAND USE RIGHT, NET

	2017 RMB'000	2016 RMB'000
Cost		
As at January 1 and December 31	**2,121,934**	2,121,934
Accumulated amortisation		
As at January 1	**(366,092)**	(313,360)
Charge for the year	**(52,733)**	(52,732)
As at December 31	**(418,825)**	(366,092)
Net book value		
As at December 31	**1,703,109**	1,755,842

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. During the year, the Company has completed the construction of 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 right represent the Group's interests in lands which are held on lease with a term of 40 to 50 years.

Notes to the Consolidated Financial Statements

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

17. INTANGIBLE ASSETS, NET

	Note	Development costs RMB'000	Contractual customer relationships RMB'000	Computer software RMB'000	Total RMB'000
Cost					
As at January 1, 2016		–	–	1,028,992	1,028,992
Additions		7,128	–	313,667	320,795
Acquisition of subsidiaries	44	47,103	41,682	–	88,785
Disposal of a subsidiary	45	–	–	(115)	(115)
Transfer from assets under construction	14	–	–	663	663
Write off/Disposal		–	–	(1,169)	(1,169)
Exchange realignment		(965)	(947)	(28)	(1,940)
As at December 31, 2016 and January 1, 2017		53,266	40,735	1,342,010	1,436,011
Additions		18,910	–	4,430	23,340
Transfer from assets under construction	14	–	–	399	399
Write off/Disposal		–	–	(7,672)	(7,672)
Exchange realignment		5,511	2,763	(1,145)	7,129
As at December 31, 2017		**77,687**	**43,498**	**1,338,022**	**1,459,207**
Accumulated depreciation					
As at January 1, 2016		–	–	(779,646)	(779,646)
Charge for the year		(6,243)	(1,784)	(226,184)	(234,211)
Eliminated on write off/disposal		–	–	1,169	1,169
Disposal of a subsidiary	45	–	–	59	59
Exchange realignment		(92)	(26)	319	201
As at December 31, 2016 and January 1, 2017		(6,335)	(1,810)	(1,004,283)	(1,012,428)
Charge for the year		(14,261)	(2,807)	(160,139)	(177,207)
Eliminated on write off/disposal		–	–	7,672	7,672
Exchange realignment		(2,175)	(215)	1,149	(1,241)
As at December 31, 2017		**(22,771)**	**(4,832)**	**(1,155,601)**	**(1,183,204)**
Net book value					
As at December 31, 2017		**54,916**	**38,666**	**182,421**	**276,003**
As at December 31, 2016		46,931	38,925	337,727	423,583

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

18. GOODWILL

	2017 RMB'000	2016 RMB'000
Cost and carrying value		
At January 1	**141,466**	4,426
Arising from acquisition of subsidiaries (Note 44)	**–**	144,488
Disposal of a subsidiary (Note 45)	**–**	(4,166)
Exchange translation differences	**6,017**	(3,282)
At December 31	**147,483**	141,466

The carrying amounts of goodwill primarily arose from the acquisition of subsidiaries, Skyecho and OpenJaw Ireland and its subsidiaries in prior years.

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 in respect of acquisition of OpenJaw 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 10% to 17% (2016: 4% to 31%). Cash flows beyond the five-year period are extrapolated using zero growth rates. The discount rate is 12% (2016: 12%) per annum.

As at December 31, 2017, 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

	2017 RMB'000	2016 RMB'000
Beginning of the year	**209,623**	198,256
Share of profits by the Company	**35,299**	26,709
Establishment of an associate	**–**	1,960
Dividends receivable from associated companies	**(8,491)**	(17,302)
End of the year	**236,431**	209,623

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
2017					
100 per cent	**667,799**	**(102,106)**	**565,693**	**800,599**	**83,333**
Group's effective interest	**279,480**	**(43,049)**	**236,431**	**360,016**	**35,299**
2016					
100 per cent	606,903	(103,080)	503,823	681,745	64,925
Group's effective interest	252,273	(42,650)	209,623	303,655	26,709

(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:

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
December 31, 2017			
Assets as per consolidated statement of financial position:			
Available-for-sale financial assets (Note 23)	–	3,294,271	3,294,271
Trade receivables, net (Note 25)	1,118,976	–	1,118,976
Due from related parties, net (Note 26)	2,482,248	–	2,482,248
Due from associated companies (Note 27)	46,064	–	46,064
Interest receivable and other current assets (Note 28)	603,842	–	603,842
Held-to-maturity financial assets (Note 29)	1,860,000	–	1,860,000
Deposits with banks with original maturity date over three months (Note 30)	747,813	–	747,813
Restricted bank deposits (Note 31)	41,160	–	41,160
Cash and cash equivalents (Note 31)	3,558,299	–	3,558,299
Total	10,458,402	3,294,271	13,752,673

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position:		
Trade payables and accrued liabilities (Note 32)	3,871,502	3,871,502
Due to related parties (Note 33)	289,456	289,456
Total	4,160,958	4,160,958

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

20. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
December 31, 2016			
Assets as per consolidated statement of financial position:			
Available-for-sale financial assets (Note 23)	–	1,180,000	1,180,000
Trade receivables, net (Note 25)	1,096,241	–	1,096,241
Due from related parties, net (Note 26)	2,518,302	–	2,518,302
Due from associated companies (Note 27)	31,663	–	31,663
Interest receivable and other current assets (Note 28)	542,836	–	542,836
Held-to-maturity financial assets (Note 29)	840,000	–	840,000
Deposits with banks with original maturity date over three months (Note 30)	1,902,510	–	1,902,510
Restricted bank deposits (Note 31)	468,363	–	468,363
Cash and cash equivalents (Note 31)	3,332,134	–	3,332,134
Total	10,732,049	1,180,000	11,912,049

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position:		
Trade payables and accrued liabilities (Note 32)	3,503,630	3,503,630
Due to related parties (Note 33)	136,123	136,123
Total	3,639,753	3,639,753

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

21. DEFERRED INCOME TAX

	2017 RMB'000	2016 RMB'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	84,211	77,403
Deferred tax assets to be recovered within 12 months	59,720	56,692
	143,931	134,095
Deferred tax liabilities:		
Deferred tax liabilities to be settled over 12 months	(37,041)	(35,087)
Deferred tax liabilities to be settled within 12 months	(8,536)	–
	(45,577)	(35,087)
Net movement	98,354	99,008

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

	Fair value adjustment on intangible assets RMB'000	Depreciation and amortisation RMB'000	Accrual, provision and others RMB'000	Total RMB'000
As at January 1, 2016	–	37,337	17,740	55,077
Arising from acquisition of subsidiaries (Note 44)	(9,709)	(791)	–	(10,500)
Recognised in the consolidated statement of profit or loss and other comprehensive income	822	13,840	39,528	54,190
Exchange realignment	211	30	–	241
As at December 31, 2016 and January 1, 2017	(8,676)	50,416	57,268	99,008
Recognised in the consolidated statement of profit or loss and other comprehensive income	1,258	(5,495)	3,027	(1,210)
Exchange realignment	(544)	1,100	–	556
As at December 31, 2017	(7,962)	46,021	60,295	98,354

