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)

2019 ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

TravelSky Technology Limited (the "**Company**", together with its subsidiaries, the "**Group**") is the dominant provider of information technology solutions for China's aviation and travel industry. The core businesses of the Company include aviation information technology service, distribution information technology service, accounting, settlement and clearing service for aviation industry, etc. 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 Company was incorporated in the People's Republic of China (the "**PRC**" or "**China**") on October 18, 2000. 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. On December 27, 2002, the American depositary shares under the Sponsored Level I American Depositary Receipt Programme established by the Company commenced trading on the U.S. over-the-counter market (OTC). The H shares of the Company has been added to the lists of MSCI Emerging Markets Index, Hang Seng Composite LargeCap & MidCap Index, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect since 2015.

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 14 domestic shareholders, including China Eastern Air Holding Company Limited, China National Aviation Holding Company Limited, China Southern Air Holding Company Limited and China Mobile Capital Holding Co., Ltd.. The remaining 31.87% of the equity interest in the Company is held by holders of its H shares.

As of December 31, 2019, the Group has more than 20 domestic subsidiaries in China, including Accounting Centre of China Aviation Limited Company ("**ACCA**"), TravelSky Mobile Technology Limited, Cares Shenzhen Co., Ltd., Civil Aviation Cares of Qingdao Ltd., etc. The Group has nearly 10 overseas wholly-owned subsidiaries in many countries and regions, namely USA, Europe, Australia, Singapore, Japan, Korea, Hong Kong, Taiwan, etc. Meanwhile, the Group holds equity interests in over 10 associates, namely Shanghai Civil Aviation East China Cares System Integration Co., Ltd., Aviation Cares of Southwest Chengdu, Ltd., etc.

The Group had 7,476 employees as of December 31, 2019.

FINANCIAL HIGHLIGHTS

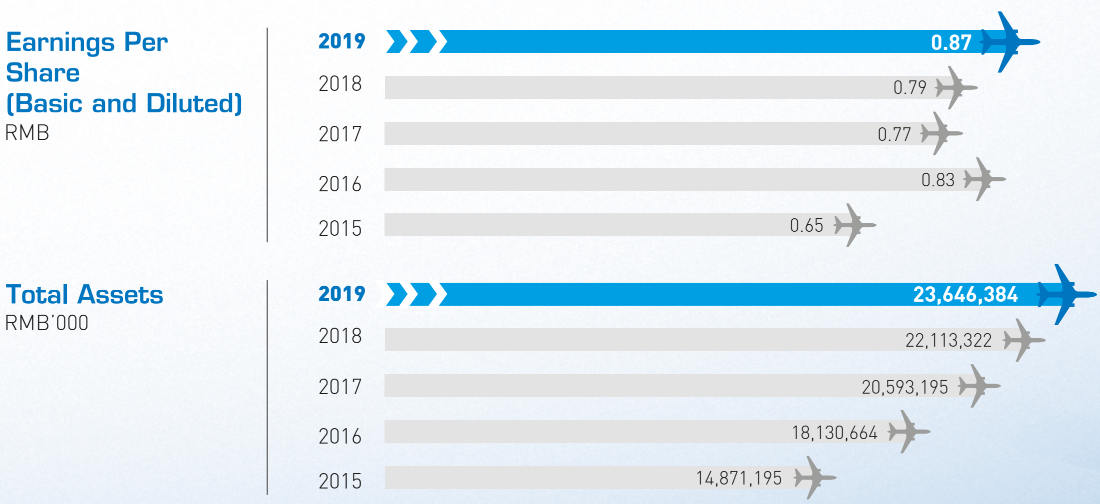
For the year ended December 31, 2019

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

	For the year ended December 31,				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Revenues	5,471,831	6,223,267	6,734,245	7,472,114	**8,121,673**
Profit before taxation	2,317,358	2,869,646	2,631,629	2,650,372	**2,819,676**
Profit attributable to equity holders of the Company	1,914,362	2,421,114	2,248,653	2,325,129	**2,542,861**
Earnings before interests, tax, depreciation and amortisation	2,692,372	3,216,801	3,082,180	3,133,460	**3,475,253**
Earnings per share (Basic and diluted) (RMB)	0.65	0.83	0.77	0.79	**0.87**

Note: Earnings per share were calculated on the basis of total number of shares in issue of the Company of 2,926,209,589 shares as at December 31, 2019.

	As at December 31,				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Total assets	14,871,195	18,130,664	20,593,195	22,113,322	**23,646,384**
Total liabilities	2,690,110	3,965,754	4,732,757	4,685,762	**4,412,868**
Total equity	12,181,085	14,164,910	15,860,438	17,427,560	**19,233,516**



STATEMENT OF THE BOARD

DEAR SHAREHOLDERS,

The year 2019 marks the 70th anniversary of the founding of the People's Republic of China and is a key year for building a well-off society in an all-round way and achieving the first centennial goal. Facing the complex changes in the macro environment, the Group has always adhered to safety first, strict enterprise management, strengthened scientific and technological support, steady progress in production and operation, smooth progress in business promotion, deepened reform and achieved breakthroughs, made further progress in scientific and technological innovation, strengthened enterprises with talents, demonstrated social responsibility, achieved good growth in various business indicators, and successfully completed the civil aviation travelers information security during the celebration of 70th anniversary of the founding of the People's Republic of China, the 20th anniversary of Macau's Return to the Motherland, the Second "The Belt and Road Initiative" International Cooperation Summit Forum and the Second China International Import Expo.

The year 2020 marks the end of building a well-off society in an all-round way and the 13th Five-Year Plan. It is the key year to achieve the first centennial goal and lay a solid foundation for the development of the 14th Five-Year Plan and the realization of the second centennial goal. Standing at the historical intersection of the two centenary goals, the Group also faces more complex domestic and international environment, with challenges and opportunities: the world economic growth slows down, the domestic economic downward pressure increases, the Novel Coronavirus Preumonia Epidemic (the "**Epidemic**") spreads, which drag down the development of the global civil aviation market, but the general trend of the continuous improvement of China's civil aviation industry has not changed. The country continues to make efforts in building smart transportation, smart civil aviation, smart airport, etc., focusing on the deployment of cloud computing, big data,

Cui Zhixiong
Chairman

artificial intelligence, 5G and other new technologies in the field of civil aviation. The demand for digital transformation of airlines is urgent, and the investment in airport informatization is increasing year by year, which provides the Group with precious historical development opportunities. However, the risk of opening the domestic distribution market, the construction of new distribution capacity of air companies and the launching of airport products by the domestic and foreign competitors, all pose great challenges to the Group in terms of the technology, commerce, products, services and other aspects.

The Group will firmly focus on the development strategy with the new development concept under the new situation, strive to promote high-quality development, ensure safe operation, strengthen scientific and technological support, optimize enterprise management, and improve service quality. It will focus on the following six aspects: first, focus on safety and stability, strengthen safety management system and guarantee passenger information system for civil aviation; second, focus on efficiency and steady growth, adhere to the goal guidance, put the responsibility in place, adhere to increase income and reduce expenditure, reduce costs and increase efficiency, and adhere to cooperation mutual benefit and win-win result; third, focus on reform and development, promote the reform of mixed ownership, and reform the organizational system; fourth, focus on innovation and increase momentum, start to draw up a medium-term and long-term plan for system construction, enhance the layout in the new technology field, and continuously increase investment in research and development; fifth, focus on management and promotion, improve management level, reform talent system, improve subsidiary governance system and strengthen risk management and control; sixth, focus on service and image building, solve customer's problem, improve the service system, and upgrade service capabilities.

Since the occurrence of the Epidemic, the PRC and foreign countries have adopted various strict measures to curb the spread of the Epidemic, and thus there is a significant decline in the number of passenger transportation in civil aviation industry. Reference is made to the announcement of the Company dated March 20, 2020 in relation to (among other things) the impact of the Epidemic on our business. It is expected that the Epidemic will have an adverse impact on the Group's operating performance for the first half of 2020 and the year of 2020. Since the occurrence of the Epidemic, the Group actively fulfills its social responsibility, responding to and implementing the state's plan for coordinating the work of epidemic prevention and control as well as economic and social development in a timely manner, protecting the health and safety of employees to the maximum extent, giving full play to its advantages in information systems, big data and real-time computing technologies, closely conducting cooperation in product research and development, speeding up the application of new technologies, and providing strong technical support and service guarantee for scientific and technological anti-epidemic and resumption of production and work: the technology and commercial services will provide 7x24-hour real-time responses, and the system runs smoothly to escort the peak of passenger refund; assists in scientific and accurate public decision-making and social governance; optimizes the adjustment process of key flight information to ensure the smooth delivery of emergency materials; the "Umetrip" mobile application actively and accurately informs passengers on the epidemic flights, and launches the "Civil Aviation Passenger Health Information Declaration System" and "City Health Code" to effectively improve the anti-epidemic efficiency of civil aviation with science and technology. The Group will closely monitor the risks and uncertain factors related to the Epidemic, and will continuously assess the impact of the Epidemic on operation and financial performance of the Group in 2020.

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. The Group will rise to the challenge and fight hardly 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 27, 2020

BUSINESS REVIEW

2019 BUSINESS REVIEW

As the leading provider of information technology solutions for China's aviation and travel industry, the Company stands at a core-sector 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 four 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.

AVIATION INFORMATION TECHNOLOGY SERVICES

The Company's aviation information technology ("**AIT**") services, which consist of series of products and solutions, are provided to 41 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 2019, the Group's Electronic Travel Distribution (ETD) system processed approximately 689.3 million system capacity on domestic and overseas commercial airlines, representing an increase of approximately 7.1% over the same period in 2018. Among which, the processed system capacity on commercial airlines in China increased by approximately 6.9%, while those on foreign and regional commercial airlines increased by approximately 10.0%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Group reached 151, with sales percentage through direct links exceeding 99.8%. More foreign and regional commercial airlines were using the Group's APP system services, multi-host connecting program services and the self-developed Angel Cue platform connecting services, resulting in the increase of the number of such users to 155, with approximately 19.5 million of passenger departures processed in 100 airports.

Xiao Yinhong
Executive Director
General Manager

In 2019, the Group continued to enhance its aviation information technology and its extended services, with an aim to fulfill the demand of commercial airlines for the information technology solutions on travel convenience, auxiliary services, e-commerce and international services. As a strategic partner of the "Fast Travel" project of IATA, the commonly used self-service check-in system (CUSS) has been launched in 184 major domestic and international airports, and the online check-in service has been applied in 318 domestic and international airports. Such products and services, together with the mobile check-in service and SMS check-in service, processed a total of approximately 352 million departing passengers. Our self-developed mobile application, "Umetrip", keeps updating the intelligent recommendation function and visual effect after launching the new vision, and the deployment of electronic boarding pass clearance that supports eID identity electronic certificate was completed for 82 airports, which realized the first industry-wide application of eID identity electronic certificate. 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 completion of the construction of full-process baggage tracking platform for "Baggage Travel" realized the connection with the four large domestic commercial airlines and achieved baggage processing data access of various airports. The "Aviation Information Inquires" supported "paperless" for international flights and involved newly signed business agreements in relation to international "Aviation Information Inquires" with 23 domestic commercial airlines. Customers for e-commerce platform of airlines increased to 12 by adding Shandong Airlines Co., Ltd., Xiamen Air Co., Ltd., Air Guilin Co., Ltd., etc.. Responding to the "The Belt and Road Initiative", the Company has continued to expand overseas market. The core system of the Company increased 4 foreign and regional commercial airlines customers, such as Cambodia Airways. By capturing the opportunity of vigorously developing general aviation, the Group continued to maintain the full coverage over the general short-distance aviation market and proactively expand airport customers in general aviation.

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 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 industry chain for 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 2019, the Group continued to consolidate and expand the market of accounting, settlement and clearing services, and the research and development and the operation of the relevant systems commenced as scheduled. By focusing on the construction of the third generation of settlement system products, the Group accelerated the research and development of operation and maintenance system construction, and by focusing on settlement business, it proactively promotes the completion of value-added product projects such as over-weight luggage protection. Cargo revenue accounting systems realized full coverage over the three main commercial airlines in China. The Group successfully signed with Guangzhou Baiyun International Airport for real time settlement of airport service charges and completed the implementation. The BSP Online Payment Platform (BOP) has added a new distribution capability (NDC) real-time settlement service, which has enabled the NDC technical standard to be applied to the payment channel for the first time, and the BOP daily settlement service has been promoted to 8 commercial airlines in China, such as Air China Co., Ltd., Shandong Airlines Co., Ltd. and Long Jiang Airlines Co., Ltd.. There were approximately 1,071.9 million transactions processed with the Group's accounting, settlement and clearing system and approximately 432.8 million BSP tickets processed with our BSP data processing services. Passenger, cargo and mail revenue, miscellaneous fees as well as international and domestic clearing amount settled by agency exceeded USD11.55 billion, and the transaction amount of the electronic payment system was approximately RMB115.09 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 direct links and high-level networking to all Global Distribution Systems ("**GDSs**") around the world and 151 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 centres across China and nearly 10 overseas distribution centres across Asia, Europe, North America and Australia.

In 2019, the Group continued to develop overseas distribution channels while increasing R&D and production of, and expanding the market of, the key products of distribution of information technology services. FareSky, an international freight rates calculation system, has been put into operation for all users and won the second prize of civil aviation science and technology by China Air Transport Association. The Group promoted the construction of the new distribution capability (NDC), initiated and established NDC community. The self-established "Aggregator (聚合)" platform based on NDC obtained NDC level4 certificate, the highest standard of International Air Transport Association (IATA) at present, and assisted four large commercial airlines in the PRC in obtaining such certificate. The Group took greater efforts in research and development and promotion of its distribution information technological service products, including the enterprise travel solutions "1etrip (行啊)", online agent solutions "Lingda (領達)", international airline ticket management system and international fare search engine "IntlStar (星際)", and entered into contracts with 18 new central enterprise groups in respect of travel business, with users reaching to 24.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2019, the Group continued to enhance research and development and promotion of airport information technology service and product, while secured the market share of the traditional departure front end service and product, and established a full coverage product mode from airport operation to full process passenger service by application of facial recognition, artificial intelligence and other advanced technologies and by leveraging the information integration platform with advanced intelligence, thus became the only provider of overall solutions for China smart airports in China's civil aviation industry, and helped the construction of airports with four characteristics of "safety", "green", "smart" and "humanity". The product has already applied in the 23 first batch of four characteristics airports such as Beijing Capital, Beijing Daxing, Guangzhou Baiyun, Shenzhen Bao'an and Changsha Huanghua. The airport coordination decision-making system (A-CDM) products have been promoted and put into operation in more than ten airports in Shenzhen, Urumchi, Changsha and others cities which have annual passengers with over ten million, with users reaching to 11. Products of "facial recognition & ID authentication" for security inspection have been promoted to 207 airports. Face boarding project launched in more than 10 airports such as Beijing Capital, Beijing Daxing, Shanghai Hongqiao, Guangzhou Baiyun and the users reached 27. We are the first service supplier to launch the manual/self-service switchable luggage service in China. The departure system, security inspection information system and passenger operation and management system of Beijing Daxing International Airport have been successfully put into operation, which strongly secured its departure and the transit of users of airlines. The departure front end system of the new-generation APP dominated China's large and medium-sized airports. Furthermore, the system assisted commercial airlines in providing various services for passengers, such as, boarding, transit and connection, in 172 overseas or regional airports. The number of departure passengers receiving such services reached approximately 47.9 million, accounting for approximately 92.9% of the number of passengers returning from overseas of such commercial airlines of China.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2019, the Group, as per the national "The Belt and Road Initiative" strategy and air transport safety policy, improved and promoted air cargo transport logistics information technology services and products. The Group has successfully researched and developed the first intelligent freight security inspection information system with independent intellectual property right in China, which has been put into operation in Beijing Daxing International Airport. The Group sped up the expansion of new business of air logistics and completed the development of a wholly new carrier marketing system, to support clients' business transformation and upgrading. By accelerating the promotion of electronic waybills business, the number of electronic freight waybills continuously increased.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2019, the Group put more effort in research and development and promotion of public information technology service products. With an emphasis on state-owned enterprises, governmental authorities, financial and internet enterprises, the key projects of data centre service have all been put into operation at the new data centre in Shunyi, Beijing and the Group has successfully extended contracts with China Galaxy Securities Company Limited, the information centre under the Ministry of Civil Affairs and other long-term clients. The Group increased input in the construction of independent controllable cloud computing platform, researched and developed multi-level cloud computing solutions, and provided proprietary cloud and mixed cloud services for a domestic commercial airline and a financial company.

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, and strive to realize the safety, efficiency and low consumption of infrastructure by making full use of existing technologies, business and management instruments, so as to serve to achieve the sustainable development for its business.

In 2019, ICS, CRS, APP and the core open system of the Group operated smoothly. The relocation and operation of the new data centre have been smoothly completed. The Group commenced establishing a stable and prompt "double-mode" infrastructure cloud platform, and put into operation TravelSky Cloud Data computing application platform and other new business; continued to carry forward big data infrastructure platform to provide service on "TravelSky Cloud Data" platform officially; basically completed the information security construction work of the relevant ministries; carried out energy conservation measures in data center; defined the implementation scope, target and path of disaster recovery system construction; completed the construction and security work of Beijing Daxing International Airport departure front end system with high quality; carried out targeted security investigation and emergency drills, and effectively guaranteed the daily security tasks of civil aviation passenger information systems, as well as during the key periods, such as Chinese Spring Festival travel rush, the National People's Congress of the People's Republic of China and the Chinese People's Political Consultative Conference (CPPCC), "The Belt and Road Initiative" Summit Forum, Beijing International Horticultural Exhibition, Conference on Dialogue of Asian Civilization, the 7th CISM World Games and the second China International Import Expo, celebration of National Day's 70th anniversary and activities for the 20th anniversary of Macao's Return.

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 annual report. The consolidated financial statements have been prepared in accordance with IFRSs. The following discussions on the summary of historical results do not represent a prediction as to the future business operations of the Group.

SUMMARY

The revenue and operating results of the Group mainly came from the Group's operations in China. For Year 2019, profit before taxation of the Group was approximately RMB2,819.7 million, representing an increase of approximately 6.4% over that in the year ended December 31, 2018 ("**Year 2018**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB3,475.3 million, representing an increase of approximately 10.9% over that in Year 2018. Profit attributable to owners of the Company was approximately RMB2,542.9 million, representing an increase of approximately 9.4% over that in Year 2018.

The basic and diluted earnings per share of the Group in Year 2019 were RMB0.87.

TOTAL REVENUE

The total revenue of the Group in Year 2019 amounted to approximately RMB8,121.7 million, representing an increase of approximately RMB649.6 million, or 8.7%, from approximately RMB7,472.1 million in Year 2018. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 55.6% of the Group's total revenue in Year 2019, as compared to 55.7% for Year 2018. Aviation information technology service revenue increased by 8.6% from RMB4,160.1 million in Year 2018 to RMB4,517.2 million in Year 2019. 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 increase in the number of air travelers.

- Accounting, settlement and clearing services revenue accounted for 7.4% of the Group's total revenue in Year 2019, as compared to 7.8% for Year 2018. Accounting, settlement and clearing services revenue increased by 3.0% from RMB579.3 million in Year 2018 to RMB597.0 million for Year 2019. 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 14.4% of the Group's total revenue in Year 2019, as compared to 12.7% for Year 2018. System integration service revenue increased by 23.3% from RMB946.9 million in Year 2018 to RMB1,168.0 million for Year 2019. 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 increase of revenue was primarily due to the increase in the number of contracted projects.

- Data network revenue accounted for 6.0% of the Group's total revenue in Year 2019, as compared to 6.8% for Year 2018. Data network revenue decreased by 5.3% from RMB512.3 million in Year 2018 to RMB485.1 million for Year 2019. The main sources of the revenue were distribution information technology service provided by the Group to agencies. The decrease of revenue was mainly due to the decrease in business volume of distribution information technology services.

- Other revenue accounted for 16.6% of the Group's total revenue in Year 2019, as compared to 17.0% for Year 2018. Other revenue increased by 6.4% from RMB1,273.4 million in Year 2018 to RMB1,354.4 million for Year 2019. The sources of the revenue were other technology services, payment business, room tenancy and other services provided by the Group. The increase of revenue was mainly due to the increase in room tenancy.

OPERATING EXPENSES

Operating expenses for Year 2019 amounted to RMB5,658.1 million, representing an increase of RMB505.4 million or 9.8%, as compared to RMB5,152.7 million for Year 2018. The changes in operating expenses are reflected as follows:

- Depreciation and amortization increased by 24.0%, mainly due to the collection of the original operating lease expenses in the depreciation and amortization cost after the implementation of IFRS16 Leases, as well as the increase in various assets;

- Staff costs increased by 2.4%, mainly due to the increase in costs as a result of the adjustment of the Group's social insurance and staff remuneration;

- Commission and promotion expenses increased by 10.5%, mainly due to the increase in business promotion of the Group;

- Selling costs of software and hardware increased by 63.8%, mainly due to the increase in equipment sales involved in the Group's system integration projects; and

- Technical support and maintenance fees increased by 12.2%, mainly due to the increase in technical outsourcing services of the Group according to the business schedule.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB144.2 million, or approximately 6.2%, from approximately RMB2,319.4 million in Year 2018 to approximately RMB2,463.6 million in Year 2019.

CORPORATE INCOME TAX

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, 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 2018.

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 2018. The excess income tax rate of 5% paid in Year 2018 has been refunded in September 2019 as approved by the relevant tax authorities (please refer to the announcement of the Company dated September 16, 2019), which has been reflected in the consolidated financial statements of the Company for the Year 2019. The application for a preferential tax rate of 10% for the Year 2019 will commence in the year 2020, hence the Company has calculated the expenses on corporate income tax for the Year 2019 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.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company increased by approximately 9.4% from approximately RMB2,325.1 million in Year 2018 to approximately RMB2,542.9 million in Year 2019.

DISTRIBUTION OF PROFIT

According to the Company Law of the People's Republic of China (the "**Company Law**"), relevant laws and regulations, and the articles of association of the Company (the "**Articles**"), the profit after taxation (at lower of the generally accepted accounting principles of the PRC ("**PRC GAAP**") Financial Statements and IAS Financial Statements) of the Company each year 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.