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

21. DEFERRED INCOME TAX (continued)

At December 31, 2017, the Group has unused tax losses of approximately RMB213.0 million (2016: RMB197.5 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 losses approximately RMB13.9 million (2016: RMB6.1 million) arising from Australia, Europe, Hong Kong and Singapore subsidiaries may be carried forward indefinitely. Included in the tax losses approximately RMB6.0 million (2016: RMB5.2 million) arising from Taiwan and Korea subsidiaries will expire in various dates up to 2027. Included in the tax losses approximately RMB5.0 million (2016: RMB4.3 million) arising from Japan subsidiary will expire up to 2024. Included in the tax losses approximately RMB4.6 million (2016: RMB5.0 million) arising from North America subsidiary will expire up to 2037. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

	2017 RMB'000	2016 RMB'000
2017	**–**	19,477
2018	**26,631**	26,040
2019	**22,998**	50,915
2020	**37,692**	41,760
2021	**50,503**	38,621
2022	**45,701**	–
	183,525	176,813

22. OTHER LONG-TERM ASSETS

At December 31, 2017, other long-term assets of the Group mainly comprised of deposits paid for acquisition of property, plant and equipment and intangible assets.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Managed funds, in PRC, at fair value	**1,519,271**	1,180,000
Structural deposit, at fair value	**900,000**	–
Unlisted equity shares, at cost (Note)	**875,000**	–
	3,294,271	1,180,000

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

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

	2017 RMB'000	2016 RMB'000
The carrying amount of available-for-sale financial assets are analysed as follows:		
Non-current portion	**2,953,381**	1,180,000
Current portion	**340,890**	–
	3,294,271	1,180,000

As at December 31, 2017, the Group held the entrusted wealth management product issued by Bosera Asset Management Company Ltd. with principal amount of RMB850 million and the Company expects annual rate of return approximately 3.3% (2016: 4.5%), held the commercial bank wealth management product issued by Bank of Hangzhou Co., Ltd. with principal amount of RMB630 million and the Company expects annual rate of return approximately 3.3%-5.0% (2016: 3.3%), held the structural deposit issued by China Minsheng Bank Corp., Ltd. of RMB900 million and the Company expects annual rate of return approximately 4.3% and held 17.5% equity interest in China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**") of RMB875 million.

Note: The unlisted equity shares are accounted for at cost less accumulated impairment losses as such investments do not have a quoted market price in an active market and the range of reasonable fair value estimated is so significant that the directors are of the opinion that their fair values cannot be reliably measured.

24. INVENTORIES

	2017 RMB'000	2016 RMB'000
Equipment for sale	**36,960**	36,967

No inventories have been pledged as security for both years.

25. TRADE RECEIVABLES, NET

	2017 RMB'000	2016 RMB'000
Trade receivables	**1,310,554**	1,266,146
Provision for impairment of receivables	**(191,578)**	(169,905)
Trade receivables, net	**1,118,976**	1,096,241

Notes to the Consolidated Financial Statements

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

25. TRADE RECEIVABLES, NET (continued)

The carrying amounts of the Group's trade receivables approximated its fair value as at December 31, 2017 because of the short-term maturities of these receivables.

The maximum exposure to credit risk at the end of 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.

As of December 31, 2017 and 2016, the ageing analysis of the trade receivables was as follows:

	2017 RMB'000	2016 RMB'000
Within 6 months	987,787	907,413
Over 6 months but within 1 year	76,694	107,119
Over 1 year but within 2 years	93,287	128,254
Over 2 years but within 3 years	88,543	52,696
Over 3 years	64,243	70,664
Total trade receivables	1,310,554	1,266,146
Provision for impairment of receivables	(191,578)	(169,905)
Trade receivables, net	1,118,976	1,096,241

As of December 31, 2017, trade receivables of RMB10.0 million (2016: RMB30.4 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:

	2017 RMB'000	2016 RMB'000
Over 6 months but within 1 year	5,540	14,015
Over 1 year but within 2 years	499	5,897
Over 2 years but within 3 years	2,043	9,198
Over 3 years	1,937	1,251
	10,019	30,361

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

25. TRADE RECEIVABLES, NET (continued)

As of December 31, 2017, trade receivables of RMB312.7 million (2016: RMB328.4 million) were impaired. The amount of the provision was approximately RMB191.6 million as of December 31, 2017 (2016: approximately RMB169.9 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:

	2017 RMB'000	2016 RMB'000
Over 6 months but within 1 year	71,154	93,104
Over 1 year but within 2 years	92,788	122,357
Over 2 years but within 3 years	86,500	43,498
Over 3 years	62,306	69,413
	312,748	328,372

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

	2017 RMB'000	2016 RMB'000
Balance at beginning of the year	169,905	137,548
Provision for impairment	27,401	32,452
Write-off	(5,728)	(95)
Balance at end of the year	191,578	169,905

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

	2017 RMB'000	2016 RMB'000
RMB	960,135	812,175
HKD denominated	23,462	78,373
USD denominated	153,313	249,913
Others	173,644	125,685
	1,310,554	1,266,146

Notes to the Consolidated Financial Statements

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

26. DUE FROM RELATED PARTIES, NET

	2017 RMB'000	2016 RMB'000
Within 6 months	1,618,865	1,529,257
Over 6 months but within 1 year	627,176	499,689
Over 1 year but within 2 years	225,811	473,437
Over 2 years but within 3 years	1,065	1,531
Over 3 years	9,331	14,388
Due from related parties	2,482,248	2,518,302
Provision for impairment of receivables	–	–
Due from related parties, net	2,482,248	2,518,302

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

As of December 31, 2017, notes receivable of RMB124.1 million (2016: RMB nil million) was included in the above balances.

As of December 31, 2017, due from related parties of RMB863.4 million (2016: RMB989.0 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:

	2017 RMB'000	2016 RMB'000
Over 6 months but within 1 year	627,176	499,689
Over 1 year but within 2 years	225,811	473,437
Over 2 years but within 3 years	1,065	1,531
Over 3 years	9,331	14,388
	863,383	989,045

27. DUE FROM ASSOCIATED COMPANIES

	2017 RMB'000	2016 RMB'000
Trade related balances	46,064	31,663

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

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

28. PREPAYMENTS AND OTHER CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Advance payments	**57,238**	65,867
Interest receivable	**42,902**	17,894
Prepaid expenses	**2,199**	963
Other receivables (i)	**470,630**	419,212
Other current assets	**88,111**	104,767
Total	**661,080**	608,703

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

29. HELD-TO-MATURITY FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
At amortised cost:		
Certificates of deposits held	**1,860,000**	840,000

The annual interest rate on certificates of deposit held by the Group ranges from 3.9% to 4.4% (2016: 2.9% to 3.3%) and these deposits have a maturity period from 91 days to 182 days (2016: 91 days to 359 days) and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate to their fair values.

30. DEPOSITS WITH BANKS WITH ORIGINAL MATURITY DATE OVER THREE MONTHS

	2017 RMB'000	2016 RMB'000
Denominated in:		
RMB	**741,000**	1,887,998
Others	**6,813**	14,512
Total	**747,813**	1,902,510
Non-current portion	**102,063**	320,174
Current portion	**645,750**	1,582,336
Total	**747,813**	1,902,510

Notes to the Consolidated Financial Statements

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

30. DEPOSITS WITH BANKS WITH ORIGINAL MATURITY DATE OVER THREE MONTHS (continued)

As at December 31, 2017, deposits with banks with original maturity date over three months represent deposits with banks with an original maturity over six months or more up to three years. The annual interest rate ranges from 1.5% to 4.2% (2016: 1.5% to 4.2%).