DISCRETIONARY SURPLUS RESERVE FUND

In Year 2019, the discretionary surplus reserve fund for Year 2018 approved to appropriate at the annual general meeting held on June 27, 2019 and the statutory surplus reserve fund for Year 2019 that should be appropriated have been accounted for in the consolidated financial statements of the Group for Year 2019.

The proposed appropriation of 10% of profit after taxation at PRC GAAP Financial Statements of the Company with an amount of RMB211.3 million to the discretionary surplus reserve fund for Year 2019 is subject to shareholders' approval at the forthcoming annual general meeting ("**AGM**"). Therefore, the amount will be recorded in the Group's consolidated financial statements for the year ended December 31, 2020.

DISTRIBUTION PROPOSAL OF FINAL CASH DIVIDEND FOR YEAR 2019

On March 27, 2020, the Board of the Company proposed the distribution of a final cash dividend of RMB845.7 million, which representing RMB0.289 per share (tax inclusive) for Year 2019 ("**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, 2019 of the Group is approximately RMB6,965.3 million (as at December 31, 2018: RMB6,098.0 million).

The Company will submit the above Final Dividend distribution proposal to the forthcoming AGM. If such proposal is approved at the AGM, the Final Dividend for Year 2019 is expected to be paid on or before September 30, 2020. 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.

PROFIT DISTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 32 to the consolidated financial statements) from the profit distributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2019, amounted to RMB7,811.0 million (as at December 31, 2018: RMB6,885.2 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	
	2019 **RMB'million**	2018 RMB'million
Net cash flow generated from operating activities	**2,227.6**	2,140.7
Net cash flow used in investing activities	**1,079.0**	598.7
Net cash flow used in financing activities	**952.6**	763.8
Net increase in cash and cash equivalents	**196.1**	778.2
Effect of foreign exchange rate changes on cash and cash equivalents	**4.2**	10.0

The Group's working capital for Year 2019 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB2,227.6 million. As at December 31, 2019, 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, 2019, cash and cash equivalents of the Group amounted to RMB4,546.8 million, of which 92.8%, 5.8% and 0.5% were denominated in Renminbi, U.S. dollar and Hong Kong dollar, respectively.

RESTRICTED BANK DEPOSITS

As at December 31, 2019, restricted bank deposits in the amount of RMB42.6 million (as at December 31, 2018: RMB39.8 million) mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, procurement and installation work in relation to departure system of airports.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2019, 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.

FINANCIAL ASSETS INVESTED

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

In Year 2019, the Group had the following financial assets:

- ## Financial Assets at Amortised Cost

  As at December 31, 2019, the Group held structural deposits issued by Bank of Jiangsu, ICBC, Bank of Beijing, China CITIC Bank, Ping An Bank and China Minsheng Bank of RMB500 million, RMB300 million, RMB600 million, RMB200 million, RMB900 million and RMB900 million, respectively, with total structural deposits of RMB3.40 billion. The annual interest rate of such structural deposits varied from 3.4% to 4.1%. Such structural deposits have a maturity period ranging from 182 days to 397 days and are non-cancellable before maturity.

- ## Financial Assets at Fair Value through Other Comprehensive Income:

Name of investment	Business nature	Percentage of shareholding as at December 31, 2019 %	Percentage of shareholding as at December 31, 2018 %	Fair value as at December 31, 2019 RMB'000	Fair value as at December 31, 2018 RMB'000	Gain for the year ended December 31, 2019 RMB'000	Gain for the year ended December 31, 2018 RMB'000
Unlisted equity (measured at fair value)							
– CMRH Life	Life insurance	17.5	17.5	883,750	875,000	8,750	-

The performance and prospects of the financial assets "CMRH Life" during the period were as follows:

a. **Name of the company:** China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**")

b. **Business scope:** general insurance (including life insurance and annuity insurance), health insurance, accident injury insurance, bonus insurance, omnipotent insurance, 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 the China Insurance Regulatory Commission.

c. **Investment cost of the Company:** RMB875 million.

d. **The percentage of the shareholding held by the Company:** 17.5%.

Note: As stated in the announcement of the Company dated October 17, 2019, the Company decided not to participate in the capital increase of CMRH Life and the capital increase have not completed as of December 31, 2019. Upon the completion of the capital increase, the shareholding of the Company in CMRH Life will be diluted from 17.5% to 13.26%. As of the date of this report, the capital increase has been approved by the China Insurance Regulatory Commission and CMRH Life is performing relevant industrial and commercial registration procedures of changes.

e. **The fair value and the scale relative to the total assets of the Group:**

As at December 31, 2019, the Group invested a fair value of approximately RMB884 million in CMRH Life, accounting for 3.7% of the total assets of the Group.

f. **The performance in Year 2019:**

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB510 million in Year 2019, mainly because up-front costs are required for branch establishment and channel expansion and other aspects during the period of rapid business expansion for insurance company. Therefore, loss incurred by CMRH Life in the early stage of the development of business is in compliance with general operating rules in life insurance industry.

g. **Strategies of future investments and the prospects of such investments:**

According to the information provided by CMRH Life to the Company, the insurance penetration and insurance density in the PRC life insurance industry remain relatively low when compared with that in overseas developed countries and regions. With GDP per capita exceeded US$10,000, there is great potential in the PRC life insurance market. CMRH Life will continue to further synergize resources from shareholders, explore innovation and cooperation in medical and endowment, big data and Internet, and continue to drive the expansion of scale and rising of value under the operating guidance of "value leading, innovation driving, technology enabling, compliance assurance".

CHARGE ON ASSETS

As at December 31, 2019, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at December 31, 2019, the Group had no material contingent liabilities.

GEARING RATIO

As at December 31, 2019, the gearing ratio of the Group was approximately 18.7% (as at December 31, 2018: 21.2%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2019.

MAJOR INVESTMENT OR FINANCING PLAN

For the year ended December 31, 2019, the Group did not have any major investment or plan to acquire major capital assets. The Board estimates that the sources of funding of the Group in 2020 will be sufficient for the capital requirement of daily operations and the Group did not have any financing plan.

The total capital expenditure paid by the Group amounted to RMB962.1 million for Year 2019 (Year 2018: RMB1,096.9 million), among which the capital expenditure of the new operating centre in Beijing for Phase I project amounted to approximately RMB240.0 million. Other expenditure was mainly used in the Company's daily operation.

As at December 31, 2019, the Group's capital commitment amounted to approximately RMB502.8 million, which will be mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, and the capital commitment of the new operating centre in Beijing for the construction of Phase I project amounted to approximately RMB400.0 million. The sources of funding for such commitments will include existing cash on hand and internal cash flow generated from operating activities. Please refer to Note 35 to the consolidated financial statements in relation to the capital commitments.

EMPLOYEES

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. 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. 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.

Staff costs of the Group amounted to approximately RMB1,861.5 million for Year 2019 (Year 2018: RMB1,818.4 million), representing approximately 32.9% of the total operating expenses of the Group for Year 2019. Among which, the aggregate corporate annuity expenses of the Group amounted to approximately RMB52.4 million for Year 2019 (Year 2018: RMB44.0 million).

As at December 31, 2019, the total number of employees of the Group was 7,476.

ADOPTION OF PHASE II H SHARE APPRECIATION RIGHTS SCHEME

As disclosed in the announcement of the Company dated November 26, 2019 in relation to the proposed adoption of Phase II H Share appreciation rights scheme (the "**Appreciation Rights Scheme**") and the relevant initial grant proposal (the "**Initial Grant Proposal**"), the circular of the Company dated December 2, 2019 in relation to the proposed adoption of Appreciation Rights Scheme, the voluntary announcement of the Company dated January 3, 2020 in relation to the approval of the Appreciation Rights Scheme by the State-owned Assets Supervision and Administration Commission of the State Council and the announcement of the Company dated January 16, 2020 in relation to the poll results of the resolution passed at the extraordinary general meeting, the Appreciation Rights Scheme has been approved by the extraordinary general meeting convened on January 16, 2020 and became effect on the same date.

As disclosed in the announcement of the Company dated January 16, 2020 in relation to the grant of the H share appreciation rights, the Initial Grant Proposal has taken effect on January 16, 2020 (the "**Initial Grant Date**"). On the Initial Grant Date, the Company granted 35,958,950 H share appreciation rights to 502 incentive recipients in total (including the key personnel having direct impacts on the operating results and sustainable development of the Company, which includes three members of senior management of the Company, excluding any current director, supervisor and general manager of the Company as at the Initial Grant Date) and the corresponding number of H shares would amount to approximately 1.23% of the total issued share capital of the Company as at the Initial Grant Date. The number of share appreciation rights per capita to be granted to incentive recipients will be divided into five levels. Incentive recipients do not actually hold shares, nor do they have the right as the shareholders. Incentive recipients shall not deal with the share appreciation rights granted under the Initial Grant Proposal without permissions. The share appreciation rights under the initial grant shall take effect in three equal instalments. When each batch of share appreciation rights become effective, the performance indicators of the Company for last financial year shall meet the performance target set by the Board which should be higher than performance indicators under initial grant and incentive recipients shall achieve their respective performance appraisal indicators, if not, the relevant share appreciation rights will not be effective or will be invalid. The details will be verified by the Board in accordance with the relevant rules of the Appreciation Rights Scheme and the Initial Grant Proposal.

Since the Appreciation Rights Scheme and the Initial Grant Proposal would not involve the grant of options in respect of new shares or other new securities in the Company or any of its subsidiaries, the Appreciation Rights Scheme and the Initial Grant Proposal are not subject to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company will disclose the information in relation to relevant fair value of the share appreciation rights and corresponding expense recognized in the interim report and annual report after the Initial Grant Date.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board has adopted the code provisions as stipulated in the Corporate Governance Code (the "**Code Provision(s)**") in Appendix 14 to the Listing Rules and its latest amendments from time to time, 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 Year 2019, 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 Year 2019.

THE BOARD

According to the provisions of the Articles, the Board comprises 9 directors, with external directors accounted for more than half of the total number of directors and including at least 3 independent non-executive directors.

The composition of the sixth session of the Board: (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. Tang Bing and Mr. Han Wensheng 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. Mr. Cui Zhixiong, an executive director, served as Chairman of the sixth session of the Board.

As at June 27 and September 25, 2019, as approved by the two general meetings, Mr. Cao Jianxiong and Mr. Tang Bing, the former non-executive directors of the sixth session of the Board, ceased to be the non-executive directors of the Company. Meanwhile, Mr. Zhao Xiaohang and Mr. Xi Sheng were elected to act as the non-executive directors of the Company at the two general meetings, respectively, to take up the vacant positions left by Mr. Cao Jianxiong and Mr. Tang Bing. Meanwhile, the Board appointed Mr. Zhao Xiaohang and Mr. Xi Sheng as the members of the Strategy and Investment Committee (Legal Compliance Committee) ("**Strategic Committee**") of the Company as Mr. Cao Jianxiong and Mr. Tang Bing ceased to hold positions in the special committees of the Board since they ceased to act as directors of the Company. For details, please refer to the announcements of the Company dated June 27 and September 25, 2019.

For Year 2019, the list of directors of the Company, their positions in each special committee and the attendance of each of the directors for relevant meetings, such as Board meetings, are as follows:

		Attendance rate for meetings (Note 1)					
Name	Position	Board meetings	General meetings	Audit and Risk Management Committee ("Audit Committee") meetings	Remuneration and Appraisal Committee ("Remuneration Committee") meetings	Nomination Committee meetings	Strategic Committee meetings
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	80% (Note 1)	100%	–	–	–	–
Han Wensheng	Non-executive Director; Member of Strategic Committee	0% (Note 1)	0%	–	–	–	–
Zhao Xiaohang (Note 2)	Non-executive Director; Member of Strategic Committee	67% (Note 1)	0%	–	–	–	–
Xi Sheng (Note 2)	Non-executive Director; Member of Strategic Committee	100%	–	–	–	–	–
Cao Shiqing	Independent Non-executive Director; Member of Audit Committee; Chief Member of Remuneration Committee; Member of Nomination Committee	100%	100%	100%	100%	100%	–
Ngai Wai Fung	Independent Non-executive Director; Chief Member of Audit Committee; Member of Remuneration Committee	100%	100%	100%	100%	–	–

		Attendance rate for meetings (Note 1)					
Name	Position	Board meetings	General meetings	Audit and Risk Management Committee ("Audit Committee") meetings	Remuneration and Appraisal Committee ("Remuneration Committee") meetings	Nomination Committee meetings	Strategic Committee meetings
Liu Xiangqun	Independent Non-executive Director; Member of Audit Committee; Member of Remuneration Committee; Member of Nomination Committee	100%	100%	100%	100%	100%	-
Cao Jianxiong (Note 2)	Resigned Non-executive Director; Resigned Member of Strategic Committee	0% (Note 1)	0%	-	-	-	-
Tang Bing (Note 2)	Resigned Non-executive Director; Resigned Member of Strategic Committee	0% (Note 1)	0%	-	-	-	-

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the director in 2019, excluding meetings by way of circulation of written proposals. 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.

   When director Xiao Yinhong, director Cao Jianxiong, director Zhao Xiaohang, director Han Wensheng, director Tang Bing failed to attend a Board meeting in person, they appointed other directors to vote and express their views on their behalf by written authorization.

2. Director Cao Jianxiong and director Tang Bing resigned on June 27 and September 25, 2019, respectively, and director Zhao Xiaohang and director Xi Sheng took up their positions on June 27 and September 25, 2019, respectively.

3. During Year 2019, the Board held five physical meetings and five 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 Committee held two physical meetings. The Remuneration Committee held two physical meetings and one meeting by way of circulation of written proposals. The Nomination Committee held one physical meeting and two meetings by way of circulation of written proposals. The Strategic Committee did not hold any meeting.

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 Company Law and the Articles; and exercising other power by virtue of office and obligations as delegated by the general meetings and the Articles.

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

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 Year 2019, 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 2019, the Company Secretary provided each director with updates and amendments to the Listing Rules and other laws and regulations from time to time and arranged induction training for the newly appointed directors, including talks on directors' responsibilities by the legal advisor and trainings on directors' continuing obligations under the Listing Rules as well as the rules and requirements of the Guidelines on Disclosure of Inside Information.

In Year 2019, 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,B
Mr. Xiao Yinhong	A,B
Non-executive Directors	
Mr. Han Wensheng	A
Mr. Zhao Xiaohang	A
Mr. Xi Sheng	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 of the Sixth Session/Date of Resignation
Han Wensheng	Non-executive Director	August 29, 2018	February 27, 2020
Zhao Xiaohang	Non-executive Director	June 27, 2019	February 27, 2020
Xi Sheng	Non-executive Director	September 25, 2019	February 27, 2020
Cao Shiqing	Independent Non-executive Director	October 18, 2016	February 27, 2020
Ngai Wai Fung	Independent Non-executive Director	October 18, 2016	February 27, 2020
Liu Xiangqun	Independent Non-executive Director	October 18, 2016	February 27, 2020
Cao Jianxiong	Non-executive Director (resigned)	October 18, 2016	June 27, 2019
Tang Bing	Non-executive Director (resigned)	August 29, 2018	September 25, 2019

Note: The seventh session of the Board was set up on February 27, 2020. Mr. Zhao Xiaohang, Mr. Xi Sheng were re-elected as non-executive directors. Mr. Han Wensheng ceased to be a non-executive director of the Company and Mr. Luo Laijun was elected as a non-executive director of the seventh session of the Board. Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun were re-elected as the independent non-executive directors. Please refer to the announcement of the Company dated February 27, 2020 for details.

BOARD COMMITTEES

Corporate Governance Functions

The Board of the Company 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, 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" of the Company.

Audit Committee

The Audit 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 Committee comprises three independent non-executive directors, 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 Committee. The term of each member of the committee is the same as his respective term as a director.

In Year 2019, the Audit Committee convened two meetings, and the attendance rate of all members at the meetings was 100%. The work of the Audit Committee during the year is mainly as follows:

1. received reports on financial work from the financial officers of the Company and reviewed the interim 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 qualified opinion, 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 auditors at least twice and met with the auditors at least annually in the absence of the Company's management; discussed with the auditors the nature and scope of the audit and reporting obligations; received the audit procedures and work plan for the annual audit and interim review from the auditors; listened to the management's explanation and response to any queries raised by the external auditors during auditing and gave specific opinions and recommendations.

3. conducted an interim 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 (ESG Report) of the Company, and gave opinions and recommendations in respect of risk management on environment, social and governance.

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 Committee

The role and duties of the Remuneration Committee are available at the Company's website. They mainly include: studying appraisal criteria for directors and senior management, giving advice and carrying out appraisal according to the Company's actual operation; studying and reviewing remuneration policies and proposals of directors and senior management, and evaluating 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 Committee comprises three independent non-executive directors, namely Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun. Mr. Cao Shiqing serves as the chief member (chairman) of the Remuneration Committee. The term of each member of the committee is the same as his respective term as a director.

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 for directors approved by the sixth session of the Board 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 special 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 special 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 special 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 TravelSky Technology Limited 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 Committee of the Board of the TravelSky Technology Limited and submitted to the Board for consideration and approval.

In Year 2019, the Remuneration Committee held three meetings (including one meeting by way of circulation of written proposals). All members attended the meetings and discussed the renewal of the liability insurance for directors and senior management, appreciation right incentive proposals, remuneration polices of directors of the new session.

Details of remuneration of the directors and senior management are set out in Notes 8 and 9 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 Nomination Committee comprises the chairman of the Board, namely Mr. Cui Zhixiong, and two independent non-executive directors, namely Mr. Cao Shiqing and Mr. Liu Xiangqun. 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 Company Law, Chapters 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 Year 2019, the Nomination Committee held three meetings (including two meetings by way of circulation of written proposals), and the attendance rate of members at meetings was 100%. During the reporting period, the Nomination Committee considered the relevant issues of change of two non-executive directors and the session of the Board, and the Company has also strictly complied with the nomination and recommendation policies for directors.

Strategy Committee

The Strategy Committee is responsible for studying and advising the Company on its long term development strategies and significant investment decisions, including major issues which may affect the development of the Company such as significant investment and financing plans, significant capital operations and asset operations, as well as legal compliance issues. Its duties are disclosed on October 16, 2018, and are available at the Company's website.

In Year 2019, the Strategic Committee comprises executive directors, namely Mr. Cui Zhixiong, Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Cao Jianxiong, Mr. Tang Bing and Mr. Han Wensheng. Chairman 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. After the resignation of Mr. Cao Jianxiong on June 27, 2019, Mr. Zhao Xiaohang serves as a member of the Strategic Committee in replace of Mr. Cao Jianxiong. After the resignation of Mr. Tang Bing on September 25, 2019, Mr. Xi Sheng serves as a member of the Strategic Committee in replace of Mr. Tang Bing.

In Year 2019, the Strategic Committee did not hold any meeting.

SUPERVISORY COMMITTEE

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

The sixth session of the Supervisory Committee of the Company comprises 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 representative supervisors. Mr. Huang Yuanchang acted as the chairman of the Supervisory Committee.

The list of supervisors of the sixth session of the Supervisory Committee of the Company and the attendance of each supervisor at meetings in Year 2019 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings	Attendance rate for general meetings	Attendance rate for Board meetings
Huang Yuanchang	Chairman of the Supervisory Committee, Staff representative supervisor	100%	75%	100%
Xiao Wei	Staff representative supervisor	50% (Note 2)	100%	60%
Zeng Yiwei	Supervisor	100%	0%	80%
He Haiyan	Supervisor	0% (Note 2)	0%	0%
Rao Geping	Independent supervisor	50% (Note 2)	75%	100%

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the supervisor in 2019. The attendance rate for meetings by way of circulation of written proposals was not included in the above attendance rate.

2. Each of supervisor Xiao Wei, supervisor He Haiyan, and supervisor Rao Geping was unable to attend one meeting of the Supervisory Committee in person, but they appointed other supervisors to attend and vote at the meeting on their behalves in writing.

3. In Year 2019, the Supervisory Committee held two meetings and shall be present in five physical meetings of the Board, one annual general meeting, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting.

During Year 2019, the sixth session of the Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2018 and the interim results for the six months ended June 30, 2019, 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 Year 2019.

The seventh session of the Supervisory Committee was set up on February 27, 2020, details of which please refer to the Report of Supervisory Committee.

REMUNERATION OF EXTERNAL AUDITORS

The aggregate service fees paid to BDO Limited ("**BDO**", Certified Public Accountants in Hong Kong) and BDO China SHU LUN PAN (Certified Public Accountants LLP) ("**BDO China**", Certified Public Accountants in the PRC) for Year 2019 amounted to RMB2,367.9 thousand, comprising annual audit fee of approximately RMB1,705.6 thousand and non-audit service fees of approximately RMB662.3 thousand for the review of interim financial statements, annual compliance review of continuing connected transactions and compliance review of preliminary results announcements and others.

The Audit Committee recommended to re-appoint BDO and BDO China as the Group's international and PRC auditors, respectively, for the year 2020.

COMPANY SECRETARY

The Board of the Company appointed Mr. Yu Xiaochun to serve as the company secretary. Mr. Yu completed 15 hours of relevant professional training in Year 2019.

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 actually 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 deliver 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 telephone, facsimile, email or postal address:

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

In Year 2019, with the approval of the annual general meeting, the Articles have been amended to reflect the current name of the promoter at the time of the establishment of the Company in October 2000, as well as its investment and shareholding at the time of the establishment, in accordance with the business registration regulations and relevant requirements of the regulatory authority. For details, please refer to the announcement dated March 28, 2019 and the circular dated May 10, 2019.

RISK MANEGEMENT AND INTERNAL CONTROL

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 reporting to the Board about the outcome on a regular basis. The Audit Committee set up under the Board performs supervisory duties regarding to the 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 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 Company at the middle and end of 2019. 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 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.

The Company identified top 10 major risks annually 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 in Year 2019. 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.

Procedures for Risk Identification, Assessment and Management of the Company

The Company will 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. The Company will summarize and determine range of this assessment in conjunction with key areas that the Company focuses to operate and manage, and conduct risk assessment 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 the internal control department will form inspection teams to conduct examination, communicate and confirm with the inspected unit on the issues identified during the inspection and give recommendations on the rectification. 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 of the Company

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 assessment 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.

By Order of the Board
Yu Xiaochun
Company Secretary

March 27, 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. REPORT DESCRIPTION

1.1 Reporting Guidelines

This Environmental, Social and Governance Report (hereinafter referred to as the "**ESG Report**" or "**This Report**") is intended to provide information on the performance of environmental and social aspects of TravelSky Technology Limited (the "**Company**", or together with its subsidiaries, the "**Group**") during the fiscal year of 2019. This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") as contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Main Board Listing Rules**") issued by The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and the Guidelines to the State-owned Enterprises on Fulfilling Corporate Social Responsibilities issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). This Report has been reviewed and approved by the Board of Directors of the Group.

1.2 Reporting Scope

This Report covers the period from 1 January 2019 to 31 December 2019 (the "**reporting period**"). Unless otherwise specified, this Report covers the Company and its subsidiaries.

1.3 Report Statement

The Board of Directors is fully responsible for the strategies and reporting on environmental, social and governance issues of the Group. This Report is prepared in accordance with the four reporting principles of the Guide which are materiality, quantitative, balance, and consistency. The Group determined the key disclosures of this Report through a materiality assessment and used the same statistical approach adopted in 2018 ESG Report to quantify the environmental and social performance. In this Report, the Group has disclosed information on all "comply or explains" provisions in the Guide. This Report is published in Traditional Chinese and English as part of the annual report. If there is any inconsistency in the content of the report, the Traditional Chinese version shall prevail.

1.4 Contact Information

If you have any comments on the ESG Reporting of the Group, you are welcome to contact the Group through the channels below: office@travelsky.com

2. COMMUNICATION WITH STAKEHOLDERS

Maintaining effective and continuous communication with various stakeholders and listening to their opinions are of great importance to the Group's sustainable development management.

2.1 Communication Channels

The Group has always maintained good communication with stakeholders through multiple channels. At the same time, the opinions of stakeholders provide important inputs for the sustainable development of the Group. At present, the Group's stakeholders are mainly identified as investors, governments and regulators, customers, employees, suppliers, companies in the same industry, etc. Going forward, the Group will further expand and deepen communication with stakeholders.

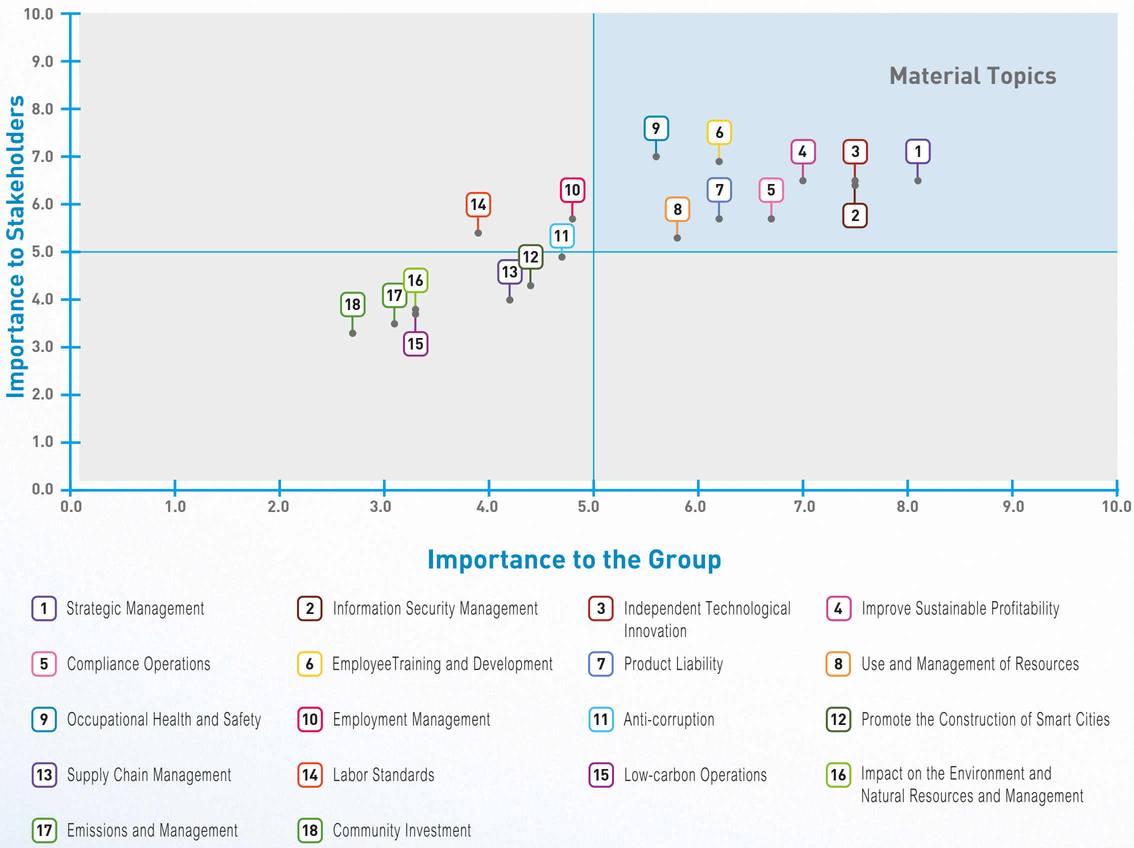
During the reporting period, the Group's communication channels with various stakeholders were as follows:

Stakeholders	Expectations and Concerns	Communication Channels
Investors	Good return on investment	Regular results briefing and shareholders' meeting
	Transparency on information disclosure	Timely information disclosure
Government and Regulators	Compliance with laws and regulations	Participation in the development of industrial standards
	Strengthen research and development on civil aviation information system	Regular reporting
Clients	Provide high quality and efficient aviation and travel information technology services	Customer Service Center and Hotline Customer satisfaction survey
	Keep improving service quality	WeChat public account
Employees	Provide favorable career development platform	Meetings with employees
	Provide a healthy and safe working environment	Training and seminars Employee mailbox
Suppliers	Win-win cooperation	Tender meeting Seminars
Peers	Fair competition Driving industry progress	Study visits Participation in industry development forums

2.2 Materiality Assessment

In order to effectively respond to the expectations and concerns of various stakeholders and identify material issues during the reporting period, the Group continued to use questionnaires to investigate stakeholders' expectations on environmental, social and governance (hereinafter referred to as "**ESG**"). The survey received a total of 6,319 valid responses, with an increase of 1,837 compared with the last reporting period. The Group analyzed the scores of each issue according to the two dimensions of "importance to stakeholders" and "importance to the Group". Issues scored 5 or above (out of 10) in both dimensions were identified as material issues. In the future, the Group will further improve the stakeholder engagement system and further expand the scope of stakeholder engagement. At the same time, the material issues identified during the reporting period have been reviewed by the Board of Directors and will serve as the basis for the Group's future sustainable development work to gradually advance the Group's sustainable development process.

Materiality Assessment on the ESG Topics of the Group



This Report focuses on the following material topics identified, and the corresponding disclosure chapters are specified as follows:

Material Topics(materiality sorted from high to low)	Corresponding Chapters in the Report
1. Strategic Management	Innovation-driven
2. Independent Technological Innovation	Innovation-driven
3. Information Security Management	Innovation-driven
4. Improve Sustainable Profitability	Innovation-driven
5. Employee Training and Development	People-oriented
6. Occupational Health and Safety	People-oriented
7. Compliance Operations	Each chapter in this report
8. Product Liability	Responsibility Governance
9. Use and Management of Resources	Green Development

3. INNOVATION-DRIVEN

The aviation industry is highly dependent on informatization. As a key link of informatization services in the industry, innovation is one of the development strategies that the Group has always been implementing. Today, in the context of a series of new technologies being widely adopted such as Big Data, the Internet of Things, Cloud Computing, Artificial Intelligence, etc., the Group has also adopted technological innovation and management innovation methods in a timely manner to innovate the "technology + capital" dual-wheel drive development model, aiming at becoming the industry's "international first-class comprehensive information service company". At the same time, the Group attached great importance to the sustainable development of enterprises, continuously improved the management capacity in corporate sustainability, improved the corporate sustainable development mechanism, and provided the foundation for the Company's healthy development. In addition, with the comprehensive system of service advantages covering airlines, airports and networks, the Group's innovative supply chain management system will also continue to enhance the Group's capacity to cooperate with partners and promote the development of the entire aviation industry.

3.1 Strategic Management

The Group attaches great importance to the formulation and management of corporate strategies. In order to meet the goal of becoming an "international first-class comprehensive information service company" and in accordance with the requirements of high-quality development, the Group takes "industry system security" and "information security" as the basis, "meeting and leading customer needs" as the center; and "optimizing industry information solutions" and "integrated industry data" as main approaches to consolidate development advantages, innovate development methods, enhance development capabilities, and increase development vitality. The Group has formulated a strategic positioning of "Leveraging the advantages of civil aviation informatization construction, committed to becoming the main force in the industry's information construction, national teams in the information service field, and international first-class comprehensive information service enterprises", and compiled the "China TravelSky Holding Company Limited and TravelSky Technology Limited Development Strategy Outline (2016-2025)", which defines the development path of the Group in a more detail way and provides a sustainable and stable development foundation.

3.2 Innovation Development System

The Group is committed to relying on innovation to promote the development of informatization in China's aviation industry. The Group has compiled the "Three-year Rolling-Out Plan for Science and Technology Development Outline (2017-2019)" and "Company Science and Technology Innovation Strategy Outline" to fully implement its own technology innovation. The Group also formulated and issued "Interim Measures for the Management of Scientific and Technological Project", "Administrative Measures for the Scientific and Technological Projects", and "Administrative Measures for the External Technical Service of the Company" to promote standardized management of scientific and technological research and development (R&D) projects.

In recent years, the Group has implemented the innovation-driven development strategy, actively enhanced its scientific and technological innovation capabilities, and achieved a number of scientific and technological innovation results. During the reporting period, the Group applied for 118 patents and 3 patents were licensed. After years of continuous innovation and improvement, the Group has gradually built the information technology industry chain of the aviation tourism industry. The Group actively expanded domestic and international commercial airline customers and further improved aviation information technology and its extended services. At the same time, the Group strongly supported the demand for commercial airlines' information technology solutions in terms of passenger convenience, e-commerce, ancillary services and internationalization.

The investment on R&D in 2019 was RMB757.73 million and the total number of R&D staff in 2019 was 3,771.

Case:

Three projects – "New Generation Flight Management System", "International Ticket Fare Calculation System" and "Passenger Full-Process Paperless Solution (Airline Communications)" have successfully passed the scientific and technological achievements evaluation organized by the China Aviation Association.

3.3 Promote Sustainable Development

As an industry leader, while pays attention to the development of our own business, the Group also commits to the long-term sustainable development of the environment and society. The Group shoulders corporate social responsibility and expects to bring long-term value to our stakeholders and society. To this end, The Group regards sustainable development as the core value of the Group. In 2019, the Board of Directors of the Group continued to be fully responsible for the ESG report and the Group's ESG work. The Board was also responsible for evaluating and determining ESG risks related issues, continuously reviewing and making decisions on major sustainable development issues of the Group, and promoting the integration of sustainable development concepts into the company's development strategy and business management. In addition, during the reporting period, the Group further strengthened the Board's management responsibilities on ESG matters. By deepening the Board's engagement in the company's ESG internal control and risk control, the Group could ensure a timely and effective establishment of the Company's ESG risk management and internal control system.

In addition, the Group continued to strengthen communication with various stakeholders in 2019. The Group kept enhancing its sustainable development work process based on the analysis of material issues and specific action plans that actively respond to the United Nations SDGs. In the future, the Group will continue to deepen and refine its ESG governance structure to ensure that the Board will play a supervisory role in the company's assessment of environmental and social impacts. The Group will improve the reporting process to ensure that relevant policies are implemented accurately and continuously. The Group will truly incorporate ESG considerations into its business decision-making process to ensure the Group's sustainable growth in all economy, environment and social aspects.

3.4 Supply Chain Management System

The Group strictly complies with laws and regulations such as the "Public Law of the People's Republic of China on Tendering and Bidding", the "Implementation Regulations of the People's Republic of China on Tendering and Bidding Law", and "Administrative Measures for Non-tendering Procurement of Government Procurement". The Group formulated the "Procurement Management Measures of China TravelSky Holding Company Limited and TravelSky Technology Limited" (the "**Procurement Management Measures**"). The Group closely monitored various daily procurement operations. The Group followed the "market access system" for supplier management and selected excellent suppliers against a set of criteria based on price, quality, technology, integrity and etc. Suppliers selected by the Group must meet the following conditions:

1) Ability to independently assume civil liability;

2) Have good business reputation and a sound financial accounting system;

3) Have the equipment and professional technical capabilities necessary to perform the contract;

4) Have a good record of paying taxes and social security funds in accordance with the law;

5) No illegal records in business activities that meet other conditions stipulated by relevant laws and regulations.

The Group will continue to improve the ability to identify and monitor environmental and social risks of suppliers, and we also encourage suppliers and contractors to jointly improve their sustainable development performance.

At the same time, according to the Group's "Procurement Management Measures", the Group's procurement activities include two types: tendering and non-tendering. If it is within the scope of national legal tender, public bidding must be adopted. If it is not possible to use open bidding for procurement due to special circumstances, it must be reported to the general manager's office for approval before non-bidding procurement can be used. To this end, the Group has formulated "Administrative Measures for Public Bidding and Procurement of China TravelSky Holding Company Limited and TravelSky Technology Limited" and "Administrative Measures for Non-public Bidding Procurement of China TravelSky Holding Company Limited and TravelSky Technology Limited".

In addition, in order to ensure the openness and transparency of the Group's procurement process, the "Procurement Management Measures" set up a "Procurement Supervision" process, stipulating that procurement personnel should accept supervision and inspection by all parties, and anyone has the right to report violations in procurement process. At the same time, the Group formulated the "Procurement Supervision Measures" to investigate and deal with procurement personnel who violate any discipline. During the reporting period, the Group has not found any conduct that constituted a disciplinary or illegal act in its procurement supervision.

As at December 31, 2019, the Group had a total of 662 suppliers. The number of suppliers by region is listed as follows:

North China: 554;
East China: 40;
South China: 66;
Central China: 2.

4. PEOPLE-ORIENTED

The Group believes that employees are the company's most valuable assets and an important part of the Group's sustainable development. The Group focuses on employee care and growth and creates a good working environment for employees. At the same time, the Group has also formulated a comprehensive remuneration system and welfare policies to ensure that all employees receive fair and reasonable treatment.

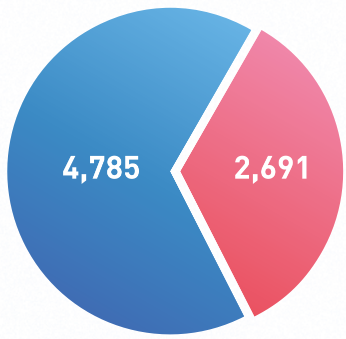
4.1 Employment Management

During the reporting period, the Group has strictly complied with relevant laws and regulations such as the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", and the "Implementation Regulations of the Labor Contract Law of the People's Republic of China". The Group protected the rights and benefits of employees, standardized the management of the labor contract of the Group, improved the labor contract management system, and ensured a good employment relationship.

At the same time, the Group has formulated a series of internal employment management systems based on the present circumstances of the Group with reference to the relevant laws and regulations above, including the "TravelSky Labor Contract Management Regulations", "TravelSky Remuneration Management Measures", "Administrative Regulations on Attendance of TravelSky", "Employee Handbook (Disciplinary Volume) of TravelSky" and other institutional documents. The Group reasonably arranged the working hours of employees by formulating an attendance management system to protect employees' vacation benefits. The Group has continuously improved the salary incentives and promotion system by optimizing the performance system for job compensation, employee motivation and ensuring employment development. In addition, the Group has established procedures for employees to terminate labor contracts and protect employees' rights to terminate labor contracts in accordance with the law.

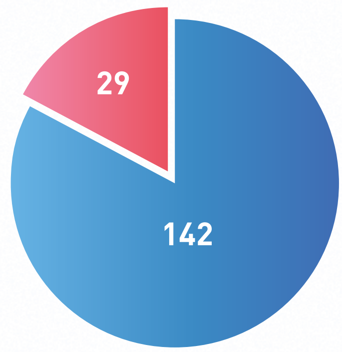
During the reporting period, the Group had a total of 7,476 employees, with an increase of 65 compared to 2018. The relevant statistics of the employee structure are as follows:

By Gender (Note)



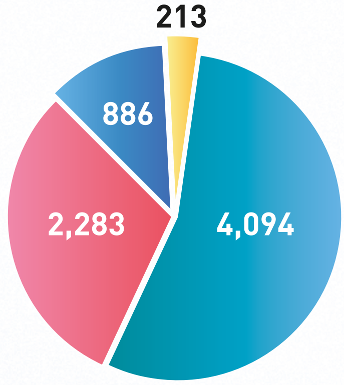
male employees | female employees

Among them, management levels are divided by gender:



male employees | female employees

By age



employees under 30 | employees aged 30-39
employees aged 40-49 | employees aged 50 or over

Note: As the proportion of male and female workers in the information technology industry is not equal, the number of male employees that the Group can hire was relatively larger.

The Group promoted equal opportunities, diversity and anti-discrimination in employment management to ensure that employees are not subject to discriminatory rules based on race, age, gender and other factors. The Group strictly complies with the "Prohibition on the Use of Child Labor", conducts detailed screening and verification of the age information of the employees to be hired, prohibits the recruitment of juveniles under the age of 16, and prevents the recruitment of child labor. During the reporting period, the Group has not violated any laws and regulations related to the prevention of child labor and forced labor.

In addition, in accordance with the relevant laws and regulations such as the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Trade Union Law of the People's Republic of China", and the "Provisions on Collective Contracts", the Group has signed collective contracts with employees, special collective contracts for the protection of the rights and interests of female employees, and special collective contracts for labor safety and health to ensure that all rights and interests of employees are in place. During the reporting period, the Group actively promoted the signing of collective contracts, continuously expanded the coverage of collective bargaining, safeguarded the legitimate rights and interests of employees, and fostered the enthusiasm of employees to the greatest extent.

During the reporting period, the Group has not violated relevant laws and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, and other benefits.

4.2 Career Development

The Group attaches great importance to employee development, actively broadens the space for employee development, and provides employees with job opportunities and promotion channels that fit their own development. At the same time, the Group conducted various training activities that aid employees' self-accomplishment. In 2019, in order to improve the efficiency and quality of employee training, further increase the satisfaction of management and employees in training, and fully improve the company's training system, the Company combined the business development needs, employee job requirements and training hot spots in 2019 to formulate "Corporate Headquarters Training Plan 2019". According to the plan, the Company launched a variety of employee training activities in 2019. The training covered a wide range of topics, including overseas business and service management informatization training, confidentiality related training, procurement supervision training, and new employee orientation training in 2019.

In 2019, the company's budget for training costs was RMB7.416 million, a 1.7% increase over 2018. Among them, the management training budget was RMB2.93 million while the non-management staff training budget was RMB4.486 million. During the reporting period, the company's employee training related information is summarized as follows:

The total number of participants: 1,764, and the percentage of training participants: 76%, among which:

Divided by gender:
953 males, 811 females

Divided by level:
1,604 general staff, 160 middle and senior management

Average training hours of employees [Note]**: 9.73 hours/person, of which:**
The average training hours for male employees is 9.5 hours per person, and the average training hours for female employees is 10 hours per person.

New employee training activities: cultivate team awareness, nurturing corporate culture, etc.

Note: Statistics by employees of the company.

4.3 Occupational Health

The Group values the physical and mental health and safety of employees and is committed to providing employees with working environments and conditions that meet health and safety requirements. The Group strictly complies with relevant laws and regulations such as the "Work Safety Law of the People's Republic of China", "The Law of the People's Republic of China on Occupational Disease Prevention and Control", the "Fire Safety Law of the People's Republic of China" and the "Regulations on Emergency Response to Production Safety Accidents", so as to promote safe operations and employee health management. The Group also signed a "Special Collective Contract for Labor Safety and Health" with employees to provide employees with legally binding protection. The Group truly cares about the health of its employees. In 2019, the Company invested RMB252,000 in Houshayu Office Park to set up a medical office dedicated to the employees of the Group, which was supported by the company's provision of related services such as medical venues, medical equipment, office facilities, water and electricity. The Company signs paid medical service agreements with medical institutions every year, and their professional medical staff will provide basic medical services for our employees. In addition, the Company believes that fire safety in the office is an important part of safe production. In order to prevent fire accidents, ensure the company's safe production environment and office environment, and protect the health and safety of employees, taking into consideration of actual circumstance and in accordance with the "Fire Safety Law of the People's Republic of China" and the "Regulations on Fire Safety Management of Organs, Groups, Enterprises and Institutions", the Group formulated the "Regulations on Fire Safety Management of China TravelSky Holding Company Limited and TravelSky Technology Limited". During the reporting period, the Group has not violated any laws and regulations related to occupational safety that have a significant impact on the Group, and the Group has not experienced any work related death incident.

Case 1:

The "Mental Health for a New Journey" employee care plan continued to provide psychological counseling services to employees. In the first half of 2019, more than 500 people in the Group received mental health counseling.

Case 2:

During the reporting period, a number of employee sports activities were held, such as "Healthy Run", the 3rd TravelSky Employees Walking Activity, "TravelSky Cup" football game, "TravelSky Cup" fishing sports, "TravelSky Cup" swimming competition, and the 2019 TravelSky Staff Sports Game.

"Healthy Run", the 3rd TravelSky Employees Walking Activity

"TravelSky Cup" football game

"TravelSky Cup" fishing competitions

2019 TravelSky Staff Sports Game

Case 3:

In order to further strengthen the fire safety awareness of all employees of the company and popularize fire safety knowledge, in 2019, the Company organized 80 volunteer firefighters and central controllers in the Houshayu Park to conduct fire safety training.