31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Cash		
RMB	**83**	109
Others	**14**	34
Total	**97**	143
Demand deposits – denominated in		
RMB	**3,188,736**	3,482,436
USD denominated	**361,646**	254,159
HKD denominated	**11,489**	18,012
Others	**37,491**	45,747
Total	**3,599,362**	3,800,354
Less: Restricted bank deposits (i)		
Non-current portion	**(3,654)**	(5,893)
Current portion	**(37,506)**	(462,470)
Total	**(41,160)**	(468,363)
Total cash and cash equivalents	**3,558,299**	3,332,134

(i) As at December 31, 2016, 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 and for TravelSky Singapore to acquire borrowings which have been fully refunded and/or settled before the end of 2016.

As at December 31, 2017, the restricted bank deposits mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure the construction project of departure system upgrade in Pudong International Airport and etc.

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

32. TRADE PAYABLES AND ACCRUED LIABILITIES

	2017 RMB'000	2016 RMB'000
Trade payables	948,730	644,331
Accrued departure technology support fees	608,638	506,567
Accrued technical support fees	78,381	78,175
Accrued network usage fees	11,209	18,717
Accrued bonuses and staff cost	264,870	291,547
Other taxes payable (i)	57,182	26,807
Other payables (ii)	1,851,005	1,871,824
Other liabilities	51,487	65,662
Total	3,871,502	3,503,630

At December 31, 2017, approximately RMB194.4 million of the above balances was denominated in U.S. dollars (2016: RMB59.3 million).

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

	2017 RMB'000	2016 RMB'000
Within 6 months	655,075	392,222
Over 6 months but within 1 year	28,623	23,600
Over 1 year but within 2 years	91,020	159,284
Over 2 years but within 3 years	109,227	46,279
Over 3 years	64,785	22,946
Total trade payables	948,730	644,331
Accrued liabilities and other liabilities	2,922,772	2,859,299
Total	3,871,502	3,503,630

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

	2017 RMB'000	2016 RMB'000
Business tax payable	45	4
VAT payable	14,120	9,242
Other	43,017	17,561
Total	57,182	26,807

(ii) Other payables represent the amounts 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

	2017 RMB'000	2016 RMB'000
Within 6 months	209,638	78,550
Over 6 months but within 1 year	26,613	2,788
Over 1 year but within 2 years	2,593	23,278
Over 2 years but within 3 years	25,017	2,360
Over 3 years	25,595	29,147
Total	289,456	136,123

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

34. PAID-IN CAPITAL

As of December 31, 2017, all issued shares are registered and fully paid, totally 2,926,209,589 shares (2016: 2,926,209,589 shares) of RMB1 each, comprised of 1,993,647,589 Domestic Shares and 932,562,000 H Shares (2016: 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 each					
As at December 31, 2016, January 1, 2017, and December 31, 2017	1,993,647	1,993,647	932,562	932,562	2,926,209

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

34. PAID-IN CAPITAL (continued)

	Domestic Shares Number of shares '000	Domestic Shares Amount RMB'000	H Shares Number of shares '000	H Shares Amount RMB'000	Total amount RMB'000
Issued and fully paid:					
Registered shares of RMB1 each					
As at December 31, 2016, January 1, 2017, and December 31, 2017	1,993,647	1,993,647	932,562	932,562	2,926,209

35. RESERVES

	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, 2016	658,443	1,317,293	369,313	849,456	451,675	(5,004)	3,641,176
Currency translation differences	–	–	–	–	–	(615)	(615)
Appropriation to reserves	–	205,709	–	156,277	–	–	361,986
Balance as at December 31, 2016	658,443	1,523,002	369,313	1,005,733	451,675	(5,619)	4,002,547
Balance as at January 1, 2017	**658,443**	**1,523,002**	**369,313**	**1,005,733**	**451,675**	**(5,619)**	**4,002,547**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**2,241**	**2,241**
Changes in fair value of available-for-sale financial assets	**–**	**–**	**–**	**–**	**39,271**	**–**	**39,271**
Appropriation to reserves	**–**	**188,186**	**–**	**204,768**	**–**	**–**	**392,954**
Balance as at December 31, 2017	**658,443**	**1,711,188**	**369,313**	**1,210,501**	**490,946**	**(3,378)**	**4,437,013**

(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 brought forward from prior years represents the revaluation of certain assets including property, plant and equipment, lease prepayment for land use rights 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.

36. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2017, 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.

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 RMB204.8 million to the discretionary surplus reserve fund for the year ended December 31, 2016 was approved in the annual general meeting held on June 27, 2017. The amount was accounted for in shareholders' equity as a distribution of retained earnings in the year ended December 31, 2017.

The proposed appropriation of 10% of its net profit amounted to RMB185.1 million to the discretionary surplus reserve fund for the year ended December 31, 2017 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, 2018.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2017 was approximately RMB6,014.4 million (2016: RMB5,159.9 million).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,850.6 million (2016: RMB2,047.7 million) for the year ended December 31, 2017.

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

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net		**3,634,740**	2,867,205
Lease prepayment for land use right, net		**1,654,059**	1,705,528
Intangible assets, net		**153,531**	301,982
Investments in subsidiaries	(a)	**1,605,496**	1,608,999
Investments in associated companies		**26,140**	26,132
Deferred income tax assets		**143,051**	133,812
Available-for-sale financial assets		**2,953,381**	1,180,000
Other long-term assets		**45,153**	9,875
Restricted bank deposits		**551**	2,791
		10,216,102	7,836,324
Current assets			
Trade receivables, net		**799,076**	833,966
Due from related parties, net		**2,020,534**	1,998,979
Due from subsidiaries, net		**367,192**	204,715
Due from associated companies		**33,787**	19,708
Prepayments and other current assets		**94,264**	131,444
Available-for-sale financial assets		**340,890**	–
Held-to-maturity financial assets		**1,860,000**	840,000
Deposits with banks with original maturity date over three months		**130,000**	–
Restricted bank deposits		**21,089**	452,731
Cash and cash equivalents		**1,483,274**	1,104,434
		7,150,106	5,585,977
Total assets		**17,366,208**	13,422,301
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital		**2,926,209**	2,926,209
Reserves	(b)	**4,002,702**	3,570,477
Retained earnings		**5,659,227**	4,851,180
Total equity		**12,588,138**	11,347,866

Notes to the Consolidated Financial Statements

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

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Note	2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**20,790**	10,627
Deferred revenue		**141,483**	9,228
		162,273	19,855
Current liabilities			
Trade payables and accrued liabilities		**1,814,761**	1,232,370
Due to related parties		**280,283**	101,479
Due to subsidiaries		**2,350,973**	494,793
Income tax payable		**169,780**	225,938
		4,615,797	2,054,580
Total liabilities		**4,778,070**	2,074,435
Total equity and liabilities		**17,366,208**	13,422,301
Net current assets		**2,534,309**	3,531,397
Total assets less current liabilities		**12,750,411**	11,367,721

Approved by the Board of Directors on March 24, 2018.