Fire safety training

4.4 Talent Management

In order to better attract high-end talents, implement the Group's strategy to strengthen company with talents, and enhance the Group's competitiveness in external markets, the Group formulated and issued the "Interim Measures of China TravelSky Holding Company Limited and TravelSky Technology Limited on the Introduction of Overseas High-level Talents". The Group innovated the system and mechanism, built a business platform, and created a good working environment suitable for the role of top-notch overseas talents. The Group has improved its remuneration packages so that talents can be attracted, retained and well developed. The overseas top-notch talents introduced by the Group, as the company's specially appointed experts, enjoy the corresponding working conditions and special living allowance provided to them. At the same time, in order to retain the company's outstanding talents, the Group promoted the construction of the Group's talent team, creating a good atmosphere that respects knowledge, encourages innovation, and values talents. The Group strengthened the market-oriented incentive mechanism, encouraged front-line core technical talents to play a leading role in their work, strengthened their core competitiveness, and formulated the "Travelsky Front-Line Technical Backbone Subsidy System". The determination process of the front-line technical backbone adopts the "uniform standard and hierarchical management" method. The Company proposed the number of people, quota allocation plan, basic conditions and implementation requirements, and was determined by each second-level unit based on the principles of "focus on ability, performance, and contribution" technical backbone candidate. In addition to the normal salary and benefits, front-line technical backbone allowances provide cash incentives to technical backbones on a monthly basis. In addition, the Group also provides various bonuses and corporate dividends for various outstanding talents, and has formulated the "Administrative Measures for the General Manager Award Fund of TravelSky".

In addition, in order to establish a harmonious working atmosphere, in addition to providing a comprehensive employment management system and competitive salary and benefits, we also organized a variety of recreational activities to enhance the cohesion of employees and enrich their leisure lives. In addition, we also provided necessary care and assistance to employees in difficulty, and specifically formulated the "Measures for the Management of Employees' Consolation by China TravelSky" to actively promote the solution of practical difficulties in the lives and work of employees.

Case 1:

Taking the "Send Warmth and Coolness" activity as a carrier, we sent care and employee benefits to front-line staff, staff in remote areas, and staff in difficulties. A total of RMB1.6034 million was allocated to grassroots units and 64 employees in need.

Case 2:

Systematized "visiting employees during holidays", and provide more than 800 visits to employees during five holidays in 2019, organized 3,414 employees to participate in the fourth "TravelSky Employees' Loving Fund", which subsidized 10 people throughout the year. Organized 1,491 female employees to participate in the seventh "Civil Aviation Female Employees Mutual Aid for Illness" and so on.

5. RESPONSIBILITY GOVERNANCE

During the year of 2019, the Group continued to improve various matters in responsibility governance, strengthened compliance management, continued to improve user experience, and promoted the establishment of systems such as safeguarding trade secrets, intellectual property protection, and information security building. In addition, the Group continued to improve its ability to control risks and protect the legitimate rights and interests of shareholders. In addition, the Group is committed to strengthening anti-corruption capacity building, and is committed to building a team with business ethics and integrity, thereby comprehensively ensuring the stable operation of the Group.

5.1 User Demand Responsibility

"Customer-oriented" is the customer service policy of the Group. During the reporting period, the Group continued to strive to provide products and services that meet customer needs. As an information service company, in our operation and management work, the Group has always established the provision of excellent information services as its core philosophy. Through the full-process service of "customer demand-oriented", the Group has comprehensively improved customer satisfaction and loyalty. The Group's service strategy is defined as "customer first" and "service-oriented", and is committed to becoming a customer's eternal partner with professional services.

At the same time, we are committed to meeting user needs from two major aspects: by formulating a series of full-process system specifications, gradually improving the service management level and supervision mechanism; at the same time, in order to improve customer service satisfaction, we launched a customer satisfaction survey in 2019, actively collected customer satisfaction data, conducted scientific research and analyzed to rectify existing problems. In addition, in order to actively respond to customer-related complaints and claims, and improve customer satisfaction, the Group has formulated a series of standardized procedures to process complaints and claims, to protect the normal rights and interests of customers.

In addition, as a supplier of information technology solutions for the aviation tourism industry, the products and services provided by the Group do not involve health and safety (except information security) issues. During the reporting period, the Group has not received any complaints about the services and products provided.

Full process institutional guarantee

Adhering to the concept of "full-process service" in customer service, the Group has formulated a series of systems or specifications that standardize service standards and improve management level: the "TravelSky Service Specification" has been formulated to regulate basic behaviors in customer service work; the "TravelSky Standard Service Process Management Specification" has been formulated for customer demand acceptance, problem resolution, complaint handling and effective improvement of customer service efficiency; the "TravelSky Customer Visit Work Management Requirements" has been formulated for the standardized management of customer visits in various places; in order to realize the standardization of customer product and service, and effectively promote the quality of product and service support work for various customers, the "TravelSky Customer Product Service Hierarchy Docking System Management System" has been formulated. The above four documents provide systematic and institutionalized service quality assurance for the entire process, and strive to ensure that the rights and interests of users are not harmed.

Increasing customer satisfaction

In order to better provide products and services and understand user needs in a timely manner, the Group has formulated a complete set of Customer Satisfaction Survey Process. Structured questionnaires were adopted in the customer satisfaction surveys to collect data. At the same time, telephone interviews and online surveys were used as the main method in the customer satisfaction survey, and interview appointments were used as the supplementary method to collect customer satisfaction data on business products and services based on the respondents' willingness to cooperate and the importance of customers. The implementation of the satisfaction survey process is as follows:

1. Telephone interview to collect data and information
2. Respondents' appointments and sampling
3. Face-to face interview per appointments
4. Analysis of data

In 2019, the Group completed its annual customer satisfaction survey. The Group conducted independent research on customer satisfaction of approximately 580 people at 41 airlines and approximately 450 people at 145 airports. The Group sorted out 63 key rectification tasks and 157 general rectification tasks for responsible units. The above rectification tasks have been implemented one by one, and follow-up has been continued until the customer's needs were satisfied.

In addition, in order to strengthen the management of the company's customer complaints and compensation issues, improve customer satisfaction, maintain the normal operation of the Group's related business, and ensure the standardization, timeliness and effectiveness of handling complaint and compensation issues, the Group specially formulated three sets of process documents, the "TravelSky Airline Complaint and Payment Issue Handling Process","Business Relationship Management Process Manual" and "Agent Complaint and Payment Issue Handling Process", so as to ensure the normal progress of the company's related complaint and claim process and also protect the legitimate interests of users and the Company.

5.2 Trade Secrets Responsibility

In order to establish a strict protection system for trade secrets, in recent years, the Group has continued to deepen the confidentiality of various business information, continued to increase the intensity of protection of customers and its own trade secrets, further improved the management of the company's trade secrets, strengthened the trade secrets of various departments, prevented all kinds of commercial secrets from leaking. The Group strictly abides by relevant laws and regulations such as the "Protection of State Secrets of the People's Republic of China" and "Interim Provisions on the Protection of Central Enterprises' Commercial Secrets", and accordingly formulated the "China TravelSky Holding Company Limited and TravelSky Technology Limited Commercial Secret Protection Implementation Detailed Rules (Trial)" (the "**Detailed Rules**") to ensure the protection of various types of trade secrets of the Group in a systematic and institutionalized manner. Important customer privacy information is also classified as Company's trade secrets under the "Detailed Rules", protecting the interests of the Group and important privacy of customers from being infringed. From 2013 to 2019, the Group has not experienced any leaks for six consecutive years. The "Detailed Rules" provides comprehensive protection for all types of information identified as trade secrets from the determination, change, time limit, management responsibility, protection measures, and punishment system of trade secrets. At the same time, the "Detailed Rules" continued to institutionalize the protection of trade secrets of the Group.

During the reporting period, the Group has not violated any relevant laws and rules related to trade secrets, customer privacy, advertising and trademarks that have a significant impact on the Group.

In addition, the Group's protection of trade secrets has been under way for a long time. The Group established a project team for constructing trade secret protection system since 2013, and started building the trade secret protection system with the core of encryption and decryption technology to provide solution for the security requirements of the Company's data, network, mobile storage media, etc. Currently, encryption and decryption technology is one of the major information security and data protection methods of data leakage protection industry. It is also one of the main security technologies adopted by the first batch of state-owned enterprises for testing.

5.3 Intellectual Property Responsibility

The Group encourages employees to actively carry out scientific research and innovation, while continues to strengthen intellectual property protection. The Group is committed to maintaining and protecting the results of independent scientific research, and promoting and guiding technical departments to innovate.

In order to standardize patent management of the Group for protecting the achievements of research and development, the Group has formulated the "Interim Measures for Patent Management of TravelSky" in accordance with the "Patent Law of the People's Republic of China" and the "Rules for the Implementation of the Patent Law of the People's Republic of China" and other laws and regulations. In addition, the Group has established a Patent Management Committee and a Patent Management Office to manage the patent works of the Group. The following are the responsibilities:

Patent Management Committee

Conducting comprehensive supervision and guidance on patent management;
Guiding the selection of patent agencies;
Reviewing patent applications;
Reviewing patent rewards and punishments;
Reviewing changes, suspensions, cancellations and related businesses of the patents;
Making decisions on major issues of patent management.

Patent Management Department

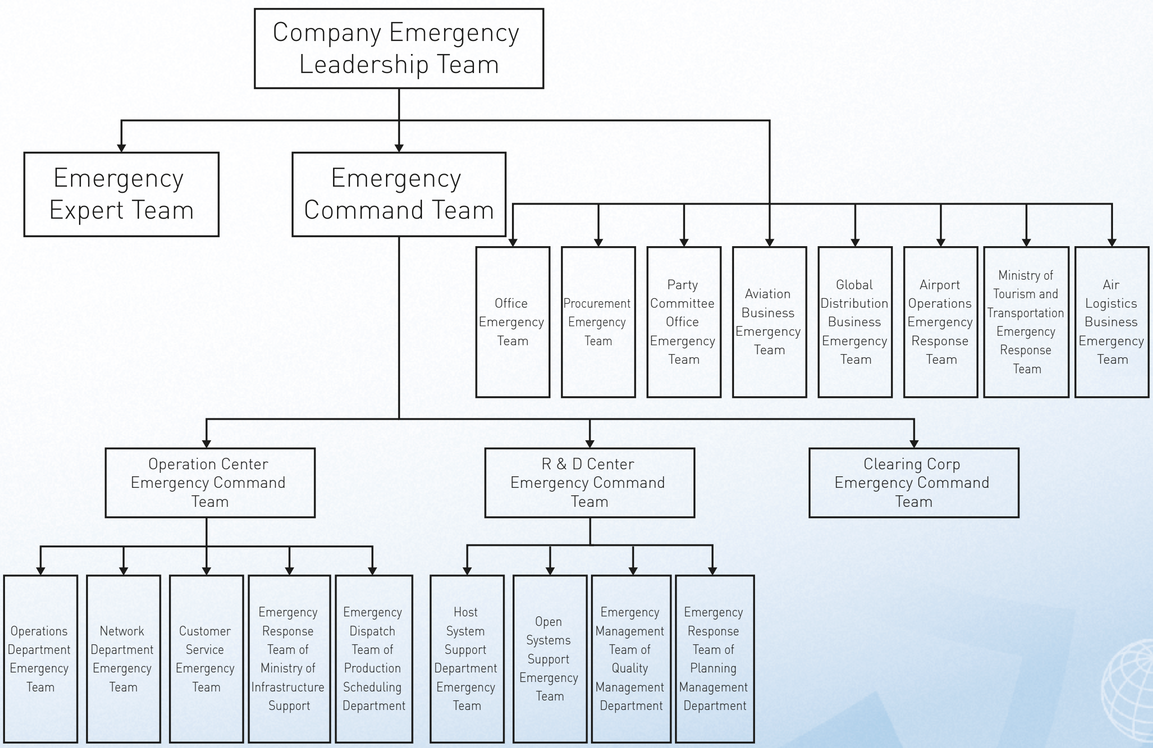
Drafting normative documents for patent management;
Organizing and coordinating patent management of subordinate units;
Handling relevant matters regarding the selection of patent agencies and supervising the implementation;
Organizing the promotion and training of patent of the company;
Managing the patent literature of the company;
Organizing the patent application of the company;
Responsible for implementing the patent reward and punishment measures of the company;
Handling changes, suspensions, cancellations and related businesses of the company's patents;
Entrusting patent agencies to handle businesses including patent application, searching, rights protection, transfer, patent implementation, patent licensing, handling or assist in handling patent dispute prevention and response.

5.4 Information Security Responsibility

The information system of the Group is an important part of national computer information system security and civil aviation information security. Therefore, information security guarantee is fundamental for the development and operation of the Group. The Group strictly complies with the relevant laws and regulations such as the "Internet Security Law of the People's Republic of China" and the "Administrative Measures for Internet Information Services". The Group has formulated the "TravelSky Information System Security Management System" (hereinafter referred to as the "**Security Management System**") in accordance with relevant international and national information security laws and regulations such as the "International Information Security Management Standard ISO17799" and the "Regulations on the Protection of Computer Information Systems of the People's Republic of China", in order to guide the formulation of specific security policies, the planning of security programs, and the implementation of security construction of the Group's information systems. During the reporting period, the Group has not violated any laws and rules related to the Group's information security.

When the normal operation of network and information system is affected due to natural disaster, equipment software and hardware failure, human error or damage, and business interruption, system paralysis, data destruction or information leakage or theft and other phenomena occur, thus causing adverse impact on public security and social and economic order, the Group will adopt emergency plans that have been developed in advance and gone through a series of drills and reviews from the safety management system to minimize the damage caused by failures and to ensure the sustainable operation of the business.

The Company's emergency organization chart



5.5 Anti-corruption Responsibility

In recent years, the Group has continuously improved the construction of the anti-corruption system, fostered a development atmosphere of integrity, and prevented management and employees from committing illegal acts such as corruption, bribery, extortion, fraud and money laundering. The Group strictly complies with laws and regulations such as the "Supervision Law of the People's Republic of China", the "Criminal Law of the People's Republic of China", the "Disciplinary Regulations of the Communist Party of China", the "Anti-Money Laundering Law of the People's Republic of China", and "Several Provisions on the Integrity of State-owned Enterprise Leaders". At the same time, the Group has amended the relevant systems of all departments and reviewed the relevant systems to ensure that the company complies with laws and regulations when participating in major decisions such as investment in major projects and acquisitions. While conscientiously implementing the requirements of the "three non-corruption" system construction, the Group has also established and improved a management system that covers key areas and key links such as the three major and one large, selection and employment, and material procurement. The Group has established and improved a large-scale supervision framework including the coordination of discipline supervision, inspection supervision, audit supervision, resident supervision, and mass supervision. During the reporting period, the Group has not involved any cases related to corruption.

In 2019, the Group held the 2019 Party Conduct and Clean Government Construction and Anti-Corruption Work Conference to comprehensively summarize the Group's Party Conduct and Clean Government Construction and Anti-Corruption Work in 2018. At the same time, the Group has deployed key tasks in 2019 to implement the Party's political responsibility for governing the party and solidly promote the company's comprehensive and strict development of the Party. The Group issued the "Responsibility Letter for the Construction of Party Conduct and Clean Government in 2019" to relevant units at the work conference site, which was used to decompose the target responsibility of Party conduct and clean government construction. In addition, the Group made full use of opportunities such as work meetings and cadre training to carry out warning education on anti-corruption and upholding integrity to ensure continuous education and constant alarm.

The Group has established a complete letter-reporting process and unimpeded reporting channels. In addition, the Group strictly adheres to the confidentiality and security system in handling related issues such as reporting letters and visits. Relevant implementation and monitoring methods include: Adopting the deployment arrangements of "top-down management, and top-down implementation" to ensure that units at all levels implement relevant measures; routine inspections, special inspections, daily supervision by discipline inspection commissions; and carrying our year-end special assessments, etc. for supervision and inspection.

6. GREEN DEVELOPMENT

Although the Group's own business and products and services have a relatively small impact on the environment and natural resources, in order to deeply implement the concept of green development, the Group's energy consumption and atmospheric emissions, materials and water use and sewage waste were subject to key supervision, measurement and management, thereby laying a good foundation for the establishment of an environmentally friendly company. The Group strictly implements national policies and regulations on green development and environmental protection. The Group actively builds a green development model and conducts environmental protection publicity activities, and is committed to effectively integrating environmental protection concepts and practices into all aspects of the company's operations, thereby minimizing the impact of the operation process on the environment.

6.1 Emission Control

During the reporting period, the main emissions of the Group are: air pollutants (mainly CO, NOx, SOx, $PM_{2.5}$ and PM_{10}) generated by official vehicles, greenhouse gas emissions from energy consumption, office supplies and various types of electronic equipment waste, and domestic sewage. During the reporting period, the Group has strictly complied with the "Environmental Protection Law of the People's Republic of China", "Energy Conservation Law of the People's Republic of China", "Environmental Noise Pollution Prevention Law of the People's Republic of China", "Air Pollution Prevention Law of People's Republic of China", "Water Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", and the "Regulations on the Management of Recycling and Disposal of Waste Electrical and Electronic Products" and other national and regional laws and regulations. The Group strived to strengthen its own emissions management system and measures to actively address environmental risks while actively implementing relevant national policies and requirements for air pollutants, greenhouse gases, hazardous and non-hazardous waste and domestic sewage. During the reporting period, the Group has not received any matters in violation of relevant laws and regulations.

In order to manage various pollutant emissions and reduce emissions, in the daily operation process, the group strictly followed the following methods to deal with various emissions:

Greenhouse Gas	In accordance with the "Energy Conservation Law of the People's Republic of China" and in consideration of the actual situation of the Group, the Group formulated and implemented management measures to improve energy efficiency and reduce energy consumption. Management measures involve multiple aspects such as monitoring, introduction of new technologies and equipment, and optimization of operational efficiency (for details, see Section 6.2 "Energy Efficiency").
Air Pollutants	The Group strictly complied with the relevant state regulations on corporate official vehicles, and comprehensively revised the "Administrative Measures for Official Vehicles of China TravelSky Holding Company Limited and TravelSky Technology Limited" according to the actual situation of the Group, thereby strictly managing official vehicles. The Group conducts regular vehicle inspections. Vehicles whose emissions exceed the criteria or do not comply with national regulations were promptly rectified or scrapped.
Hazardous and Non-hazardous Wastes	Obsolete electronic equipment such as used computers, servers and computer screens are classified for disposing by recyclers that holding the license of electronic products and scrap metal recycling.
Domestic Sewage	Household garbage and domestic sewage produced in business operation are intensively disposed by local municipal administration institution or a qualified third party.

In addition, based on the above-mentioned emissions disposal methods, the Group reduced the emissions by continuously reducing resource use and improving resource use efficiency:

1) In terms of domestic water consumption in the office area, the Group posted water-saving stickers in the office area to remind employees to pay attention to water conservation;

2) In terms of saving gasoline, the Group adopted centralized management of vehicles, and employees need to plan routes to reduce fuel consumption before going to work;

3) In terms of saving paper, the OA system has been continuously used for daily operation management. At the same time, an administrative information platform was provided to realize the electronic application and approval of administrative work such as conference rooms and office supplies, gradually achieving paperless office;

4) In terms of reducing other hazardous and non-hazardous waste, the Group planned to improve and implement emission reduction measures in 2020 and beyond.

At the same time, the Group will monitor the implementation and results of various measures during the reporting period of 2020 and beyond, and collect data on the effectiveness of reducing paper use and other hazardous and non-hazardous waste emissions, and continuously report in 2020 and beyond.

The data of various emissions of the Group during the reporting period are as follows:

	2019	Units
Emission of Greenhouse Gas (Scope 1 and scope 2)		
Emission by vehicles (scope 1)	188.8	Tons
Emission by electricity consumption (scope 2)	57,777.3	Tons
Emission by purchased heat consumption (scope 2)	902.2	Tons
Total Greenhouse gas emission	58,868.3	Tons
Intensity of total greenhouse gas emission	0.07	Tons/RMB10,000 income
Emission of Air Pollutants		
CO emission	6,241.4	kg
NOx emission	513.2	kg
SOx emission	1.1	kg
$PM_{2.5}$ emission	34.2	kg
PM_{10} emission	37.8	kg
Discharge of Sewage		
Total discharge of domestic sewage [Note]	84,376.8	Tons
Discharge of Non-hazardous Waste		
Discharge of domestic waste of office	584,675	kg
Intensity of the discharge of domestic waste of office	0.72	kg/RMB10,000 income
Discharge of food waste	27,000	kg
Intensity of the discharge of food waste	0.03	kg/RMB10,000 income
Discharge of non-hazardous electronic waste	1,678	Units
Intensity of the discharge of non-hazardous electronic waste	0.002	Units/RMB10,000 income
Discharge of Hazardous Waste		
Discharge of hazardous electronic waste	432	Units
Intensity of the discharge of hazardous electronic waste	0.0005	Units/RMB10,000 income

Note: The total domestic sewage discharge during the reporting period is the municipal water consumption calculated in accordance with the"Standard for Urban Drainage Engineering Planning GB 50318-2017". In the future, the Group will collect and calculate other types of sewage discharge data.

6.2 Energy Efficiency

As an enterprise providing information technology solutions, the Group does not have a significant impact on the environment and natural resources during its operations. During the reporting period, the Group's resource consumption mainly included: purchased electricity, municipal water supplies, gasoline used by automobiles, natural gas, and purchased heating. The Group is committed to integrating environmental protection awareness into daily office work. The Group actively develops green office initiatives and promote the concept of green office. The Group continuously explores energy-saving and environmentally friendly office models. The Group adopted diversified measures to ensure that the green office concept can be implemented, promoting resource conservation, and helping employees to cultivate a good sense of environmental protection.

Advocating energy efficiency is an important task for the Group to reduce greenhouse gas emissions and combat climate change. In the Group's production and operation, greenhouse gas emissions are mainly derived from energy consumption in production and daily office work. Therefore, improving energy efficiency and reducing energy consumption are the most important ways for the Group to reduce greenhouse gas emissions. In 2019, the Group strictly complied with the "Energy Conservation Law of the People's Republic of China" and continuously improved the organization and management of energy conservation and emission reduction. At the same time, the Group's statistical monitoring of energy saving and emission reduction data required each unit of the Group to assign the energy saving and emission reduction staff, screen the energy consumption index system and collect energy consumption data of each unit, and continuously improve the energy consumption statistical monitoring system. On the basis of ensuring production safety and business expansion, the Group strived to strengthen energy conservation management, eliminated backward production capacity and improved resource efficiency through the introduction and application of new energy-saving technologies. In 2019, the Group invested RMB497,500 in the energy-saving optimization project for the air-conditioning system of Houshayu Information Center.

In 2019, on the basis of ensuring safe production, the Group adopted different measures for production areas, office areas and living areas to reduce the consumption of resources and energy, reduce costs for enterprises, and improve the efficiency of resource use:

Production area: On the basis of ensuring safe production, the Group optimized the system operation structure, explored the energy-saving features of equipment, reduced equipment operation energy consumption, and realized green energy saving. In energy consumption management, the Group invested RMB499,500 in the cooling waterpower heating system renovation project in 2019. Through various energy-saving technologies, the annual PUE of the Houshayu Data Center reached 1.356 in 2019, which is 14.07% lower than 2018 and effectively saved RMB10.48 million in electricity costs. Houshayu Data Center quickly met the latest energy efficiency standards of the Beijing Data Center in the short term, and was selected as the first batch of Beijing Green Data Centers in 2019.

Office and living areas: Energy saving measures were implemented in Houshayu Park. The total gas consumption in 2019 (2,214,409 cubic meters) was 333,026 cubic meters less than the annual consumption in 2018 (2,547,435 cubic meters), saving RMB899,170 for the Company.

The Group's business does not involve the use of packaging materials. At the same time, the Group's place of operation does not cover areas where water resources are scarce, and does not involve the issue of suitable water source accessibility and thus relevant disclosures are not applicable. The Group pays attention to its own resource usage management in daily operations and office work, and saves resources from daily operations.

The following table demonstrates the data of resources usage during the reporting period:

	2019	Units
Use of Resources		
Consumption of electricity	69,171,519.41	kWh
Intensity of electricity consumption	85.2	kWh/RMB10,000 of income
Consumption of gasoline (vehicle)	71,058	L
Intensity of the consumption of gasoline (vehicle)	1,268.9	L/vehicle
Consumption of natural gas	2,214,429.3	m^3
Intensity of the consumption of natural gas	2.7	m^3/RMB10,000 of income
Consumption of purchased heat	8,202.6	GJ
Intensity of the consumption of purchased heat	0.01	GJ/RMB10,000 of income
Total consumption of water [Note]	93,752	Tons
Intensity of the total consumption of water	0.12	Tons/RMB10,000 of income

Note: During the reporting period, total water consumption included municipal water consumption. In the future, the Group will perform statistical calculations on other water consumption data (such as barreled water).

7. COMMUNITY CARE

While maintaining its rapid development, the Group continues to pay attention to the people's livelihood in the community, give full play to its own advantages, actively give back to the society, and promote the development of social welfare. The Group formulated the poverty alleviation plan of "TravelSky Targeted Poverty Alleviation Work Plan for Shenchi (2015-2020)", actively assumed corporate social responsibility and conducted targeted poverty alleviation for Shenchi County in a planned way in accordance with the document of "Outline of Rural Poverty Alleviation and Development in China (2011-2020)" issued by the Central Government. The Group issued the "2019 Work Responsibility on Targeted Poverty Alleviation" during the reporting period. In 2019, the Group including 35 subordinate units provided assistance to all 17 primary and secondary schools and 174 deeply poor households in 10 towns, benefiting more than 4,300 poor people.

Leaders of the Group visited veteran cadres in Sanshan Village Shenchi County

2019 is the sixth year of the Group's "targeted poverty alleviation" in Shenchi County. Over the past six years, the Group has invested a total of RMB20.57 million in targeted poverty alleviation funds to help Shenchi County alleviate poverty. Over the past six years, Shenchi County has achieved poverty alleviation results for 11,764 households with 28,728 people in 137 villages. In 2019, the Group vigorously promoted ten targeted poverty alleviation measures for industrial poverty alleviation, employment poverty alleviation, medical poverty alleviation, e-commerce poverty alleviation, education poverty alleviation, intellectual poverty alleviation, cultural poverty alleviation, special poverty alleviation, in-depth poverty alleviation, and all-people poverty alleviation. By the end of 2019, 158 households of 347 people in Shenchi County had been lifted out of poverty, and 100% of the county's population would be lifted out of poverty.

Shenchi County "Rural Doctor Training"

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 2019.

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". The Group presented revenue disaggregated by revenue timing of recognition and primary geographical market, please refer to Note 5 to the consolidated financial statements for details.

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 "Financial Highlights". 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, 2019 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2019, 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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

PRE-EMPTIVE RIGHTS

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

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 IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2019, 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	**Class and number of shares** (Note 2)	**Capacity**	**Approximate percentage of respective class of share capital** (Note 3)	**Approximate percentage of total share capital** (Note 3)
China TravelSky Holding Company Limited	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Eastern Air Holding Company Limited	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 4)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 5)	Interest of controlled corporation	0.20%	0.13%

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage of respective class of share capital (Note 3)	Approximate percentage of total share capital (Note 3)
China National Aviation Holding Company Limited	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 6)	Interest of controlled corporation	0.94%	0.64%
China Southern Air Holding Company Limited	202,781,500 domestic shares of RMB1 each (L) (Note 7)	Beneficial owner	10.17%	6.93%
	65,773,500 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	3.30%	2.25%
China Mobile Capital Holding Co., Ltd.	146,600,000 domestic shares of RMB1 each (L) (Note 7)	Beneficial owner	7.35%	5.01%
The Capital Group Companies, Inc.	84,276,163 H shares of RMB1 each (L) (Note 9)	Interest of corporation controlled by the major shareholder	9.04%	2.88%
Citigroup Inc.	78,987,122 H shares of RMB1 each (L) (Note 10)		8.46%	2.70%
	2,308,936 H shares (L)	Interest of corporation controlled by the major shareholder		
	76,678,186 H shares (L)	Approved lending agent		

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage of respective class of share capital (Note 3)	Approximate percentage of total share capital (Note 3)
	1,513,850 H shares of RMB1 each (S) (Note 10)	Interest of corporation controlled by the major shareholder	0.16%	0.05%
	76,678,186 H shares of RMB1 each (P) (Note 10)	Approved lending agent	8.22%	2.62%
JPMorgan Chase & Co.	75,108,744 H shares of RMB1 each (L) (Note 11)		8.05%	2.57%
	5,723,578 H shares (L)	Interest of corporation controlled by the major shareholder		
	24,000 H shares (L)	Investment manager		
	62,910 H shares (L)	Person having a security interest in shares		
	69,298,256 H shares (L)	Approved lending agent		
	1,824,502 H shares of RMB1 each (S) (Note 11)	Interest of corporation controlled by the major shareholder	0.19%	0.06%
	69,298,256 H shares of RMB1 each (P) (Note 11)	Approved lending agent	7.43%	2.37%

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage of respective class of share capital (Note 3)	Approximate percentage of total share capital (Note 3)
BlackRock, Inc.	46,718,166 H shares of RMB1 each (L) (Note 12)	Interest of corporation controlled by the major shareholder	5.01%	1.60%
	1,447,000 H shares of RMB1 each (S) (Note 12)	Interest of corporation controlled by the major shareholder	0.16%	0.05%

Notes:

(1) Interests and short positions in the shares and underlying shares of the Company disclosed in this section are 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).

(2) (L) – Long position; (S) – Short position; (P) – Lending pool.

(3) The percentage is calculated by the amount of shares held by relevant person/the total amount of relevant shares issued as at December 31, 2019. 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, 2019; 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, 2019.

(4) 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.

(5) 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.

(6) 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.

(7) As set out in the announcements dated December 14, 2018 and January 24, 2019, China Southern Air Holding Company Limited agreed to transfer, and China Mobile Capital Holding Co., Ltd. agreed to acquire 146,600,000 domestic shares of the Company. Immediately following the completion of the transaction, China Southern Air Holding Company Limited directly and indirectly holds 268,555,000 domestic shares of the Company, representing approximately 9.18% of the total issued share capital of the Company (of which, directly holds 202,781,500 domestic shares of the Company, representing approximately 6.93% of the total issued share capital of the Company); China Mobile Capital Holding Co., Ltd. holds 146,600,000 domestic shares of the Company, representing approximately 5.01% of the total issued share capital of the Company. For details, please refer to the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by China Mobile Communications Group Co., Ltd. on December 14, 2018 and Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by China Southern Air Holding Company Limited on January 24, 2019.

(8) 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.

(9) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Capital Group Companies, Inc. on December 7, 2019, The Capital Group Companies, Inc. was deemed to be interested in 84,276,163 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.

(10) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on December 6, 2019, Citigroup Inc. was deemed to be interested in 78,987,122 H shares (L), 1,513,850 H shares (S) and 76,678,186 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 Holdings Bahamas Limited, Citigroup Global Markets Limited, Citicorp Trust Delaware, National Association, Citicorp Trust South Dakota, 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.

(11) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on December 9, 2019, JPMorgan Chase & Co. was deemed to be interested in 75,108,744 H shares (L), 1,824,502 H shares (S) and 69,298,256 H shares (P). These shares were held by China International Fund Management Co., Ltd., J.P. Morgan Bank Luxembourg S.A. – Amsterdam Branch, J.P. Morgan AG, J.P. Morgan Bank Luxembourg S.A. – Stockholm Bankfilial, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, J.P. Morgan Bank Luxembourg S.A. – Oslo Branch, JPMorgan Chase Bank, N.A. – Sydney Branch, J.P. Morgan Bank Luxembourg S.A., JPMorgan Chase Bank, N.A. – Hong Kong Branch, JPMorgan Chase Bank, National Association, J.P. MORGAN SECURITIES PLC, J.P. Morgan (Suisse) SA, JPMORGAN ASSET MANAGEMENT (UK) LIMITED, JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED, JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED, JPMorgan Asset Management Holdings Inc., JPMorgan Chase Holdings LLC, J.P. Morgan International Finance Limited, J.P. Morgan Broker-Dealer Holdings Inc., J.P. MORGAN CAPITAL HOLDINGS 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.

(12) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by BlackRock, Inc. on December 27, 2019, BlackRock, Inc. was deemed to be interested in 46,718,166 H shares (L) and 1,447,000 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 International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à.r.l., BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, 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 Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limitied, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Group Limited-Luxembourg Branch, 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 UK Holdco Limited, BlackRock Asset Management (Schweiz) AG, 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.

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2019, 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.

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, 2019, 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, 2019.

As at December 31, 2019, each of China TravelSky Holding Company Limited, China Eastern Air Holding Company Limited, China National Aviation Holding Company Limited and China Southern Air 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, 2019,

(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. Han Wensheng (a non-executive director) was an employee of China Southern Air Holding Company Limited;

(d) Mr. Zhao Xiaohang (a non-executive director) was an employee of China National Aviation Holding Company Limited; and

(e) Mr. Xi Sheng (a non-executive director) was an employee of China Eastern Air Holding Company Limited.

Save as disclosed above, as at December 31, 2019, 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 AND SUPERVISORS

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

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

Change in the information of directors and supervisors of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2019 interim report is set out below:

Dr. Ngai Wai Fung resigned as an independent non-executive director and the chairman of the audit committee of Yangtze Optical Fibre and Cable Joint Stock Limited Company (Stock Exchange, Stock Code: 06869; Shanghai Stock Exchange, Stock Code: 601869) in January 2020. Mr. Ding Wanzhi ceased to serve as the assistant to the general manager of the Company in January 2020.

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 respectively 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. For the year ended December 31, 2019, 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).

The seventh session of the Board and the Supervisory Committee are established on February 27, 2020, respectively. All members have respectively entered into service contracts with the Company, and 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).

PERMITTED INDEMNITY PROVISION

As of December 31, 2019, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

REMUNERATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Details of the remuneration of directors, supervisors and senior management are set out in Notes 8 and 9 to the consolidated financial statements.

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 2019.

DIVIDEND POLICY AND ANNUAL DIVIDEND

On the basis of sustainable development, the Company maintained a stable and sustained dividend policy. Specific dividend distribution plan for ordinary shares for each year (including cash dividend distribution plan) will be proposed by the Board on distribution of dividends (including cash dividend distribution plan) at the general meeting after taking consideration of factors including the current operations of the Company and the capital requirement for future development of the Company. Generally, the Company distributed annual final dividends in cash once each year, total amount of such cash dividends accounted for approximately 30-40% of the profit after taxation (at lower of PRC GAAP Financial Statements and IAS Financial Statements) of the Company in that year.

The Board proposed the distribution of a final cash dividend of RMB0.289 per share (tax inclusive) for Year 2019. For details, please refer to the section headed "Distribution of Profit" in "Management Discussion and Analysis of Financial Condition and Results of Operations".

RESERVES AVAILABLE FOR DISTRIBUTION TO SHAREHOLDERS

Details of change of reserves available for distribution to shareholders of the Group in Year 2019 are set out in the consolidated statement of changes in equity of this annual report.

TAX RELIEF AND EXEMPTION OF STOCKHOLDERS

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

MATERIAL LITIGATION

The Group was not involved in any material litigation or dispute in Year 2019.

DONATION

In 2019, the Company donated RMB11.012 million.

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 10 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at December 31, 2019 are set out in Notes 41 and 18 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2019 are summarised in Note 14 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

China TravelSky Holding Company Limited was the largest supplier of the Group for Year 2019 and the total fees paid by the Group to the company in Year 2019 accounted for 1.0 % of the Group's total operating expenses (after deducting depreciation and amortisation expenses). During Year 2019, the total amount paid to the five largest suppliers of the Group accounted for 3.4 % of the Group's total operating expenses (after deducting depreciation and amortisation expenses).

Sales to the largest customer of the Group, China Eastern Airlines Corporation Limited, accounted for 11.5 % of the Group's revenues from its sales of goods or rendering of services for Year 2019. During the same period, total sales to the Group's five largest customers accounted for 42.5 % of the Group's revenues from its sales of goods or rendering of services. Three of these top five customers were China Eastern Airlines Corporation Limited, Air China Limited and China Southern Airlines Company Limited. Their respective controlling shareholders, namely China Eastern Air Holding Company Limited (a substantial shareholder of the Company), China National Aviation Holding Company Limited and China Southern Air Holding Company Limited, held an aggregate of approximately 31.2% of the number of the issued shares of the Company as at December 31, 2019. 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 39 to the consolidated financial statements.

Save as disclosed in this report and in Note 39 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.

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. The directors confirm that the following transactions are connected transactions or continuing connected transactions of the Company (some of them are also related party transactions as set out in Note 39(b) 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.

Continuing Connected Transactions

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 the following (a) to (e) 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.

In the opinion of the independent non-executive directors of the Company, the continuing connected transactions in Year 2019 (the following (a) to (e)): (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.

During the Year 2019, 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 Eastern Airlines Corporation Limited and its subsidiaries ("**Eastern Airlines**"), China Southern Airlines Company Limited and its subsidiaries ("**Southern Airlines**"), and Sichuan Airlines Company Limited ("**Sichuan Airlines**") (collectively the "**Airlines**"). The Airlines were the associates of the substantial shareholders of the Company.

As stated in the announcement of the Company dated January 24, 2019, Southern Airlines, Sichuan Airlines, Xiamen Airlines Company Limited ("**Xiamen Airlines**", a subsidiary of Southern Airlines) ceased to be connected persons of the Company under Chapter 14A of the Listing Rules since January 24, 2019.

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, departure flight control, 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 processing volume 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 continuing connected transactions as mentioned in (a) above 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 20, 2016, November 10, 2016, December 5, 2016, August 25, 2017, November 8, 2017 and January 24, 2019 and circulars of the Company dated November 25, 2016 and December 13, 2017.

Waiver regarding written agreements:
As stated in the circulars of the Company dated 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 continuing connected transactions in (a) above for the financial year ended December 31, 2019 were as follows:

Airlines (connected persons)	**Term of Waiver**	**Latest Signing of Agreements**	**Year 2019 Annual Caps** (RMB'000)	**Year 2019 Transaction Amounts** (RMB'000)
Southern Airlines [1]	Three years from 2017 to 2019	The written contract for 2019 is yet to be entered into.	784,763	688,711
Sichuan Airlines [1]	No waiver	Agreement for a term of three years for 2017 to 2019 was entered into on October 20, 2016, and the annual caps for 2017 to 2019 were revised on August 25, 2017.	310,000	229,593
Eastern Airlines [2]	Three years from 2018 to 2020	The written contract for 2019 is yet to be entered into.	1,045,407	809,172

Notes:

(1) Southern Airlines includes its subsidiaries, such as Xiamen Airlines, Chongqing Airlines Company Limited, Hebei Airlines Company Limited, Jiangxi Airlines Company Limited. Southern Airlines (including its subsidiaries), Sichuan Airlines ceased to be the connected persons of the Company since January 24, 2019. Meanwhile, the abovementioned transactions do not constitute the continuing connected transactions that are required to be reported by the Company.

(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 and China TravelSky Cloud Data Company Limited

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 China TravelSky Cloud Data Company Limited is a subsidiary of China TravelSky Holding Company Limited, it is also a connected person of the Company under the Listing Rules. As stated in the announcements of the Company dated December 12, 2018, and December 17, 2018, the Company leases three properties from China TravelSky Holding Company Limited and China TravelSky Cloud Data 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 tenancy agreement with China TravelSky Holding Company Limited for the lease of the Beijing Dongsi properties, for a term of three years starting from January 1, 2019. The average usage fee per square metre per day for using the Beijing Dongsi properties by the Company is RMB10.98, which shall be paid quarterly. The annual cap for each of the years during the term of the agreement was RMB36,500 thousand.

(ii) The Company also re-entered into the Shanghai Tenancy Agreement with China TravelSky Holding Company Limited, for a term of three years starting from January 1, 2019. The average usage fee per square metre per day for using the Shanghai properties is RMB5.12, which shall be paid quarterly. The annual cap for each of the years during the term of the agreement was RMB18,500 thousand.

(iii) The Company and its subsidiary, China TravelSky Huadong Data Centre Company Limited, entered into Jiaxing Tenancy Agreements with China TravelSky Cloud Data Company Limited to lease: (1) server rooms 2FM1 and 2FM4, part of spare parts warehouse and office areas in Jiaxing Data Centre, for a term starting from January 1, 2019 ending on December 31, 2019. Rentals range from RMB0.99 to RMB20.02 per square metre per day, depending on the usages. The annual rental shall be paid in three instalments. (2) four apartments in living area of the Jiaxing Property in Jiaxing Data Centre: (a) for a term of one year from April 1, 2018 to March 31, 2019, and the rental the Company paid to China TravelSky Cloud Data Company Limited for the use of the aforementioned four apartments was RMB9,200.00 per month and will be paid in a lump sum; (b) for a term of nine months from April 1, 2019 to December 31, 2019, and the rental the Company paid to China TravelSky Cloud Data Company Limited in three installments for the use of the aforementioned four apartments was RMB1.09 per square meter per day. The annual cap for the transactions under Jiaxing Tenancy Agreements in 2019 was RMB11,000 thousand.

(iv) The three rentals stated above were determined based on market rates. Rentals for Beijing Dongsi properties and Shanghai properties did not include property management fee, while rental for Jiaxing Property included certain property management fee.

For Year 2019, the total rental paid by the Company to China TravelSky Holding Company Limited for the lease of the Beijing Dongsi properties stated in (i) above amounted to approximately RMB36,073 thousand, and the total rental paid by the Company to China TravelSky Holding Company Limited for the Shanghai properties stated in (ii) above amounted to approximately RMB18,116 thousand. The total rental paid by the Company and its subsidiary, China TravelSky Huadong Data Centre Company Limited to China TravelSky Cloud Data Company Limited for Jiaxing Property stated in (iii) above amounted to approximately RMB9,931 thousand.

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

As set out in the announcement of the Company dated December 27, 2018, the Company has renewed the Services Framework Agreement from 2019 to 2021 with those 10 connected Cares ("**Cares Framework Agreements**").

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**").

(C) As stated in the announcement of the Company dated January 24, 2019, Hainan Cares, Shenzhen Cares, Xiamen Cares, Xinjiang Cares and Dongbei Cares ceased to be the connected persons of the Company since January 24, 2019.

Details of the Cares Framework Agreements: the connected Cares shall provide 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 equipment 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.

The service fees of Cares Framework Agreements 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, 2019 were as follows:

Connected Cares	Year 2019 Annual Caps (RMB'000)	Year 2019 Transaction Amounts (RMB'000)
Transactions with Hainan Cares, Shenzhen Cares, Xiamen Cares, Xinjiang Cares and Dongbei Cares[1]	300,000	270,678
Transactions with Xi'an Cares, Hubei Cares, Yunnan Cares, Qingdao Cares and Huadong Cares	198,000	90,126

Note:

[1] As stated in the announcement of the Company dated January 24, 2019, Hainan Cares, Shenzhen Cares, Xiamen Cares, Xinjiang Cares and Dongbei Cares ceased to be the connected persons of the Company since January 24, 2019. Meanwhile, the abovementioned transactions do not constitute the continuing connected transactions that are required to be reported by the Company.

(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 29, 2017, January 31, 2018, November 23, 2018 and December 28, 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; (iv) subsidy 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, (i) the passenger revenue accounting services (i.e., the passenger billing services, the passenger interline audit services, UATP accounting services and the passenger sales audit services) and (ii) the service fee settlement services;

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

(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, (iii) mail sales system for domestic flights of civil aviation, (iv) domestic and international cargo mail revenue management system, as well as relevant application support and infrastructure services for the abovementioned system products, which include the implementation of application system products, the application support for daily operation, customized development, maintenance for system operation as well as the software and hardware equipment required for the operation of application systems; and

(5) the provision of revenue accounting services in relation to cargo transport, which include, among others, (i) cargo transport revenue accounting services, and (ii) domestic mail accounting services (including stock control, sales control, sales audit, uplift revenue pro-ration, accounting processing, sales and uplift matching, clearing and settlement services).

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 or RMB0.6 (depending on specific airline companies) for domestic passengers and not more than RMB1.65 for international passengers with a customized development fee of RMB2,500 per person per day (if applicable). (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 system implementation fee of RMB2,500 per person per day; and a customized development fee of RMB2,500 per person per day; and system services fee of not more than RMB2,000,000 or RMB240,000 or RMB2,880,000 for long term support and maintenance after the system implementation (depending on the 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 unit price of payment for the international services of not more than RMB50,000 per month for the technology support of the system products and a unit price for services fee of not more than RMB120,000 per quarter; system implementation fee of RMB2,500 per person per day; customized development fee of RMB2,500 per person per day; (iv) the pricing of the abovementioned subsidy management system as well as 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). Such fees mainly consist of a unit price for services fee of RMB80,000 per month for the technology support of the system products; system implementation fee of RMB2,500 per person per day; and customized development fee of RMB2,500 per person per day.