Cui Zhixiong
Director

Xiao Yinhong
Director

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

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

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

(b)

	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, 2016	661,932	1,310,013	849,456	387,090	3,208,491
Transfer from retained earnings	–	205,709	156,277	–	361,986
Balance as at December 31, 2016	661,932	1,515,722	1,005,733	387,090	3,570,477
Balance as at January 1, 2017	**661,932**	**1,515,722**	**1,005,733**	**387,090**	**3,570,477**
Transfer from retained earnings	**–**	**188,186**	**204,768**	**–**	**392,954**
Changes in fair value of available-for-sale financial assets	**–**	**–**	**–**	**39,271**	**39,271**
Balance as at December 31, 2017	**661,932**	**1,703,908**	**1,210,501**	**426,361**	**4,002,702**

Notes to the Consolidated Financial Statements

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

38. CASH GENERATED FROM OPERATIONS

	2017 RMB'000	2016 RMB'000
Profit before taxation	2,631,629	2,869,646
Adjustments for:		
Depreciation and amortisation	577,043	479,315
Loss on disposal of property, plant and equipment	1,330	759
Interest income	(126,492)	(132,160)
Provision for impairment of receivables	27,401	32,452
Reversal of impairment loss on property, plant and equipment	(839)	(906)
Share of results from associated companies	(35,299)	(26,709)
Gain on disposal of a subsidiary	–	(1,865)
Foreign exchange (gain)/loss	(22,354)	17,405
(Increase)/decrease in current and non-current assets:		
Trade receivables	(38,867)	(309,417)
Inventories	7	(3,265)
Prepayments and other current assets	(27,369)	(71,565)
Due from related parties	36,054	(26,349)
Due from associated companies	(16,554)	2,529
Increase/(decrease) in current liabilities and non-current liabilities:		
Trade payables and accrued liabilities	(14,581)	1,139,946
Deferred revenue	279,008	8,178
Due to related parties	153,333	(15,269)
Cash generated from operations	3,423,450	3,962,725

39. 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, 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. All the share appreciation rights scheme granted in 2011 were fully exercised, lapsed and/or paid on or before end of 2016.

Up to and as at December 31, 2017, the Group did not grant any share appreciation rights. There was no outstanding share appreciation rights as at December 31, 2017.

40. 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.

Notes to the Consolidated Financial Statements

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

40. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(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, deposits with banks with original maturity date over three months, cash and cash equivalents and trade payables denominated in foreign currencies. Analysis of these assets and liabilities by currency are disclosed in Notes 25, 30, 31 and 32 respectively.

As at December 31, 2017, if RMB had strengthened/weakened by 5% against USD, HKD and EUR 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 RMB41 million (2016: RMB27 million) lower/higher, mainly as a result of foreign exchange differences on translation of balances of denominated in USD, HKD and EUR trade receivables, deposits with banks with original maturity date over three months, cash and cash equivalents and trade payables.

(ii) Interest rate risk

The Group's interest-bearing assets are mainly represented by deposits with banks with original maturity date over three months, cash and cash equivalents and held-to-maturity financial assets. For the year ended December 31, 2017, interest income is approximately RMB126.5 million (2016: RMB132.2 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 deposits with banks with original maturity date over three months are disclosed in Notes 29 and 30 respectively.

The Group has no significant borrowings or non-current liabilities at December 31, 2017 and therefore do not have significant exposure to changes in interest rates.

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from trade receivables, deposits with banks with original maturity date over three months, 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. As at December 31, 2017, approximately 81% (2016: 89%) 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 59% (2016: 55%) of the total bank balances were concentrated with 4 largest state-owned banks as at December 31, 2017.

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

40. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2017, approximately 20% of the Group's total assets are current assets in cash and cash equivalents and deposits with banks with original maturity date over three months (2016: 27%). Directors believe the Group has sufficient cash balances to meet its daily operations requirements and has no significant exposure to liquidity risk.

Capital risk management

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

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

Fair value measurement

(i) Financial instruments carried at fair value

The following table presents 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 assets and liabilities that are measured at fair value at the end of the reporting periods:

2017	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	2,419,271	2,419,271

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

40. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	1,180,000	1,180,000

During the year ended December 31, 2017 and 2016, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

The movements of Level 3 financial instruments for the years ended December, 31 are summarised as follows:

	2017 **RMB'000**	2016 RMB'000
As at January, 1	**1,180,000**	–
Purchases	**1,200,000**	1,180,000
Fair value changes	**39,271**	–
As at December, 31	**2,419,271**	1,180,000

The fair value of financial assets that are grouped under Level 3 is determined by using valuation techniques. In determining the fair value, specific valuation techniques are used, include comparing the fair value of the underlying financial assets within the portfolio and the investment return relevant to those financial assets.

Changing unobservable inputs used in the Level 3 valuation to reasonable alternative assumptions would not have a significant impact on the Group's profit or loss.

(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, deposits with banks with original maturity date over three months, restricted bank deposits, held-to-maturity financial assets, trade receivables, prepayments and other current assets, 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, 2017 because of the short-term maturities of these instruments.

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

41. 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, 2017 and 2016.

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.

For certain customers which accounted for greater than 10% of the Group's total revenues, please refer to Note 43 for details.

42. COMMITMENTS

(a) Capital commitments

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

	2017 RMB'000	2016 RMB'000
Authorised and contracted for		
– Computer System and others	**61,329**	79,202
– Assets under constructions	**616,699**	1,475,459
– Furniture, fixtures and other equipment	**1,757**	1,688
– Available-for-sale financial assets	**875,000**	1,750,000
Authorised but not contracted for		
– Computer System and others	**1,512,876**	703,908
Total	**3,067,661**	4,010,257

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

An amount of approximately RMB47.9 million (2016: RMB60.6 million) of capital commitments has been contracted for at December 31, 2017 which was denominated in U.S. dollars.

Notes to the Consolidated Financial Statements

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

42. COMMITMENTS (continued)

(b) Operating lease commitments

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

	2017 RMB'000	2016 RMB'000
Within one year	**61,619**	139,484
Later than one year but not later than five years	**29,679**	67,120
Total	**91,298**	206,604

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, 2017, the Group had equipment maintenance fee commitments of approximately RMB296.4 million (2016: RMB182.3 million).

43. 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 2016), "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.

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

43. RELATED PARTY TRANSACTIONS (continued)

(1) Related parties

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

Name	Relationship with the Company
CTHC	Shareholder of the Company, ultimate holding company
China Southern Air Holding Company Limited (formerly known as 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 Limited (formerly known as China Eastern Air Holding Company)	Shareholder of the Company
China Eastern Airlines Corporation Limited	Shareholder of the Company
China National Aviation Holding Company Limited (formerly known as 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 Holding Company Limited (formerly known as 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

Notes to the Consolidated Financial Statements

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

43. 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	2017 RMB'000	2016 RMB'000
China Southern Airlines Company Limited	(a)	**690,926**	635,498
China Eastern Airlines Corporation Limited	(a)	**836,768**	772,320
Air China Limited	(a)	**751,695**	715,843
Hainan Airlines Holding Company Limited	(a)	**501,929**	350,076

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, 2017, operating lease rentals for lease of properties from CTHC amounted to RMB50.1 million (2016: RMB50.3 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)

43. RELATED PARTY TRANSACTIONS (continued)

(3) Balances with related parties

Balances due from the related parties mainly comprised:

Name	Note	2017 RMB'000	2016 RMB'000
Trade related balances (i)			
China Southern Airlines Company Limited	(a)	**519,394**	228,665
China Eastern Airlines Corporation Limited	(b)	**926,783**	1,066,573
Air China Limited	(c)	**148,799**	468,270
Hainan Airlines Holding Company Limited		**392,894**	203,351
Other balances (ii)			
China Southern Airlines Company Limited	(a)	**142,593**	138,747
China Eastern Airlines Corporation Limited	(b)	**86,775**	112,648
Air China Limited	(c)	**182,348**	228,682

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.

Notes:

(a) Included the transaction balance of its subsidiary, Xiamen Airlines Company Limited, Chongqing Airlines Company Limited, Hebei Airlines Company Limited and Jiangxi 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)

43. RELATED PARTY TRANSACTIONS (continued)

(4) Balances with other major state-owned enterprises

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

	2017 **RMB'000**	2016 RMB'000
Bank balances	**2,532,068**	2,865,008

The Group is a state-owned enterprise. In accordance with the IAS 24 (revised 2016), "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.

44. BUSINESS COMBINATIONS

Acquisition of subsidiaries in the previous year

On May 5, 2016, TravelSky Technology (Singapore) Limited, a wholly-owned subsidiary of the Company, has acquired 100% equity interest in OpenJaw Technologies Limited (the "**OpenJaw**") which has three subsidiaries underneath, for a consideration of USD39.4 million (equivalent to approximately RMB257 million) from independent third parties (the "**Acquisition**"). OpenJaw is mainly engaged in the provision of services in relation to the travel technologies and products, whose principal business is related to the principal business of the Company. Therefore, the Board believes that the Acquisition will be beneficial to the enrichment of the product portfolio and the user-scale expansion of the Company which is consistent with the development strategy of the Company.

The acquisition was accounted for using the purchase method.

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

44. BUSINESS COMBINATIONS (continued)

Acquisition of subsidiaries in the previous year (continued)

Net assets acquired in the above transaction are as follows:

	Fair value at the date of acquisition RMB'000
Net assets acquired:	
Property, plant and equipment (Note 14)	1,816
Intangible assets (Note 17)	88,785
Trade receivables	24,084
Prepayments and other current assets	4,355
Cash and cash equivalents	21,883
Trade payables and accrued liabilities	(17,489)
Income tax payable	(632)
Deferred income tax liabilities (Note 21)	(10,500)
Net assets	112,302
Goodwill (Note)	144,488
Total consideration	256,790

	2016 RMB'000
Total consideration satisfied by:	
Cash	256,790
	256,790
Net cash outflow arising on acquisition:	
Cash consideration paid	(256,790)
Cash and cash equivalents acquired	21,883
Net cash outflow	(234,907)

Note: The goodwill arose from a number of factors and the most significant factor is the synergies expected to arise after the acquisition of OpenJaw 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 approximately RMB106.9 million and approximately RMB5.3 million respectively attributable to the additional business generated by the newly acquired subsidiaries for the period between the date of acquisition and December 31, 2016.

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

44. BUSINESS COMBINATIONS (continued)

Acquisition of subsidiaries in the previous year (continued)

Had this business combination been effected on January 1, 2016, the revenue of the Group would be approximately RMB6,273.2 million and profit for the year of the Group would be approximately RMB2,495.1 million. The directors of the Company 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.

45. DISPOSAL OF A SUBSIDIARY

On June 12, 2016, the Company entered into a sales contracts with an independent third party in relation to the disposal of Beijing TravelSky Huayi Software Technology Co., Ltd ("**TravelSky HY-Software**"), a subsidiary of the Company, for a consideration of RMB6 million and the transaction was completed on 24 August, 2016.

The net assets of the disposed subsidiary at the date of disposal were as follows:

	2016 RMB'000
Net assets disposed of:	
Goodwill (Note 18)	4,166
Property, plant and equipment, net (Note 14)	179
Intangible assets, net (Note 17)	56
Inventories	122
Trade receivables, net	771
Prepayments and other current assets	214
Cash and cash equivalents	524
Trade payables and accrued liabilities	(1,918)
Net assets disposal of	4,114
Consideration received:	
Cash received	6,000
Less: Net assets disposed of	(4,114)
Non-controlling interests	(21)
Gain on disposal of a subsidiary	1,865
Net cash inflow/(outflow) of cash arising from disposal of a subsidiary:	
Cash consideration	6,000
Cash and cash equivalents in subsidiary disposed of	(524)
Net cash inflow from disposal of a subsidiary	5,476

46. ULTIMATE HOLDING COMPANY

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

47. EVENTS AFTER THE END OF THE REPORTING PERIOD

On May 20, 2016, the Company entered into a share subscription agreement in relation to the formation of a joint stock company, namely China Merchants RenHe Property and Casualty Insurance Company Limited ("**CMRH P&C**"). For details, please refer to the Company's announcement dated May 20, 2016. The registered capital of CMRH P&C is RMB5 billion, which will be contributed by the shareholders of the joint stock company in cash. The Company will contribute RMB875 million to CMRH P&C and will hold 17.5% of equity interest in CMRH P&C upon completion of such transaction. The formation of CMRH P&C is conditional upon obtaining the approval by regulatory authorities and the completion of other applicable approval procedures. As at the date of this report, the abovementioned procedure is still in progress.

48. COMPARATIVE FIGURES

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

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on March 24, 2018.

SUPPLEMENTARY INFORMATION FROM THE MANAGEMENT

FIVE YEAR FINANCIAL SUMMARY

For the Year Ended December 31, 2017

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

	Year ended December 31,				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Revenues	4,509,311	5,336,412	5,471,831	6,223,267	**6,734,245**
Profit before taxation	1,312,419	1,904,968	2,317,358	2,869,646	**2,631,629**
Profit attributable to owner of the Parent	1,205,732	1,652,589	1,914,362	2,421,114	**2,248,653**
Earnings before interests, tax, depreciation and amortisation	1,629,781	2,223,566	2,692,372	3,216,801	**3,082,180**
Earnings per share (Basic and diluted) (RMB)	0.41	0.56	0.65	0.83	**0.77**

	As at December 31,				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Total assets	11,141,535	12,729,607	14,871,195	18,130,664	**20,593,195**
Total liabilities	1,841,056	2,153,389	2,690,110	3,965,754	**4,732,757**
Total equity	9,300,479	10,576,218	12,181,085	14,164,910	**15,860,438**

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, 2017.