(2) the pricing of the abovementioned revenue accounting services in relation to passenger transport is generally determined with reference to the guidance prices prescribed by CAAC, and is 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 10% of the adjusted amount, the pricing of the abovementioned services fee accounting services is generally determined with reference to the guidance prices prescribed by CAAC, and is generally calculated on 0.9% of the amount involved in the services fee accounting services;

(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 but not more than USD10 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 not more than 0.06%;

(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 system implementation fee of RMB2,500 per person per day; and a customized development fee of RMB2,500 per person per day. (iii) the abovementioned mail sales system of domestic flights for civil aviation is provided by ACCA for free. (iv) the pricing of the abovementioned provision of domestic and international cargo mail revenue management system services is determined through arm's length negotiation between ACCA and the Airlines with reference to waybills processed by the system per month. Cargo mail revenue management system handles the fee of every waybill, which is not more than RMB4.0 for international and regional routes, and not more than RMB1.6 for domestic routes, depending on the volume of waybills processed; and

(5) the pricing of the abovementioned revenue accounting services in relation to cargo transport is as follows: (i) the pricing of the abovementioned cargo transport revenue accounting services is not more than 0.9% of the total amount of accounting services, depending on the individual type of accounting service. (ii) the pricing of the abovementioned domestic mail accounting services is 5.5% of the total amount of accounting services.

In Year 2019, 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 2019 Annual Caps** (RMB'000)	**Year 2019 Transaction Amounts** (RMB'000)
Southern Airlines [1]	Agreement for January 1, 2019 to December 31, 2020 was entered into on December 28, 2018.	147,000	104,972
Sichuan Airlines [1]	Agreement for a term of three years from 2018 to 2020 was entered into on December 29, 2017.	16,000	18,121[2]
Eastern Airlines	Agreement for December 1, 2018 to December 31, 2020 was re-entered into by both parties on November 23, 2018.	148,000	104,996
China Cargo	Agreement for February 1, 2018 to December 31, 2019 was entered into on January 31, 2018. Agreement for January 1, 2020 to December 31, 2021 was re-entered into by both parties on December 31, 2019.	17,000	12,634

Notes:

[1] As stated in the announcement of the Company dated January 24, 2019, Southern Airlines and Sichuan Airlines ceased to be connected persons of the Company since January 24, 2019. Meanwhile, the abovementioned transactions do not constitute the continuing connected transactions that are required to be reported by the Company.

[2] The Company further confirms that the actual amount of the transaction with Sichuan Airlines in January 2019 has not exceeded the annual cap of Year 2019.

(ii) Domestic Mail Revenue Accounting and Settlement

As stated in the announcements of the Company dated June 30, 2016 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 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. As stated in the announcement of the Company dated January 24, 2019, Xiamen Airlines ceased to be connected person of the Company since January 24, 2019.

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, and such fee is charged by reference to the relevant documents issued by the industry regulatory authorities.

In Year 2019, 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 2019 Annual Caps** (RMB'000)	**Year 2019 Transaction Amounts** (RMB'000)
Xiamen Airlines	Agreement for a term of three years from 2017 to 2019 was entered into on June 30, 2016.	7,300	3,560
China Cargo	Agreement for a term of three years from 2017 to 2019 was entered into on November 16, 2016.	11,000	5,759

(e) Technology Services Provision Agreement for Air Freight Business

As stated in the announcement of the Company dated November 26, 2018, the Company re-entered into Technology Services Provision Agreement for Air Freight Business with Shanghai Eastern Air Logistics Co., Ltd. ("**Eastern Logistics**") and China Cargo, for a term of two years commencing December 1, 2018 and ending November 30, 2020.

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 sales, space, waybills, ground operations, standard and quality control, resources, agent and client services platform, data report, mobile application 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 RMB3 for international and regional routes and up to a maximum allowable price of RMB1.5 for domestic routes depending on the types of waybills; and (ii) other miscellaneous fees, including but not limited to terminal equipment fees, network and interface fees and communication fees. Such fees will be payable by China Cargo/Eastern Logistics in cash every month. 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 2019, 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 2019 Annual Caps** (RMB'000)	**Year 2019 Transaction Amounts** (RMB'000)
Eastern Logistics and China Cargo	Agreement for a term of two years from December 1, 2018 to November 30, 2020 was entered into on November 26, 2018.	19,000	14,354

One-off Connected Transactions

(a) One-off connected transactions entered into between the Company and certain connected Cares

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 in a lump sum or in 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 2019:

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
Qingdao Cares	January 30, 2019	January 16, 2019	The Company entered into the Qingdao Cares Hailar Airport Subcontract Agreement with Qingdao Cares, pursuant to which Qingdao Cares has agreed to subcontract to the Company the construction of the self-service check-in system for the Hailar 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 grant of right to use four self-service check-in equipments for five years and the one-year quality warranty for the self-service check-in equipment.	1,200,000 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 Hailar Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		January 16, 2019	The Company entered into the Qingdao Cares Two Airports (Ordos and Jiansanjiang) Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the facial recognition & ID authentication system for the Two Airports (Ordos and Jiansanjiang) 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 facial recognition & ID authentication system.	739,360 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 Two Airports (Ordos and Jiansanjiang) Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		January 16, 2019	The Company entered into the Qingdao Cares Liuting Airport Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the A-CDM system for the Liuting 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 A-CDM system.	2,270,000 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 Liuting Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		January 30, 2019	The Company entered into the Qingdao Cares Ulanqab Airport Subcontract Agreement with Qingdao Cares, pursuant to which Qingdao Cares has agreed to subcontract to the Company the construction of the weak current renovation program for the Ulanqab Airport Project, which includes, but not limited to, the procurement and delivery of the required software and hardware as well as the two-year quality warranty for the departure and security inspection software.	7,285,612 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 Ulanqab Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	February 15, 2019	February 15, 2019	The Company entered into a supplemental agreement to the Qingdao Cares Procurement Agreement with Qingdao Cares in respect of the procurement of the required software and hardware equipment for the flight information display system, the public broadcast system and the parking structure broadcast system for the overall construction of the Wuhan Tianhe International Airport Phase III Project* (武漢天河國際機場三期項目), pursuant to which, the consideration payable by the Company to Qingdao Cares was adjusted from RMB39,758,221.85 to RMB48,712,648.38.	48,712,648.38

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
	March 19, 2019	March 19, 2019	The Company entered into the Qingdao Cares Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the airport collaborative decision making system and the passenger service quality management system for the Changsha 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 three-year quality warranty for the airport collaborative decision making system and the passenger service quality management system.	5,200,000 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.
	March 25, 2019	March 25, 2019	The Company entered into the Qingdao Cares Subcontract Agreement with Qingdao Cares, pursuant to which Qingdao Cares has agreed to subcontract to the Company the construction of the departure and security inspection information system for the Qingdao New 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 and security inspection information system.	55,131,145 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 Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
	April 26, 2019	April 26, 2019	Qingdao Cares entered into the Jiaodong International Airport Subcontract Agreement with Xinjiang Cares, pursuant to which Qingdao Cares has agreed to subcontract to Xinjiang Cares the construction of the departure system for the Jiaodong International Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required hardware and software as well as the three-year quality warranty for the departure system.	27,572,220 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 Jiaodong International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	May 6, 2019	May 6, 2019	Qingdao Cares entered into the Qingdao Cares Subcontract Agreement with Guangzhou TravelSky Information Technology Limited* ("**Guangzhou TravelSky**"), pursuant to which Qingdao Cares has agreed to subcontract to Guangzhou TravelSky the construction of the departure system for the Jiaodong International Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required hardware and software as well as the three-year quality warranty for the departure system.	35,166,300 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.
	May 9, 2019	May 9, 2019	The Company entered into the Technical Service Agreement I with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the Airport Collaborative Decision Making (Upgrade) System Project, which includes but not limited to, the provision of software development, testing and maintenance services for the airport collaborative decision making (upgrade) system.	The consideration shall be determined based on the actual labor costs incurred and shall not exceed 13,326,000.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		May 9, 2019	The Company entered into the Technical Service Agreement II with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the Centralised Airport Collaborative Decision Making (Centralised A-CDM) System Project, which includes but not limited to, the provision of software development, testing and maintenance services for the centralised airport collaborative decision making (centralised A-CDM) system.	The consideration shall be determined based on the actual labor costs incurred and shall not exceed 22,000,000.
		May 9, 2019	The Company entered into the Technical Service Agreement III with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the Ground Operation Service (Upgrade) System Project, which includes but not limited to, the provision of software development, testing and maintenance services for the ground operation service (upgrade) system.	The consideration shall be determined based on the actual labor costs incurred and shall not exceed 21,870,000.
		May 9, 2019	The Company entered into the Technical Service Agreement IV with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the Apron Visualisation Management System Project, which includes but not limited to, the provision of software development, testing and maintenance services for the apron visualisation management system.	The consideration shall be determined based on the actual labor costs incurred and shall not exceed 23,220,000.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
	September 26, 2019	May 10, 2019	The Company entered into the Technology Development Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the Nationalization and Open Sourcing Research Project for products in relation to airport ground operation, which includes but not limited to, the provision of technology development services for such project.	The consideration shall be determined based on the actual labor costs incurred and shall not exceed 2,950,000. The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Technology Development Agreement. The adjustment shall not exceed 10% of the consideration.
		May 30, 2019	The Company entered into the Lhasa Airport Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the facial recognition & ID authentication system for the Lhasa Airport Project, which includes but not limited to, the procurement and delivery of the required hardware and software as well as the one-year quality warranty for the facial recognition & ID authentication system.	429,000 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 Lhasa Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		June 24, 2019	The Company entered into the Kangding Airport Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the weak current information system for the Kangding Airport Project, which includes but not limited to, the procurement and delivery of the required hardware and software as well as the two-year quality warranty for the weak current information system.	1,784,980 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 Kangding Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		August 12, 2019	The Company entered into the Wuliangye Airport Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the weak current information system for the Wuliangye Airport Project, which includes but not limited to, the procurement and delivery of the required software as well as the two-year quality warranty for the weak current information system.	700,000 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 Wuliangye Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		August 15, 2019	The Company entered into the Sanya Airport Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the airport collaborative decision-making (A-CDM) system for the Sanya Airport Project, which includes but not limited to, the installation and testing of the required hardware and software as well as the one-year quality warranty for the airport collaborative decision-making (A-CDM) system.	1,386,146.10 The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Sanya Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		September 26, 2019	The Company entered into the Houshayu Intelligent Park Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the Houshayu Intelligent Park 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 two-year quality warranty for the Houshayu Intelligent Park Project.	10,496,870 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software, and the provision of services under the Houshayu Intelligent Park Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
	December 20, 2019	December 20, 2019	The Company entered into a supplemental agreement to the Qingdao Cares Implementation Agreement with Qingdao Cares in respect of the implementation of the flight information display system, the public broadcast system and the sign guidance system for the overall construction of the Wuhan Tianhe International Airport Phase III Project* (武漢天河國際機場三期項目), pursuant to which, the consideration payable by the Company to Qingdao Cares was adjusted from RMB24,681,058.99 to RMB34,788,731.29.	34,788,731.29
	January 15, 2020	December 26, 2019	The Company entered into the Boarding Gate Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the Boarding Gate Face Recognition System Project, which includes but not limited to, the installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the Boarding Gate Face Recognition System Project.	188,800 The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Boarding Gate Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		December 28, 2019	Xinjiang Cares entered into the Urumchi Airport Subcontract Agreement with Qingdao Cares, pursuant to which Xinjiang Cares has agreed to subcontract to Qingdao Cares the construction of the airport collaborative decision-making (A-CDM) system for the Urumchi Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required software and the overall system implementation as well as the five-year quality warranty for the airport collaborative decision-making (A-CDM) system.	4,400,000 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 Urumchi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Huadong Cares	February 25, 2019	February 25, 2019	The Company entered into the Huadong Cares United Communication Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the RFID luggage tracking system for the United Communication Project, which includes but not limited to, the installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the RFID luggage tracking system.	3,010,250 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 United Communication Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		February 25, 2019	The Company entered into the Huadong Cares Ganzhou Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the departure system and security inspection information system for the Ganzhou 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 security inspection information system.	20,233,400 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 Ganzhou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	March 19, 2019	March 19, 2019	The Company entered into the Huadong Cares Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the passenger service platform front-end system and the AI intelligent customer service front-end system for the Changsha 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 three-year quality warranty for the passenger service platform front-end system and the AI intelligent customer service front-end system.	8,326,300 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.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
	March 19, 2019	March 19, 2019	The Company entered into the Huadong Cares Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the departure system for the Ningbo 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 three-year quality warranty for the departure system.	29,810,930 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.
	June 28, 2019	March 25, 2019 (supplemental agreement was entered into on June 28, 2019 to revise the consideration)	The Company entered into the Huadong Cares Nanchang Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the self-service check-in equipment for the Nanchang Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required software and hardware and the overall system implementation as well as the three-year quality warranty for the self-service check-in equipment.	1,683,310.34 (revised consideration) The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software, and the provision of services under the Huadong Cares Nanchang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		June 28, 2019	The Company entered into the Huadong Cares Linyi Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the common use self-service system for the Linyi Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required hardware and the overall system implementation, as well as the one-year quality warranty for the common use self-service system.	707,000 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 Linyi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		June 28, 2019	The Company entered into the Huadong Cares Nanchang Changbei Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the departure system for the Nanchang Changbei Airport Project, which includes but not limited to, the installation, testing and maintenance of the required hardware and software and the overall system implementation, as well as the five-year quality warranty for the departure system.	313,387.50 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software, and the provision of services under the Huadong Cares Nanchang Changbei Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		June 28, 2019	The Company entered into the Huadong Cares Weihai Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the common use self-service system for the Weihai Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required hardware and software and the overall system implementation, as well as the one-year quality warranty for the common use self-service system.	360,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software, and the provision of services under the Huadong Cares Weihai Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		June 28, 2019	The Company entered into the Huadong Cares Wuxi Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the departure system for the Wuxi Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required hardware and the overall system implementation, as well as the one-year quality warranty for the departure system.	2,483,593 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 Wuxi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		June 28, 2019	The Company entered into the Huadong Cares Pudong Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the self (automatic) bag drop equipment for the Pudong Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required hardware and software and the overall system implementation, as well as the one-year quality warranty for the self (automatic) bag drop equipment.	7,835,800 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software, and the provision of services under the Huadong Cares Pudong Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	August 27, 2019	June 29, 2019	The Company entered into the Huadong Cares Jiangxi Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of departure front-end system for the Jiangxi Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the overall system implementation and the five-year quality warranty for the departure front-end system.	833,124 The parties may enter into a supplemental agreement to amend the consideration according to the provision of services under the Huadong Cares Jiangxi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		August 27, 2019	The Company entered into the Huadong Cares Nanjing Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of departure system, the security inspection information system and the self-service system for the Nanjing 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 departure system, the security inspection information system and the self-service system.	20,468,400 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 Nanjing Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	December 12, 2019	August 29, 2019	The Company entered into the Huadong Cares Jinan Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the common use self-service check-in system for the Jinan Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required hardware and the overall system implementation as well as the one-year quality warranty for the common use self-service check-in system.	3,360,000

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		August 29, 2019	The Company entered into the Huadong Cares Xinchang Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the departure system for the Xinchang Urban Terminal Project, which includes but not limited to, the procurement, delivery, 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.	108,200
		August 29, 2019	The Company entered into the Huadong Cares Boarding Gate Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the Boarding Gate Face Recognition System Project, which includes but not limited to, the installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the Boarding Gate Face Recognition System Project.	153,600

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		August 30, 2019	The Company entered into the Huadong Cares Jiujiang Airport and Ganzhou Airport Subcontract Agreement I with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the facial recognition & ID authentication system for the Jiujiang Airport and Ganzhou Airport Project, which includes but not limited to, the procurement and delivery of the required software and hardware as well as the one-year quality warranty for the facial recognition & ID authentication system.	525,350
		August 30, 2019	The Company entered into the Huadong Cares Jiujiang Airport and Ganzhou Airport Subcontract Agreement II with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the facial recognition & ID authentication system for the Jiujiang Airport and Ganzhou Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the facial recognition & ID authentication system.	420,000

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		September 19, 2019	The Company entered into the Huadong Cares Nanjing Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the new-added transfer check-in counters for the Nanjing Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required software and hardware and the overall system implementation as well as the three-year quality warranty for the boarding station and one-year quality warranty for the boarding reader.	268,800
		October 12, 2019	The Company entered into the Huadong Cares Ningbo Airport Subcontract Agreement I with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the self-service boarding gate system for the Ningbo Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required software and hardware and the overall system implementation as well as the three-year quality warranty for the self-service boarding gate system.	1,090,000

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		October 21, 2019	The Company entered into the Huadong Cares Jining Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the common use self-service check-in system for the Jining Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the common use self-service check-in system.	193,000
		November 14, 2019	The Company entered into the Huadong Cares Ningbo Airport Subcontract Agreement II with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the common use self-service check-in system for the Ningbo Airport Project, which includes but not limited to, the procurement, delivery, installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the common use self-service check-in system.	952,500

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		December 2, 2019	The Company entered into the Huadong Cares Ningbo Airport Subcontract Agreement III with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the facial recognition & ID authentication system for the Ningbo Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the facial recognition & ID authentication system.	300,000
		December 12, 2019	The Company entered into the Huadong Cares Ningbo Airport Subcontract Agreement IV with Huadong Cares, pursuant to which, the Company has agreed to subcontract to Huadong Cares the construction of the facial recognition & ID authentication system for the Ningbo Airport Project, which includes, but not limited to, the procurement and delivery of the required software and hardware, as well as one-year quality warranty for the facial recognition & ID authentication system.	205,700 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Huadong Cares Ningbo Airport Subcontract Agreement IV. The adjustment shall not exceed 10% of the consideration.
		December 12, 2019	The Company entered into the Huadong Cares Hongqiao Airport Subcontract Agreement I with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the departure system interface of terminal 1 and terminal 2 for the Hongqiao Airport Project, which includes but not limited to, the procurement and delivery of the required software.	1,920,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Huadong Cares Hongqiao Airport Subcontract Agreement I. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		December 12, 2019	The Company entered into the Huadong Cares Hongqiao Airport Subcontract Agreement II with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the self-service boarding system and self-service luggage system for the Hongqiao Airport Project, which includes but not limited to, the procurement and delivery of the required software.	3,960,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Huadong Cares Hongqiao Airport Subcontract Agreement II. The adjustment shall not exceed 10% of the consideration.
		December 12, 2019	The Company entered into the Huadong Cares Hongqiao Airport Subcontract Agreement III with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the self-service check-in system for the Hongqiao Airport Project, which includes but not limited to, the procurement and delivery of the required software.	960,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Huadong Cares Hongqiao Airport Subcontract Agreement III. The adjustment shall not exceed 10% of the consideration.
	March 4, 2020	December 16, 2019	The Company entered into the Huadong Cares Nanchang Changbei International Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the airport operation statistics analysis service system for the Nanchang Changbei International Airport Project, which includes but not limited to, the installation, testing and maintenance of the required software and the overall system implementation as well as the one-year quality warranty for the airport operation statistics analysis service system.	180,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual costs incurred from the provision of services under the Huadong Cares Nanchang Changbei International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		December 30, 2019	The Company entered into the Huadong Cares Jinan Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the self-service boarding system for the Jinan Airport Project, which includes but not limited to, the installation and testing of the required software and the overall system implementation.	420,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual costs incurred from the provision of services under the Huadong Cares Jinan Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		December 31, 2019	The Company entered into the Huadong Cares Weihai Airport Subcontract Agreement with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the self (automatic) bag drop system for the Weihai Airport Project, which includes but not limited to, the procurement and delivery of the required software as well as the five-year quality warranty for the self (automatic) bag drop system.	240,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Huadong Cares Weihai Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		December 31, 2019	The Company entered into the Huadong Cares Ningbo Airport Subcontract Agreement with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the self (automatic) bag drop system for the Ningbo Airport Project, which includes but not limited to, the procurement and delivery of the required software as well as the five-year quality warranty for the self (automatic) bag drop system.	120,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Huadong Cares Ningbo Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
Hubei Cares	May 6, 2019	December 6, 2018	The Company entered into the Hubei Cares Tianhe Airport Subcontract Agreement with Hubei Cares, pursuant to which the Company has agreed to subcontract to Hubei Cares the construction of the luggage tracking system for the Tianhe Airport Project, which includes but not limited to, the procurement, installation and testing of the required hardware and the overall system implementation as well as the three-year quality warranty for the luggage tracking system.	5,733,660 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 Hubei Cares Tianhe Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		May 6, 2019	The Company entered into the Hubei Cares Enshi Airport Subcontract Agreement with Hubei Cares, pursuant to which the Company has agreed to subcontract to Hubei Cares the construction of the departure system for the Enshi 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.	1,706,800 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 Hubei Cares Enshi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
Xi'an Cares	February 15, 2019	January 9, 2019	The Company entered into the Xi'an Cares Xianyang International Airport Subcontract Agreement with Xi'an Cares, pursuant to which Xi'an Cares has agreed to subcontract to the Company the construction of the common use self-service check-in system for the Xi'an Xianyang International Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and the overall system implementation as well as the grant of right to use ten common use self-service check-in equipment and the maintenance thereof for a period of five years.	720,000 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 Xi'an Cares Xianyang International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		January 9, 2019	The Company entered into the Xi'an Cares Xianyang Luggage Subcontract Agreement with Xi'an Cares, pursuant to which the Company has agreed to subcontract to Xi'an Cares the construction of the self-service luggage system for the Xi'an Xianyang Luggage 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 self-service luggage system.	843,874 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 Xianyang Luggage Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		February 15, 2019	The Company entered into the Xi'an Cares Xianyang Departure Subcontract Agreement with Xi'an Cares, pursuant to which the Company has agreed to subcontract to Xi'an Cares the construction of the departure system for the Xi'an Xianyang Departure 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.	7,004,411 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 Xianyang Departure Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	March 9, 2020	June 17, 2019	The Company entered into the Xi'an Cares Xianyang International Airport Subcontract Agreement I with Xi'an Cares, pursuant to which Xi'an Cares has agreed to subcontract to the Company the construction of the common use self-service check-in system and the common use self-service luggage system for the Xianyang International Airport Project I, which includes but not limited to, the procurement, installation and testing of the required software and the overall system implementation as well as the grant of right to use twenty common use self-service check-in equipments and two common use self-service luggage equipments and the maintenance thereof for a period of six years.	1,584,000 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 Xi'an Cares Xianyang International Airport Subcontract Agreement I. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		October 12, 2019	The Company entered into the Xi'an Cares Xianyang International Airport Subcontract Agreement II with Xi'an Cares, pursuant to which Xi'an Cares has agreed to subcontract to the Company the construction of the common use self-service check-in system and the self (automatic) bag drop system for the Xianyang International Airport Project II, which includes but not limited to, the procurement, installation and testing of the required software and the overall system implementation as well as the grant of right to use four common use self-service check-in equipments and five self (automatic) bag drop equipments and the maintenance thereof for a period of five years.	648,000 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 Xi'an Cares Xianyang International Airport Subcontract Agreement II. The adjustment shall not exceed 10% of the consideration.
		December 30, 2019	the Company entered into the Xi'an Cares Xianyang International Airport Subcontract Agreement III with Xi'an Cares, pursuant to which Xi'an Cares has agreed to subcontract to the Company the construction of the departure system for the Xianyang International Airport Project III, which includes but not limited to, the procurement and delivery of the required software as well as the one-year quality warranty for the departure system.	106,700 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Xi'an Cares Xianyang International Airport Subcontract Agreement III. 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 before the reporting period, but were disclosed in announcements during the reporting period pursuant to relevant requirements of aggregation of the Listing Rules; 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.