CORPORATE INFORMATION

(as of the issue date of this report)

BOARD

The sixth session of the Board of the Company established by election by shareholders on October 18, 2016 comprises:

Cui Zhixiong	*The Chairman, Executive Director*
Xiao Yinhong	*Executive Director, General Manager*
Cao Jianxiong	*Non-executive Director*
Li Yangmin	*Non-executive Director*
Yuan Xin'an	*Non-executive Director*
Cao Shiqing	*Independent Non-executive Director*
Ngai Wai Fung	*Independent Non-executive Director*
Liu Xiangqun	*Independent Non-executive Director*

AUDIT AND RISK MANAGEMENT COMMITTEE

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Ngai Wai Fung	*Chief Member (Chairman)*
Cao Shiqing	*Member*
Liu Xiangqun	*Member*

REMUNERATION AND EVALUATION COMMITTEE

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Cao Shiqing	*Chief Member (Chairman)*
Ngai Wai Fung	*Member*
Yuan Xin'an	*Member*
Liu Xiangqun	*Member*

NOMINATION COMMITTEE

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Cui Zhixiong	*Chief Member (Chairman)*
Cao Shiqing	*Member*
Liu Xiangqun	*Member*

Corporate Information

(as of the issue date of this report)

STRATEGIC COMMITTEE

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Cui Zhixiong	*Chief Member (Chairman)*
Xiao Yinhong	*Member*
Cao Jianxiong	*Member*
Li Yangmin	*Member*
Yuan Xin'an	*Member*

SUPERVISORY COMMITTEE

The sixth session of the Supervisory Committee of the Company established by election by shareholders on October 18, 2016 (other than the staff supervisors) comprises:

Huang Yuanchang	*Chairperson of the Supervisory Committee* *Staff Supervisor* (appointed by the staff representative committee of the Company on January 17, 2017)
Xiao Wei	*Staff Supervisor* (appointed by the staff representative committee of the Company on January 17, 2017)
Zeng Yiwei	*Supervisor*
He Haiyan	*Supervisor*
Rao Geping	*Independent Supervisor*

SENIOR MANAGEMENT

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Xiao Yinhong	*General Manager*
Liu Jianping	*Vice General Manager* (appointed on May 5, 2017)
Rong Gang	*Vice General Manager*
Wang Wei	*Vice General Manager*
Li Jinsong	*Vice General Manager, Chief Financial Officer (Chief Accountant)*
Zhu Xiaoxing	*Vice General Manager*
Yu Xiaochun	*Company Secretary (Secretary to the Board)*

SENIOR MANAGEMENT MEMBER RESIGNED

Sun Yongtao	*Vice General Manager* (retired on August 25, 2017)

(as of the issue date of this report)

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
18/F, Tower B, Xinsheng Plaza, 5 Finance Street,
Xicheng District, Beijing 100032, PRC
(Note: Guantao Law Firm served as the PRC legal advisor of the Company during the reporting period, but has ceased to be the PRC legal advisor as of the issue date of this report)

PUBLIC RELATIONS CONSULTANT

Porda Havas International Finance Communications Group
Unit 2401, 24/F, Admiralty Centre I Tower II, 18 Harcourt Road, Hong Kong
Telephone: (852) 3150 6788
Facsimile: (852) 3150 6728
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Corporate Information

(as of the issue date of this report)

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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 Mellon

Regular Mail:
BNY Mellon Shareowner Services
P.O.BOX 505000
Louisville, KY 40233-5000

Overnight Mail:
BNY Mellon Shareowner Services
462 South 4th Street, Suite 1600
Louisville, KY 40202

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

You may obtain the financial reports, announcements, circulars, operation data and results presentation of the Company through this website.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

DIRECTORS

Mr. Cui Zhixiong, aged 57, the Chairman and an executive director of the Company, graduated as a postgraduate 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 November 1989, he served as an army officer. From November 1989 to February 1993, he worked in the National Government Offices Administration (國家機關事務管理局) and held positions as a deputy secretary and secretary of the Communist Youth League Committee of the State Organs of the CPC. From February 1993 to April 2004, he served as a director of general office, in the League Committee of the Central Government Departments (中央國家機關團委), a deputy secretary and secretary in the League and Working Committee (團工委), and chairman of the State Organs Youth Federation of the CPC (中央國家機關青年聯合會). Mr. Cui served temporary positions as deputy secretary-general of Gansu Provincial Committee and Deputy Secretary of Municipal Committee of Jiayuguan, Gansu Province from November 2001 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. From December 2015 to December 2017, he served as a general manager of China TravelSky Holding Company. Since March 31, 2016, Mr. Cui has been appointed as the Chairman of the Company. Since October 2016, Mr. Cui has been re-appointed as an executive director of the sixth session of the Board of the Company, and re-appointed as the chief member of the Nomination Committee and Strategic Committee. Since December 2017, he served as chairman and general manager of China TravelSky Holding Company Limited. Since January 2018, he was elected to be a member of the thirteenth National Committee of the Chinese People's Political Consultative Conference. China TravelSky Holding Company Limited 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. Cui is a director of China TravelSky Holding Company Limited.

Mr. Xiao Yinhong, aged 55, an executive director and the General Manager of the Company, is a professor-level senior engineer graduated from Zhejiang University. He was awarded a master's degree of administration from Beihang University (北京航空航天大學) with over 30 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. Since October 2016, Mr. Xiao has been serving as an executive director of the sixth session of the Board of the Company and has been re-appointed as a member of the Strategic Committee. Since December 2017, he has served as director of China TravelSky Holding Company Limited. China TravelSky Holding Company Limited 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. Xiao is a director of China TravelSky Holding Company Limited.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Cao Jianxiong, aged 58, a non-executive director of the Company and a senior economist, 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 (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: 00670 (Hong Kong Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)) in December 1996. From September 1999 to December 2008, he served as the deputy general manager of China Eastern Air Holding Company. 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 Eastern Airlines Corporation Limited. From October 2006 to December 2008, he served as the general manager of China Eastern Airlines Corporation Limited. Since December 2008, Mr. Cao served as the deputy general manager and a member of Communist Party Group of China National Aviation Holding Company. Since November 2016, Mr. Cao has been serving as the Deputy Party Secretary of the Communist Party Committee of the China National Aviation Holding Company. From May 2017, he has been concurrently serving as the deputy party secretary and vice president of Air China Limited. From June 2009 to October 2017, Mr. Cao 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: 00753 (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. Since October 2016, Mr. Cao has been serving as a non-executive director of the sixth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee. China National Aviation Holding Company Limited 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 Limited.

Mr. Li Yangmin, aged 54, a non-executive director of the Company, is a professor-level senior engineer. Mr. Li graduated from the Civil Aviation University of China and obtained a master's degree from Northwestern Polytechnical University and an Executive Master of Business Administration (EMBA) degree from Fudan University. Mr. Li joined the civil aviation industry in 1985. He previously served as the deputy general manager of the aircraft maintenance base and the manager of air route department (航線部) of Northwest Airlines Company (西北航空公司), general manager of the aircraft maintenance base of China Eastern Airlines Northwest Branch (中國東方航空西北分公司), deputy general manager of China Eastern Airlines Northwest Branch and general manager of China Eastern Airlines Yunnan Branch (中國東方航空雲南分公司). Mr. Li has been served as the deputy general manager of China Eastern Airlines Corporation Limited (a subsidiary of China Eastern Air Holding Company, a promoter and a substantial shareholder of the Company; whose shares are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 00670 (Hong Kong Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)) from October 2005, and concurrently served as the safety director of China Eastern Airlines Corporation Limited from July 2010 to December 2012. He has become a party member of China Eastern Air Holding Company since May 2011. Mr. Li has been served as director of China Eastern Airlines Corporation Limited since June 2011. From June 2011 to December 2017, he served as the party secretary of China Eastern

Airlines Corporation Limited. He concurrently served as the Chairman of China Cargo Airlines from February 2012 to January 2013. He concurrently served as executive director of Eastern Air Logistics Co., Ltd. (東方航空物流有限公司) from December 2012 to June 2016. Since August 2016, Mr. Li has been serving as the deputy party secretary of the Communist Party Committee and the deputy general manager of the China Eastern Airlines Corporation Limited. Since October 2016, Mr. Li has been serving as the Chairman of China Aviation Supplies Co., Ltd (中國航空器材有限責任公司). Since December 2017, Mr. Li has been serving as the deputy Party secretary of China Eastern Airlines Corporation Limited. Since December 2015, Mr. Li has served as a non-executive director of the fifth session of the Board of the Company and a member of the Strategic Committee. Since October 2016, Mr. Li has been serving as a non-executive director of the sixth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee. China Eastern Air Holding Company Limited 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. Li is an employee of China Eastern Air Holding Company Limited.

Mr. Yuan Xin'an, aged 61, a non-executive director of the Company and a senior engineer, graduated from Xi'an Air Force Engineering University with a bachelor degree in Aerospace Machinery. Mr. Yuan began his career in December 1976 and previously served as the quality control manager, the deputy director and the deputy general manager of Guangzhou Aircraft Maintenance Engineering Co., Ltd. (民航廣州飛機維修公司), the deputy general manager of the engineering department of China Southern Airlines Company Limited (a company whose shares are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 01055 (Hong Kong Stock Exchange); 600029 (Shanghai Stock Exchange); a subsidiary of China Southern Air Holding Company (a promoter and a substantial shareholder of the Company), the chief engineer and the general manager of engineering department of China Southern Airlines Company Limited. Mr. Yuan served as the deputy general manager and a member of the standing committee of the Communist Party Committee of China Southern Airlines Company Limited from April 2002 to September 2007, and concurrently served as the assistant to the general manager of China Southern Air Holding Company from February to September 2007. Mr. Yuan has served as the deputy general manager and a member of the Party Group of China Southern Air Holding Company from September 2007 to December 2017, and has concurrently served as the general council of China Southern Air Holding Company since July 2008. Mr. Yuan concurrently serves as the chairman of MTU Maintenance Zhuhai Co., Ltd. (珠海保稅區摩天宇航空發動機維修有限公司), Guangzhou Southern Airline Construction Company Limited (廣州南航建設有限公司), as well as a director of China Aircraft Services Limited (中國飛機服務有限公司). Since December 2015, Mr. Yuan has served as a non-executive director of the fifth session of the Board of the Company, a member of the Remuneration and Evaluation Committee and a member of the Strategic Committee. Since October 2016, Mr. Yuan has been serving as a non-executive director of the sixth session of the Board of the Company, and has been re-appointed as a member of the Remuneration and Evaluation Committee and a member of the Strategic Committee. China Southern Air Holding Company Limited 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. Yuan is an employee of China Southern Air Holding Company Limited.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

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Mr. Cao Shiqing, aged 63, an independent non-executive director of the Company, is a professor-level senior engineer and graduated from Tsinghua University. Mr. Cao served successively as the deputy dean and party secretary of the Seventh Design and Research Institute of the Ministry of Machinery Industry (機械工業部第七設計研究院) from September 1990 to October 2000. From October 2000 to December 2004, Mr. Cao served as the party secretary and deputy dean of the China Machinery International Engineering Consultant & Design Institute (中機國際工程諮詢設計總院). From December 2004 to August 2006, he served as the party secretary and deputy dean of the China Information Technology Designing & Consulting Institute (中訊郵電諮詢設計院). Mr. Cao served as the party secretary and deputy general manager of China New Era Group Corporation (中國新時代控股集團公司) from August 2006 to January 2010, and as the party secretary and deputy dean of the China Academy of Machinery Science & Technology (機械科學研究總院) from January 2010 to August 2015. Since January 2016, Mr. Cao has served as an independent non-executive director of the fifth session of the Board of the Company, a member of the Audit and Risk Management Committee, the chief member of the Remuneration and Evaluation Committee and a member of the Nomination Committee. Since October 2016, Mr. Cao has been serving as an independent non-executive director of the sixth session of the Board of the Company, and has been re-appointed as a member of the Audit and Risk Management Committee, a chief member of the Remuneration and Evaluation Committee and a member of the Nomination Committee.

Dr. Ngai Wai Fung, aged 56, an independent non-executive director of the Company, is a director and the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. Dr. Ngai has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chips companies. Dr. Ngai led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He was the president of The Hong Kong Institute of Chartered Secretaries (2014-2015), and he is a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants and a member of the General Committee of The Chamber of Hong Kong Listed Companies, and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC. Dr. Ngai was appointed as a member of the Working Group on Professional Services under the Economic Development Commission of The Hong Kong Special Administrative Region from Jan 2013 to March 2018. He is a fellow of The Association of Chartered Certified Accountants in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of The Hong Kong Institute of Chartered Secretaries, a fellow of The Hong Kong Institute of Directors and a member of The Hong Kong Securities and Investment Institute. Dr. Ngai obtained a Doctoral Degree in Finance at Shanghai University of Finance and Economics and received a Master's Degree in Corporate Finance from Hong Kong Polytechnic University and a Master's Degree in Business Administration from Andrews University of Michigan and a Bachelor's Degree in Law at University of Wolverhampton. Dr. Ngai is the independent non-executive director of the following companies, namely BaWang International (Group) Holding Limited (SEHK, Stock Code: 01338), Health and Happiness (H&H) International Holdings Limited (formerly known as Biostime International Holdings Limited) (SEHK, Stock Code: 01112), Bosideng International Holdings Limited (SEHK, Stock Code: 03998), Beijing Capital Grand Limited (formerly known as Beijing Capital Juda Limited) (SEHK, Stock Code: 01329), Powerlong Real Estate Holdings Limited (SEHK, Stock Code: 01238), SITC International Holdings Company Limited (SEHK, Stock Code: 01308), Yangtze Optical Fibre and Cable Joint Stock Limited Company (SEHK, Stock Code: 06869), BBMG Corporation (English translation denotes for identification purposes only) (SEHK, Stock Code: 02009), China HKBridge Holdings Limited (formerly known as Topsearch International (Holdings) Limited) (SEHK, Stock Code: 02323) and China Communications Construction Company Limited (SEHK, Stock Code: 06869). Dr. Ngai is also the independent director of LDK Solar Co., Ltd. and SPI Energy Co., Ltd. Dr. Ngai was the independent non-executive director of China Railway Construction Corporation Limited from November 2007 to October 2014, Sany Heavy Equipment International Holdings Company Limited from November 2009 to December 2015, China Coal Energy Company Limited from December 2010 to June 2017 and China Railway Group Limited from June 2014 to June 2017. Since January 2016, Dr. Ngai had served as an independent non-executive director of the fifth session of the Board of the Company. Since October 2016, Dr. Ngai has served as an independent non-executive director of the sixth session of the Board of the Company, the Chairman of Audit and Risk Management Committee and a member of the Remuneration and Evaluation Committee.

Mr. Liu Xiangqun, aged 64, holds an Executive MBA (EMBA) degree awarded by the University of Hong Kong and Fudan University. Mr. Liu started his career in 1970. From February 1986 to February 1987, Mr. Liu worked as a cadre of the Secretariat of the Tenth Division of the Beijing Municipal Public Security Bureau. From February 1987 to May 1991, he served successively as the principal staff member and deputy chief of the Secretariat of General Office of the Ministry of Justice of the PRC. From May 1991 to December 1999, he served successively as the director of general office and head of the second division of the Personnel Department of the National Administration under the Ministry of Personnel of the PRC. From December 1999 to November 2001, he served successively as head of the Second Division and deputy director-level consultant of the State-owned Enterprises Working Committee Organization Department. He served as the deputy party secretary and secretary of the disciplinary inspection committee of China Satellite Communications Corporation from November 2001 to December 2007. From December 2007 to July 2014, he served as the deputy party secretary, secretary of the disciplinary inspection committee and director of China National Agricultural Development Group Co., Ltd. From May 2008 to June 2010, Mr. Liu concurrently served as the chairman of the supervisory committee of CNFC Overseas Fisheries Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock abbreviation: CNFC Fishery; stock code: 000798). Mr. Liu has been serving as an external director of China National Salt Industry Corporation since July 2015. Since October 2016, Mr. Liu has been serving as an independent non-executive director of the sixth session of the Board of the Company, a member of the Audit and Risk Management Committee, a member of the Remuneration and Evaluation Committee and a member of the Nomination Committee.

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SUPERVISORS

Mr. Huang Yuanchang, aged 55, Chairperson of the Supervisory Committee and a staff supervisor of the Company, is a senior engineer graduated from Nanjing Institute of Technology (南京工學院). 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 August 1983 to October 2000, Mr. Huang served as the deputy head and head of the Machine Room, the head of Operation Room, the head of Production Management Department, assistant to the general manager 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 August 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 supervisor and the chairperson of the fifth session of the Supervisory Committee of the Company. Since October 2016, he continued to serve as a staff supervisor and the chairperson of the sixth session of the Supervisory Committee of the Company.

Mr. Xiao Wei, aged 48, a staff 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 a 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 Director to the Disciplinary Committee (Supervision) of the Company since October 2008. Since March 2010, Mr. Xiao served as a staff supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Mr. Xiao has been re-appointed as a staff supervisor of the fifth session of the Supervisory Committee of the Company. Since October 2016, he continued to serve as a staff supervisor of the sixth session of the Supervisory Committee of the Company. Since September 2017, Mr. Xiao served as Deputy secretary for discipline inspection of China TravelSky Holding 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 47, a supervisor of the Company, graduated from Xiamen University and has a master's degree of EMBA from Tsing Hua University and is a senior accountant enjoying the benefits of professor. 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 and general manager of the Finance and Accounting Department of Xiamen Airlines (廈門航空有限公司). She has been served as deputy chief accountant and the general manager of the Finance and Accounting Department of Xiamen Airlines from August 2015 to May 2017. Since June 2017, she has served as chief accountant in Xiamen Airlines. 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. Since October 2016, she continued to serve as a supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. He Haiyan, aged 55, 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 served as the general manager of the Information Management Department and the IT Department of HNA Airlines Group Co., Ltd. (海航航空集團有限公司) from November 2012 to January 2016. From June 2016 to December 2016, Mr. He served as the Information Technology Director of HNA Tourism Group Co., Ltd. (海航旅業集團有限公司). From January 2016 to August 2017, Mr. He served as the Information Technology Director of HNA Aviation Management & Consulting Co., Ltd (海航航空管理服務有限公司).Since August 2017, he has been serving as the vice president (Information) of Hainan Airlines Holding Co., Ltd. (海航航空控股股份有限公司). Mr. He has served as a supervisor of the fifth session of the Supervisory Committee of the Company since June 2013. Since October 2016, he continued to serve as a supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. Rao Geping, aged 70, 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 12th 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 served as an independent director of CITIC Securities Company Limited (Hong Kong Stock Exchange stock code: 06030, Shanghai Stock Exchange stock code: 600030) and now acts as a non-employee supervisor of CITIC Securities Company Limited. 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. Since October 2016, he continued to serve as an independent supervisor of the sixth session of the Supervisory Committee of the Company.

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SENIOR MANAGEMENT

Mr. Liu Jianping, aged 55, graduated from Southeast University with a doctor's degree in management science and engineering. From September 1979 to July 1994, he served in the army. From July 1994 to March 2003, he worked in the Personnel Department of State Economic and Trade Commission and served successively as a principal staff member, associate researcher, deputy director of the Cadres Division, director of the General Division and director of the Cadres Division. From March 2003 to November 2016, he served successively as an associate inspector and then vice inspector of the Enterprise Distribution Bureau of the State-owned Assets Supervision and Administration Commission of the State Council, during which he took a temporary post as a member of the Standing Committee and a deputy mayor of Jiujiang City in Jiangxi Province from August 2007 to October 2011, a deputy head of the State-owned Assets Supervision and Administration Commission of Jiangxi Province from October 2011 to May 2013, and a deputy director of the Sichuan Provincial Investment Promotion Bureau from May 2013 to November 2016. Since November 2016, he has been serving as the deputy secretary of party committee of China TravelSky Holding Company and the Company.

Mr. Rong Gang, aged 55, 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 57, 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.

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Mr Li Jinsong, aged 48, a vice general manager and the Chief Financial Officer of the Company, is a senior engineer. He graduated from Tsinghua University and holds a bachelor degree of engineering, master degree of business administration and a doctor of philosophy degree in law from Tsinghua University. He is currently a certified public accountant, lawyer and an arbitrator of the Beijing Arbitration Commission. Mr Li served as a business manager of the Investment Management Department of China Huaqing Industrial Corporation (中國華輕實業公司) from August 1990 to September 1995, the general manager of Liaoning Huaqing Inc. (遼寧華輕實業有限責任公司) from September 1995 to September 2000, and the assistant to general manager of China Huaqing Industrial Corporation from September 2000 to March 2002. He served as a certified public accountant of Xinhua Accounting Firm (新華會計師事務所) from March 2002 to February 2004, and served as associate professor and a member of the Academic Committee of Beijing National Accounting Institute from February 2004 to March 2007 (during this period, he was also a research scholar at the London School of Economics and Political Science). In March 2007, he held the position of general counsel of China TravelSky Holding Company. From August 2007 to December 2008, he also served as the general manager of Department of Corporate Audit Monitoring and Law Affairs (公司審計監察與法律事務部) of China TravelSky Holding Company. From December 2008 to March 2014, Mr Li has been the general counsel of the Company. Mr Li served as the chief accountant of China Academy of Machinery Science and Technology (機械科學研究總院) from March 2014 to September 2016. Since October 2016, Mr. Li has been serving as the vice general manager of the Company and the Chief Financial Officer of the Company.

Mr. Zhu Xiaoxing, aged 53, a vice general manager and a senior engineer of the Company, graduated from Jilin University majoring in computer software and was awarded an Executive Master degree of Business Administration (EMBA) by Tsinghua University. Mr. Zhu has more than 30 years of experience in operating management and technical management in China's civil aviation industry. Mr. Zhu held positions including system engineer and 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. From October 2000 to August 2004, 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 50, 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. Since October 2016, he has re-appointed as the company secretary of the Company and secretary to the Board.