(b) Other one-off connected transaction entered into by the Company in 2019

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 China TravelSky Cloud Data Company Limited is a subsidiary of China TravelSky Holding Company Limited, it is also a connected person of the Company under the Listing Rules. As stated in the announcement of the Company dated July 30, 2019, the Company entered into the Tenancy Agreement with China TravelSky Cloud Data Company Limited to lease: server rooms 2FM1 (inclusive of a server control room) and 2FM4, part of spare parts warehouse and office areas and four apartments in living area in Jiaxing Data Centre for a term of three years from January 1, 2020 to December 31, 2022. The rental is ranging from RMB0.99 to RMB20.02 per square metre per day depending on the usages. The rent for the Jiaxing Property for each of the year ending December 31, 2020, 2021 and 2022 under the Tenancy Agreement amounted to RMB9,984,670.32, RMB9,957,389.8 and RMB9,957,389.8, respectively, which was determined by the parties through arm's length negotiation after having taken into account, among other things, the historical rent paid by the Company and the prevailing market rent rates for the Jiaxing Property. The annual rent shall be paid by the Company before 31 January each year. Pursuant to IFRS 16, Jiaxing Property leased under the Tenancy Agreement will be recognised as right-of-use assets, in which the estimated aggregate consideration of such right-of-use assets amounted to approximately RMB28,543,483.56 as at July 30, 2019, such figure is unaudited and may be subject to adjustment in financial statements of the Company in the future.

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 for Year 2019.

AUDITORS

Pursuant to the resolutions passed at the annual general meeting held on June 27, 2019, BDO Limited (Certified Public Accountants in Hong Kong) and BDO China SHU LUN PAN (Certified Public Accountants LLP) (Certified Public Accountants in the PRC) were engaged as the Company's international and PRC auditors respectively for Year 2019. The Board proposed to re-appoint them as the Company's international and PRC auditors for the Year 2020 and such engagement proposal will be submitted for consideration at the forthcoming AGM.

According to the Financial Reporting Council Ordinance (Cap 588) of Hong Kong effective on October 1, 2019, BDO Limited engaged by the Company is a registered international auditor, and BDO China SHU LUN PAN (Certified Public Accountants LLP) is a recognised PRC auditor.

Baker Tilly Hong Kong Limited and Baker Tilly China were engaged as the international and PRC auditors respectively for Year 2011 to Year 2017.

By order of the Board
Cui Zhixiong
Chairman

March 27, 2020

REPORT OF SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2019, members of the Supervisory Committee of the Company have diligently performed their duties during their tenures to ensure that the Company has observed and complied with the Listing Rules, the laws and regulations of the PRC, the Articles and other relevant rules and regulations to protect the interests of the Company and its shareholders.

According to the Articles, the Supervisory Committee of the Company comprises five supervisors with a term of three years. The number of staff representative supervisors is more than one-third of the number of members of the Supervisory Committee and there is one independent supervisor.

The sixth session of the Supervisory Committee of the Company is comprised of: (i) Mr. Huang Yuanchang and Mr. Xiao Wei acted as staff representative supervisors of the sixth session of the Supervisory Committee of the Company; (ii) Ms. Zeng Yiwei and Mr. He Haiyan acted as the supervisors of the sixth session of the Supervisory Committee of the Company; (iii) Mr. Rao Geping acted as an independent supervisor of the sixth session of the Supervisory Committee of the Company. Mr. Huang Yuanchang acted as the chairman of the sixth session of the Supervisory Committee upon the election of the sixth session of the Supervisory Committee.

The sixth session of the Supervisory Committee of the Company convened 2 meetings in Year 2019. The Supervisory Committee reviewed the Company's annual consolidated financial statements for Year 2018 and interim financial statements for Year 2019, attended the Board meetings and general 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".

As stated in the announcements of the Company dated January 6, 2020, January 9, 2020, January 22, 2020 and February 27, 2020, and the circular dated January 10, 2020:

- Mr. Huang Yuanchang and Mr. Xiao Wei resigned on January 9, 2020; Mr. He Haiyan and Mr. Rao Geping resigned on February 27, 2020.

- On February 27, 2020, the seventh session of the Supervisory Committee the Company was established, and the members of which includes: (i) Ms. Zeng Yiwei was re-appointed as the supervisor of the Company; (ii) Mr. Zhu Yan acted as an independent supervisor of the Company; (iii) according to the resolutions of the staff representative meeting of the Company dated January 9, 2020, Mr. Ding Wanzhi and Ms. Liang Shuang acted as staff representative supervisors of the Company. On the same day, Mr. Ding Wanzhi acted as the chairman of the seventh session of the Supervisory Committee upon the election of the seventh session of the Supervisory Committee.

On March 27, 2020, the seventh session of the Supervisory Committee of the Company reviewed the Company's consolidated financial statements for Year 2019, 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 seventh session of the 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 2019.

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 2019, 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, 2019 reflected the actual operational circumstances of the Company. The Supervisory Committee has great confidence in the future prospects and development of the Company.

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.

By Order of the Supervisory Committee
Ding Wanzhi
Chairman of the Supervisory Committee

March 27, 2020

INDEPENDENT AUDITOR'S REPORT

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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 (together as the "**Group**") set out on pages 127 to 222, which comprise the consolidated statement of financial position as at December 31, 2019, 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.

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, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**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 the 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.

Impairment assessment of goodwill

As at December 31, 2019, the carrying amount of goodwill was approximately RMB156.3 million (2018: RMB151.2 million). Goodwill acquired through business combinations has been primarily allocated to the cash-generating unit ("**CGU**") within the operating segment.

We identified the impairment assessment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because this area involves a significant degree of judgement and estimation made by management, in particular the estimation of future cash flows and discount rate.

As required by accounting standards, management assesses the CGU containing goodwill for impairment on an annual basis. The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires judgement of management. Recoverable amounts are based on management's estimation of short term and long term revenue growth rate forecast, and profit margin forecast and discount rate used in the cash-flow forecast. No goodwill impairment was made after management's assessment.

The accounting policy, significant accounting judgements and estimates, key assumptions used in the impairment model and disclosures are included in Notes 3, 4 and 17 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment of goodwill included:

- Testing the mathematical accuracy of cash-flow forecasts of the CGU;

- Challenging the reasonableness of key assumptions adopted in the valuation, such as the discount rate, based on our knowledge of the business and industry and available market data;

- Performing sensitivity analysis on the key drivers of the cash flow forecast, including profit margin, long term growth rate and discount rate; and

- Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of trade receivables

As at December 31, 2019, trade receivables amounted to RMB1,595.6 million (2018: RMB1,655.8 million). The Group is exposed to a risk of default in respect of trade receivables. The provision for impairment loss on trade receivables was RMB305.4 million as at December 31, 2019 (2018: RMB284.4 million).

Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

We identified the impairment assessment of trade receivables as a key audit matter because of its significance to the consolidated financial statements and the assessment of impairment for trade receivables involved significant management judgements and estimations used on the expected future cash flows based on the creditability of the counterparties, nature and value of collateral held and anticipated receipts.

The accounting policy, significant accounting judgements and estimates and disclosures for the recognition of impairment of trade receivables are included in Notes 3, 4, 22 and 43 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment of trade receivables included:

- evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses;

- assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;

- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and

- inspecting cash receipts from customers after the financial year end relating to trade receivable balances as at December 31, 2019, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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 this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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 risks, 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the directors, 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.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate number P05309

Hong Kong, March 27, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenues			
Aviation information technology services		4,517,199	4,160,144
Accounting, settlement and clearing services		596,977	579,343
System integration services		1,168,024	946,939
Data network services		485,098	512,283
Others		1,354,375	1,273,405
Total revenues	5 (b)	8,121,673	7,472,114
Operating expenses			
Business taxes and other surcharges		(84,499)	(70,933)
Depreciation and amortisation		(863,252)	(696,289)
Network usage fees		(96,990)	(77,092)
Personnel expenses		(1,861,541)	(1,818,404)
Operating lease payments		–	(98,200)
Technical support and maintenance fees		(902,681)	(804,726)
Commission and promotion expenses		(799,363)	(723,201)
Cost of software and hardware sold		(601,272)	(367,042)
Other operating expenses		(448,523)	(496,834)
Total operating expenses		(5,658,121)	(5,152,721)
Operating profit		2,463,552	2,319,393
Finance income, net	38	228,288	220,159
Government grants	6	59,752	15,108
Share of results of associated companies	18	62,937	47,069
Gain on deemed disposal of a subsidiary	36	5,147	–
Fair value gains on financial assets		–	48,643
Profit before taxation	7	2,819,676	2,650,372
Taxation	11	(217,309)	(268,609)
Profit after taxation for the year		2,602,367	2,381,763
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		8,347	11,029
Release of currency translation differences reserve upon deregistration of a subsidiary		(6,187)	–
Changes in fair value of financial assets at fair value through other comprehensive income	19(c)	8,750	–
Other comprehensive income for the year, net of tax		10,910	11,029
Total comprehensive income for the year		2,613,277	2,392,792

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	Notes	**2019 RMB'000**	2018 RMB'000
Profit after taxation attributable to:			
Owners of the Company		**2,542,861**	2,325,129
Non-controlling interests		**59,506**	56,634
		2,602,367	2,381,763
Total comprehensive income attributable to:			
Owners of the Company		**2,553,771**	2,336,158
Non-controlling interests		**59,506**	56,634
		2,613,277	2,392,792
Earnings per share from profit attributable to owners of the Company			
Basic and diluted *(RMB)*	13	**0.87**	0.79
Cash dividends	12	**845,675**	787,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	14	**4,472,546**	4,385,753
Investment properties, net	15	**118,541**	1,041
Right-of-use assets	34	**1,681,754**	–
Lease prepayment for land use right, net	34	**–**	1,650,377
Intangible assets, net	16	**527,459**	506,086
Goodwill	17	**156,250**	151,194
Investments in associated companies	18	**388,188**	316,840
Deferred income tax assets	20	**209,722**	177,627
Other long-term assets	21	**53,074**	104,148
Financial assets at amortised cost	19	**1,019,420**	1,189,940
Financial assets at fair value through other comprehensive income	19	**883,750**	875,000
Total non-current assets		**9,510,704**	9,358,006
Current assets			
Inventories		**48,232**	47,563
Trade and bills receivables, net	22	**1,378,241**	1,478,812
Contract assets, net	26	**9,739**	30,622
Due from related parties, net	23	**3,719,963**	3,173,992
Due from associated companies	24	**97,783**	79,919
Income tax recoverable		**18,297**	10,609
Prepayments and other current assets	25	**1,213,297**	947,792
Financial assets at amortised cost	19	**3,103,337**	2,477,567
Financial assets at fair value through profit or loss	19	**–**	161,944
Cash and cash equivalents	33	**4,546,791**	4,346,496
Total current assets		**14,135,680**	12,755,316
Total assets		**23,646,384**	22,113,322

Consolidated Statement of Financial Position

At December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	27	**3,499,384**	3,990,794
Contract liabilities	26	**178,171**	193,210
Due to related parties and associated companies	28	**399,455**	272,037
Lease liabilities	34	**72,448**	–
Income tax payable		**51,155**	87,589
Total current liabilities		**4,200,613**	4,543,630
Non-current liabilities			
Deferred income tax liabilities	20	**39,960**	47,641
Deferred government grants	29	**91,886**	94,491
Lease liabilities	34	**80,409**	–
Total non-current liabilities		**212,255**	142,132
NET ASSETS		**19,233,516**	17,427,560
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**2,926,209**	2,926,209
Reserves	31	**5,209,049**	4,790,317
Retained earnings		**10,641,947**	9,294,058
		18,777,205	17,010,584
Non-controlling interests		**456,311**	416,976
TOTAL EQUITY		**19,233,516**	17,427,560

The consolidated financial statements on pages 127 to 222 were approved and authorized for issue by the Board of Directors on March 27, 2020 and were signed on its behalf by:

Cui Zhixiong
DIRECTOR

Xiao Yinhong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Attributable to owners of the Company					
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at January 1, 2018	2,926,209	4,397,742	8,090,806	15,414,757	434,791	15,849,548
Comprehensive income						
Profit for the year	–	–	2,325,129	2,325,129	56,634	2,381,763
Other comprehensive income						
Currency translation differences	–	11,029	–	11,029	–	11,029
Total comprehensive income for the year	–	11,029	2,325,129	2,336,158	56,634	2,392,792
Dividends relating to 2017	–	–	(740,331)	(740,331)	(15,826)	(756,157)
Deemed disposal of a subsidiary	–	–	–	–	(58,623)	(58,623)
Appropriation of reserves	–	381,546	(381,546)	–	–	–
At December 31, 2018	2,926,209	4,790,317	9,294,058	17,010,584	416,976	17,427,560
Comprehensive income						
Profit for the year	**–**	**–**	**2,542,861**	**2,542,861**	**59,506**	**2,602,367**
Other comprehensive income						
Currency translation differences	**–**	**8,347**	**–**	**8,347**	**–**	**8,347**
Release of currency translation differences reserve upon deregistration of a subsidiary	**–**	**(6,187)**	**–**	**(6,187)**	**–**	**(6,187)**
Changes in fair value of financial assets at FVOCI	**–**	**8,750**	**–**	**8,750**	**–**	**8,750**
Total comprehensive income for the year	**–**	**10,910**	**2,542,861**	**2,553,771**	**59,506**	**2,613,277**
Dividends relating to 2018	**–**	**–**	**(787,150)**	**(787,150)**	**(11,071)**	**(798,221)**
Deemed disposal of a subsidiary	**–**	**–**	**–**	**–**	**(8,001)**	**(8,001)**
Deregister of subsidiaries	**–**	**–**	**–**	**–**	**(1,099)**	**(1,099)**
Appropriation of reserves	**–**	**407,822**	**(407,822)**	**–**	**–**	**–**
At December 31, 2019	**2,926,209**	**5,209,049**	**10,641,947**	**18,777,205**	**456,311**	**19,233,516**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**2,819,676**	2,650,372
Adjustments for:			
Depreciation and amortisation		**863,252**	696,289
Loss on disposal of property, plant and equipment		**5,547**	1,139
Interest income		**(207,675)**	(213,201)
Interest on lease liabilities		**7,435**	–
Impairment loss on trade receivable		**28,152**	99,004
Share of results from associated companies		**(62,937)**	(47,069)
Fair value gain on financial assets		**–**	(48,643)
Foreign exchange gain		**(6,710)**	(2,128)
Operating cash flows before movements in working capital		**3,446,740**	3,135,763
Increase in inventories		**(669)**	(10,603)
Decrease/(increase) in trade and bills receivables		**52,855**	(511,623)
Decrease/(increase) in contract assets		**17,945**	(34,304)
Increase in due from related parties		**(555,526)**	(691,744)
Increase in due from associated companies		**(17,864)**	(33,855)
Increase in prepayments and other current assets		**(303,869)**	(257,066)
Decrease in financial assets at fair value through profit or loss		**161,944**	765,080
(Decrease)/increase in trade payables and accrued liabilities		**(455,655)**	251,520
(Decrease)/increase in contract liabilities		**(12,258)**	193,210
Increase/(decrease) in due to related parties		**195,162**	(17,419)
Decrease in deferred revenue		**–**	(226,332)
Cash generated from operations		**2,528,805**	2,562,627
Refund of enterprise income tax		**146,433**	103,755
Income taxes paid		**(447,640)**	(525,680)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**2,227,598**	2,140,702

For the year ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment, intangible assets and other long-term assets		**(852,378)**	(1,256,100)
(Increase)/decrease in financial assets at amortised cost		**(455,250)**	511,466
Interest received		**221,812**	190,246
Dividends received from associated companies		**5,063**	11,121
Proceeds from disposal of property, plant and equipment		**1,820**	228
Net cash paid from deemed disposal of a subsidiary		**(34)**	(55,695)
NET CASH USED IN INVESTING ACTIVITIES		**(1,078,967)**	(598,734)
FINANCING ACTIVITIES			
Dividend paid to the Company's shareholders		**(854,894)**	(751,643)
Dividend paid to non-controlling shareholders of subsidiaries		**(14,623)**	(12,152)
Payment of lease liabilities		**(83,044)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(952,561)**	(763,795)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**196,070**	778,173
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**4,225**	10,024
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**4,346,496**	3,558,299
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	**4,546,791**	4,346,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. GENERAL

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 is a State-owned enterprises and the ultimately holding company is China TravelSky Holding Company Limited, which are also state-owned enterprises.

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.

The Company and its subsidiaries (thereafter referred to as the "**Group**") were principally engaged in provision of aviation information technology service, distribution information technology service, clearing and accounting and settlement service for aviation industry, etc.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new/revised IFRSs – effective January 1, 2019

The International Accounting Standards Board ("IASB") has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs

The impact of the adoption of IFRS 16 Leases and IFRIC-Int 23 Uncertainty over Income Tax Treatments have been summarised in below. The Directors of the Company consider, other new or amended IFRSs that are effective from January 1, 2019 did not have any material impact on the Group's accounting policies.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

(a) Adoption of new/revised IFRSs – effective January 1, 2019 (Continued)

A. IFRS 16 – Lease

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("**IAS 17**"), IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases-Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (v) of this note.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on January 1, 2019.

The following tables summarised the impact of transition to IFRS 16 on consolidated statement of financial position as of December 31, 2018 to that of January 1, 2019 as follows (increase/(decrease)):

	RMB'000
Consolidated statement of financial position as at January 1, 2019	
Right-of-use assets	1,675,495
Lease prepayment for land use right, net	(1,650,377)
Lease liabilities (non-current)	(16,455)
Lease liabilities (current)	(8,663)

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

(a) Adoption of new/revised IFRSs – effective January 1, 2019 (Continued)

A. IFRS 16 – Lease (Continued)

(i) Impact of the adoption of IFRS 16 (Continued)

The recognised right-of-use assets relate to the following types of assets:

	RMB'000
Right-of-use assets as at January 1, 2019	
Lease prepayment for land use right, net	1,650,377
Properties	25,118
Total right-of-use assets	1,675,495

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of December 31, 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at January 1, 2019:

	RMB'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitments disclosed as at December 31, 2018	32,340
(Less): effect of discounting at the incremental borrowing rate as January 1, 2019	(2,267)
(Less): short-term leases recognised on a straight-line basis as expense	(4,955)
Lease liabilities recognised as at January 1, 2019	25,118
Of which are:	
Current lease liabilities	8,663
Non-current lease liabilities	16,455
	25,118

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was from 0.94% to 5.50%.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

(a) Adoption of new/revised IFRSs – effective January 1, 2019 (Continued)

A. IFRS 16 – Lease (Continued)

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

(a) Adoption of new/revised IFRSs – effective January 1, 2019 (Continued)

A. IFRS 16 – Lease (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. For right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under IAS 40 and are carried at cost, less any accumulated depreciation and any impairment losses. The Group accounts for leasehold land and buildings which is held for own use under IAS 16 and are carried at cost, less any accumulated depreciation and any impairment losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

(a) Adoption of new/revised IFRSs – effective January 1, 2019 (Continued)

A. IFRS 16 – Lease (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

(a) Adoption of new/revised IFRSs – effective January 1, 2019 (Continued)

A. IFRS 16 – Lease (Continued)

(v) Transition

As mentioned above, the Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on January 1, 2019.

The Group has recognised the lease liabilities at the date of January 1, 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (January 1, 2019) and accounted for those leases as short-term leases; and (iii) exclude the initial direct costs from the measurement of the right-of-use asset at January 1, 2019.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int4.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

(a) Adoption of new/revised IFRSs – effective January 1, 2019 (Continued)

B. IFRIC-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

IFRIC-Int 23 will primarily affect the Group's accounting for income tax expenses as the Group has to consider the effect of uncertain tax treatment related to the application for preferential tax rate of 10% as described in note 11 (ii).

(b) New/revised IFRSs that have issued but are not yet effective

The following new or revised IFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective on January 1, 2019 and have not been early adopted by the Group.

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after January 1, 2020
2 Effective for annual periods beginning on or after January 1, 2021
3 The amendments were originally intended to be effective for periods beginning on or after January 1, 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

The Directors of the Company anticipate that the application of the new and revised IFRSs will have no material impact on the Group's consolidated financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("**IASs**") and Interpretations (hereinafter collectively referred to as the "**IFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at their fair values as explained in the accounting policies below.

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

3.3 Functional and presentation currency

Items included in the consolidated 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 RMB, which is the Company's functional currency and the Group's presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Principles of consolidation and equity accounting

(i) 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. 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 (note 41) 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 acquire 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 (note 42), the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.12). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Principles of consolidation and equity accounting (Continued)

(ii) 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.

(iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Principles of consolidation and equity accounting (Continued)

(iv) Associated companies

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

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

The results of associates are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in associated companies are treated as non-current assets and are equity accounted for.

3.5 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or costs ". All other foreign exchange gains and losses are presented in the income statement within "Finance income/ costs, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of profit and loss and other comprehensive income as part of the fair value gains or losses.

(ii) 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:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Foreign currency translation (Continued)

(ii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.7 Property, plant and equipment

Property, plant and equipment, other than assets under construction, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the year in which they are incurred.

Property, plant and equipment other than assets under construction, are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

– Buildings	20-30 years
– Computer systems and software	3-8 years
– Motor vehicles	5 years
– Furniture, fittings and equipment	4-11 years
– Leasehold improvements	Over the lease term

Assets under construction represents buildings, plant and machinery under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment (Continued)

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.

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 and other comprehensive income.

3.8 Investment properties

Investment property are land and/or building held (by the owner or by the lessee as a right-of-use asset) either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at their cost less accumulated depreciation and any provision for impairment loss (Note 3.12). Depreciation is calculated to write off the cost over their estimated useful lives on the straight line method for 20 to 40 years.

3.9 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 to 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Intangible assets (other than goodwill) (Continued)

(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 3 to 5 years.

3.10 Lease prepayments for land use rights (accounting policies applied until December 31, 2018)

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.

3.11 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 straight-line basis over their expected useful lives. The period of amortisation does not normally exceed 5 years. During the year ended December 31, 2019, development costs amounted to RMB178.0 million were capitalized as they met all the criteria listed above (2018: RMB52.0 million).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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.

3.13 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTPL, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") on trade receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Group considers a financial asset to be credit-impaired when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers that a default event occurs when the financial asset is more than 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Trade balances are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward looking estimates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (Continued)

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3.14 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.

3.15 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(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's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income taxes (Continued)

(ii) Deferred income tax (Continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.17 Employee benefits

(i) Pension obligations

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. 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 rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.19 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component using the practical expedient in IFRS15.

Provision for aviation information technology services, accounting, settlement and clearing services and data network services

Revenues are recognised over time as the benefits received and consumed simultaneously by the customer. The services are charged at a fixed rate with no significant variable consideration. The Group recognised revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for aviation information technology services, accounting, settlement and clearing services and data network services are issued on a monthly basis and are usually payable within 90 days. No significant financial component existed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Revenue recognition (Continued)

Provision for system integration services

The Group generate revenue from equipment installation project and non-proprietary customers' information system development project. The transaction price for the services are charged at a fixed contracted price. Invoices are issued according to contractual terms and are usually payable within 90 days.

The revenue is recognised over time as the Group's activities create or enhance an asset under the customer's control. Revenue are recognised as the services is performed using the input method, under which the total value of revenue is recognised on the basis of the proportion of the actual costs incurred relative to the estimated total costs.

Contract balances relating to system integration contracts in progress were presented in the statement of financial position under "contract assets" or "contract liabilities" respectively. Details please refer to Note 3.24.

Others

The sources of other revenue were mainly aviation technology services, airline payment services, and flight logistic system services for the purpose of supporting airlines and airports.

Revenues are recognised over time as the benefits received and consumed simultaneously by the customer. The services are charged at a fixed rate with no significant variable consideration. The Group recognised revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for other aviation related services are issued on a periodic basis and are usually payable within 90 days. No significant financial component existed.

Sale of equipments

Revenue is recognised at a point of time when the customer takes possession of and accepts the products. There is generally only one performance obligation. Invoices are usually payable within 90 days. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contract for sale of aviation system related equipment.

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend income

Dividend income is recognised when the right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 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.

3.21 Leasing (accounting policies applied from 1 January 2019)

a) Accounting as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. For right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leasing (accounting policies applied from 1 January 2019) (Continued)

a) Accounting as a lessee (Continued)

Right-of-use asset (Continued)

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under IAS 40 and are carried at cost, less any accumulated depreciation and any impairment losses. The Group accounts for leasehold land held for own use under IFRS16 and carried at cost, less any accumulated depreciation and any impairment losses. The Group accounts for its buildings over leasehold land which is held for own use under IAS 16 and are carried at cost, less any accumulated depreciation and any impairment losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leasing (accounting policies applied from 1 January 2019) (Continued)

a) Accounting as a lessee (Continued)

Lease liability (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

3.22 Leasing (as a lessee) (accounting policies applied until 31 December 2018)

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.

3.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Related parties (Continued)

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.

3.24 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue for system integration services (see note 3.19) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 3.13(ii) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue for system integration services (see note 3.19). A contract liability would also be recognised if the group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

3.25 Dividend distribution

Dividend distribution to the Company's shareholders 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(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 3.7 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 goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flow expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(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.

(d) Impairment of trade receivables, contract assets and amounts due from related parties

The Group makes provision for impairment of trade receivables, contract assets and related parties based on assumptions about risk of default and expected loss rates (Note 3.13(ii)). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward–looking estimates at the end of reporting date.

5. SEGMENT REPORTING

(a) Business segments

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 executive directors and general manager of the Company.

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 statement of profit or loss and other comprehensive income has been prepared by the Group for the years ended December 31, 2019 and 2018.

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.

(b) Disaggregation of revenue

In the following table, revenue is disaggregated by timing of recognition and primary geographical market as below:

	2019 **RMB'000**	2018 RMB'000
Timing of revenue recognition		
Transferred over time		
– Aviation information technology services	**4,517,199**	4,160,144
– Accounting, settlement and clearing services	**596,977**	579,343
– System integration services	**152,817**	59,942
– Data network services	**485,098**	512,283
– Others	**1,354,375**	1,273,405
	7,106,466	6,585,117
At a point in time		
– Sale of equipment	**1,015,207**	886,997
	8,121,673	7,472,114

5. SEGMENT REPORTING (CONTINUED)

(b) Disaggregation of revenue (Continued)

Primary geographical markets

The Group's operations are mainly located in the PRC.

All of the Group's revenue is mainly generated from related parties (disclosed in note 39) and external customers in PRC.

Revenue is disaggregated by major products/services and disclosed in the consolidated statement of profit or loss and other comprehensive income.

6. GOVERNMENT GRANTS

	2019 RMB'000	2018 RMB'000
Industry support development fund – Oversea (i)	**18,874**	8,099
Industry support development fund – PRC (ii)	**38,173**	6,928
Transfer from deferred government grant (iii) (note 29)	**2,705**	81
	59,752	15,108

(i) Government grants represents the one-off grants by the Ireland and Iberica's government agencies primarily to support the aviation information research and development projects, which are either unconditional grants or grants with conditions having been satisfied.

(ii) Government grants represents the one-off grants and subsidies form the PRC government agencies primarily to support the aviation information research and development projects and value-added tax refunds, which are either unconditional grants or grants with conditions having been satisfied.

(iii) Government grant represents the one-off grants from PRC government agencies, the grant must be used on the special research and development projects, the government grants were recognised as income as the related projects are completed and accepted by the government authorities.

7. PROFIT BEFORE TAXATION

	2019 RMB'000	2018 RMB'000
Profit before taxation has been arrived at after charging/ (crediting):		
Directors' emoluments (Note 8)	**4,774**	3,456
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**1,537,450**	1,517,200
Retirement benefits scheme contributions (Note 10)	**207,595**	195,055
Housing benefits	**111,722**	102,693
Total staff costs	**1,856,767**	1,814,948
Auditor's remuneration	**2,368**	2,305
Depreciation of property, plant and equipment (Note 14)	**441,863**	381,168
Depreciation of investment properties (Note 15)	**294**	295
Depreciation of right-of-use assets		
Properties (Note 34)*	**75,845**	–
Equipment (Note 34)*	**1,074**	–
Land use right (Note 34)	**52,732**	–
Amortisation of intangible assets (Note 16)	**291,444**	262,094
Amortisation of lease prepayment for land use right	**–**	52,732
Loss on disposal of property, plant and equipment	**5,547**	1,139
Impairment loss on trade receivables	**28,152**	99,004
Exchange gain, net	**(28,048)**	(6,997)
Research and development expenses	**757,733**	658,498
Interest income	**(207,675)**	(213,201)
Interest on lease liabilities	**7,435**	–
Short-term leases expenses	**13,416**	–
Low-value assets leases expenses	**5**	–

* The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at January 1, 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2(a).

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

The emoluments of the directors and supervisors during the year ended December 31, 2019 (tax inclusive) are as follows:

Name of director and supervisor	Remuneration for director RMB'000	Bonus for director RMB'000	Salaries and allowances RMB'000	Employees' discretionary bonus RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Mr. Cui Zhixiong (Chairman)#	–	–	297	766	107	1,170
Mr. Xiao Yinhong#	–	–	297	766	106	1,169
Non-executive directors						
Mr. Han Wensheng*	–	–	–	–	–	–
Mr. Zhao Xiaohang* (i)	–	–	–	–	–	–
Mr. Xi Sheng* (ii)	–	–	–	–	–	–
Mr. Cao Jianxiong* (iii)	–	–	–	–	–	–
Mr. Tang Bing* (iv)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Cao Shiqing	60	–	–	–	–	60
Mr. Ngai Wai Fung	70	–	26	–	–	96
Mr. Liu Xianquan	60	–	–	–	–	60
Supervisors						
Mr. Huang Yuanchang (Chairman, Staff Representative Supervisor)#	–	–	415	730	95	1,240
Mr. Rao Geping (Independent Supervisor)	60	–	–	–	–	60
Ms. Zeng Yiwei*	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor)	–	–	391	426	102	919
Mr. He Haiyan*	–	–	–	–	–	–
	250	–	1,426	2,688	410	4,774

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

The emoluments of the directors and supervisors during the year ended December 31, 2018 (tax inclusive) are as follows:

Name of director and supervisor	Remuneration for director RMB'000	Bonus for director RMB'000	Salaries and allowances RMB'000	Employees' discretionary bonus RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Mr. Cui Zhixiong (Chairman)#	–	–	276	457	112	845
Mr. Xiao Yinhong#	–	–	276	457	111	844
Non-executive directors						
Mr. Cao Jianxiong*	–	–	–	–	–	–
Mr. Han Wensheng* (v)	–	–	–	–	–	–
Mr. Li Yangmin (vi)	–	–	–	–	–	–
Mr. Tang Bin* (v)	–	–	–	–	–	–
Mr. Yuan Xin'an (vi)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Cao Shiqing	60	–	–	–	–	60
Mr. Ngai Wai Fung	70	–	32	–	–	102
Mr. Liu Xianquan	60	–	–	–	–	60
Supervisors						
Mr. Huang Yuanchang (Chairman, Staff Representative Supervisor)#	–	–	409	118	107	634
Mr. Rao Geping (Independent Supervisor)	60	–	–	–	–	60
Ms. Zeng Yiwei*	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor)	–	–	365	381	105	851
Mr. He Haiyan*	–	–	–	–	–	–
	250	–	1,358	1,413	435	3,456

* These directors and supervisors are full-time 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, including part of the incentive bonus for prior year and pre-determined incentive bonus for current year, is evaluated by the supervisory authority. In addition, the remuneration of the executive directors for 2019 and 2018 includes incentive bonus for their previous term of office.

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

(i) Appointed on June 27, 2019
(ii) Appointed on September 25, 2019
(iii) Resigned on June 27, 2019
(iv) Resigned on September 25, 2019
(v) Appointed on August 29, 2018
(vi) Resigned on August 29, 2018

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2018: nil) directors whose emoluments are reflected in the analysis shown in above. The emoluments payable to the three (2018: five) individuals during the year are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries and allowances	**1,107**	1,997
Bonus	**2,150**	2,164
Retirement benefits	**285**	531
	3,542	4,692

The emoluments were within the following bands:

	2019 Number of individuals	2018 Number of individuals
Nil – HKD1,000,000 (equivalent to RMB896,000) (2018:RMB856,000)	**–**	–
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,344,000) (2018:RMB1,284,000)	**3**	5

During the year ended December 31, 2019, 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 (2018: nil). No directors, supervisors and the five highest paid employees had waived or agreed to waive any emolument (2018: nil).

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

Senior management

Other than the emoluments of directors and supervisors disclosed in Note 8, 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:

	2019 Number of individuals	2018 Number of individuals
Nil – HKD1,000,000 (equivalent to RMB896,000) (2018:RMB856,000)	**1**	6
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,344,000) (2018:RMB1,284,000)	**4**	–

Notes: As mentioned in the announcement of the Company dated January 29, 2019, the company loses one vice general manager.

10. 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, limited to a maximum rate of 16% of the employees' basic salaries subject to certain ceiling for the year ended December 31, 2019 (2018: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2019 amounted to approximately RMB155.2 million (2018: RMB151.5 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, 2019 amounted to approximately RMB52.4 million (2018: RMB44.0 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, 2019, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2018: nil).

11. TAXATION

The amount of tax recognised in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RMB'000	2018 RMB'000
Current tax		
PRC enterprise income tax expenses	**391,388**	404,602
Over-provision in respect of prior years (ii)	**(146,128)**	(109,072)
Overseas income tax expenses	**11,730**	4,763
	256,990	300,293
Deferred income tax	**(39,681)**	(31,684)
	217,309	268,609

Taxation of the Group, except for companies not incorporated in the PRC, 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.

11. TAXATION (CONTINUED)

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2019 RMB'000	2018 RMB'000
Profit before taxation	**2,819,676**	2,650,372
Tax calculated at statutory tax rates applicable to profits in the respective countries	**702,377**	668,238
Tax effect of share of profits of associated companies	**(9,441)**	(7,060)
Tax effect of non-taxable income	**(7,941)**	(7,697)
Tax effect of non-deductible expenses	**33,632**	22,531
Tax effect of tax losses not recognised	**11,007**	11,165
Tax effect of tax losses utilised	**(1,367)**	(3,789)
Tax effect of 75% addition deduction of research and development expense (i)	**(89,004)**	(43,751)
Tax effect of preferential tax rates (i)	**(275,827)**	(261,956)
Over-provision in respect of prior years (ii)	**(146,127)**	(109,072)
Income tax expense for the year	**217,309**	268,609

(i) 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 the PRC 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. In addition the company is entitle to the addition deduct 75% of qualified research and development expense.

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".

11. TAXATION (CONTINUED)

(ii) Uncertainty over income tax treatments

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 had made an application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2018. As at 16 September 2019, 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 reflected in the Group's consolidated financial statements in Year 2019. Details of the relevant information are set out in the Company's announcement dated 16 September 2019.

The Company will continue to apply for a preferential tax rate of 10% for Year 2019. The amount of tax refund of 5% for the year ended December 31, 2019 has not been recognised in these consolidated financial statements because the Company believes that the application is approved on a year-by-year basis with reference to the evaluation of the completion satisfaction or output for the research effort put by the Group and there are no conclusive evidence that the tax authority will approve such deduction for Year 2019. Therefore the Company should accruals the corporate income tax expense at the preferential tax rate of 15% for the year ended December 31, 2019.

12. DIVIDEND

The shareholders approved the distribution of a final dividend of RMB787.2 million (RMB0.269 per share) for Year 2018 in the annual general meeting of the Company held on June 27, 2019. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2019. On March 27, 2020, the Board recommended the distribution of a final cash dividend of RMB845.7 million for Year 2019 (RMB0.289 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 consolidated financial statements for the year ended December 31, 2020.

13. EARNINGS PER SHARE

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

	2019	2018
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**2,542,861**	2,325,129
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	**0.87**	0.79

There were no potential dilutive ordinary shares outstanding during the years ended December 31, 2019 and December 31, 2018.

14. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings RMB'000	Computer systems and softwares RMB'000	Motor vehicle RMB'000	Furniture, fittings and office equipment RMB'000	Assets under construction RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST							
At January 1, 2018	2,980,100	3,485,156	74,575	405,104	418,067	134,036	7,497,038
Additions	82,641	422,758	2,028	88,430	2,290	6,427	604,574
Disposals/write off	(245)	(63,107)	(3,242)	(10,693)	-	(216)	(77,503)
Transfer from assets under construction	367,037	33,722	-	-	(400,759)	-	-
Disposal of subsidiary	(12,345)	-	(832)	(9,702)	-	(535)	(23,414)
Exchange adjustment	-	-	32	180	-	10	222
At December 31,2018	3,417,188	3,878,529	72,561	473,319	19,598	139,722	8,000,917
Additions	21,634	437,025	4,919	91,886	30,183	5,313	590,960
Disposals/write off	-	(832,871)	(5,974)	(15,263)	-	(304)	(854,412)
Disposal of subsidiary	-	-	-	(6,571)	-	(169)	(6,740)
Transfer to investment properties	(122,820)	-	-	-	-	-	(122,820)
Transfer to intangible assets	-	-	-	-	(762)	-	(762)
Exchange adjustment	-	-	(7)	(195)	-	-	(202)
At December 31, 2019	**3,316,002**	**3,482,683**	**71,499**	**543,176**	**49,019**	**144,562**	**7,606,941**
ACCUMULATED DEPRECIATION							
At January 1, 2018	(295,971)	(2,512,048)	(62,916)	(278,174)	-	(125,809)	(3,274,918)
Provided for the year	(115,165)	(210,773)	(3,681)	(46,184)	-	(5,365)	(381,168)
Disposals/write off	245	57,546	2,784	8,320	-	61	68,956
Disposal of subsidiary	2,325	-	123	4,924	-	377	7,749
Exchange adjustment	(74)	(124)	(18)	(163)	-	(10)	(389)
At December 31,2018	(408,640)	(2,665,399)	(63,708)	(311,277)	-	(130,746)	(3,579,770)
Provided for the year	(119,741)	(261,269)	(2,920)	(51,759)	-	(6,174)	(441,863)
Disposals/write off	-	807,852	5,798	14,268	-	203	828,121
Disposal of subsidiary	-	-	-	2,744	-	141	2,885
Transfer to investment properties	72,474	-	-	-	-	-	72,474
Exchange adjustment	-	-	9	219	-	-	228
At December 31, 2019	**(455,907)**	**(2,118,816)**	**(60,821)**	**(345,805)**	**-**	**(136,576)**	**(3,117,925)**

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

	Buildings RMB'000	Computer systems and softwares RMB'000	Motor vehicle RMB'000	Furniture, fittings and office equipment RMB'000	Assets under construction RMB'000	Leasehold improvements RMB'000	Total RMB'000
PROVISION FOR IMPAIRMENT							
At January 1, 2018	–	(35,974)	–	(3)	–	–	(35,977)
Written off	–	580	–	–	–	–	580
Disposal of a subsidiary	–	–	–	3	–	–	3
At December 31, 2018	–	(35,394)	–	–	–	–	(35,394)
Written off	–	18,924	–	–	–	–	18,924
At December 31, 2019	**-**	**(16,470)**	**-**	**-**	**-**	**-**	**(16,470)**
CARRYING AMOUNT							
At December 31, 2019	**2,860,095**	**1,347,397**	**10,678**	**197,371**	**49,019**	**7,986**	**4,472,546**
At December 31, 2018	3,008,548	1,177,736	8,853	162,042	19,598	8,976	4,385,753

15. INVESTMENT PROPERTIES, NET

		RMB'000
COST		
At January 1, 2018 and January 1, 2019		6,072
Transfer from property, plant and equipment	(i)	122,820
Transfer from land use right	(i)	92,427
At December 31, 2019		**221,319**
ACCUMULATED DEPRECIATION		
At January 1, 2018		(4,736)
Provided for the year		(295)
At December 31, 2018		(5,031)
Provided for the year		(294)
Transfer from property, plant and equipment	(i)	(72,474)
Transfer from land use right	(i)	(24,979)
At December 31, 2019		**(102,778)**
CARRYING AMOUNT		
At December 31, 2019		**118,541**
At December 31, 2018		1,041

The fair value of the investment property is disclosed below and categorised within level 3 of the fair value hierarchy. Details of the Group's investment properties and information about the fair value hierarchy as at the end of each year are as follows:

Address:	**2019 RMB'000**	2018 RMB'000
Level 3		
Dongxingli No.11, Chaoyang District, Beijing, PRC (i)	**927,090**	Nil
Room 1604, 1606,Tina Tech Plaza A, Shenzhen, PRC (ii)	**39,060**	34,100
	966,150	34,100

During the year ended December 31, 2019, the Group transferred certain of its property interest held (i) under operating leases with carrying value of approximately RMB50,346,000 from properties, plant and equipment, and RMB67,448,000 from land use rights to investment properties. The investment properties are recognised at cost less accumulated depreciation.

15. INVESTMENT PROPERTIES, NET (CONTINUED)

(i) The investment property is leased to a third party. The leases contain initial non-cancellable period of 10 years.

The Group has assessed the fair value of the investment properties. The fair value was determined based on the income approach, discounted cash flow approach, fair value is based on assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of net cash flows on a property interest including an exit or terminal value. A market-derived discount rate is applied to the projected net cash flow in order to establish the present value of the income stream associated with the asset. Key assumptions used in calculating the recoverable amount are as follows:

	2019
Growth rate of revenue (starting from year 2030)	4%
Discount rate	1.8%

The fair value of the investment property at December 31, 2019 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the year.

A significant increase/decrease in the rental value in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the discount rate and capitalisation rate in isolation would result in a significant decrease/increase in the fair value of the investment properties. Generally, a change in the assumption made for the rental value is accompanied by a directionally similar change in the rent growth per annum.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

(ii) The investment property is leased to a third party. The leases contain initial non-cancellable period of 3 years.

The fair values measurement was carried out by the management, based on comparable market transactions of similar properties in the neighbourhood that have been transferred in the open market with the significant unobservable input being the price per square meter where any significant isolated increase (decrease) in this input would result in a significantly higher (lower) fair value measurement.

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16. INTANGIBLE ASSETS, NET

	Development costs RMB'000	Contractual customer relationships RMB'000	Computer software RMB'000	Total RMB'000
COST				
At January 1, 2018	77,687	43,498	1,338,022	1,459,207
Additions	52,048	–	440,307	492,355
Write off/disposal	–	–	(13,115)	(13,115)
Disposal of a subsidiary	–	–	(625)	(625)
Exchange adjustment	537	250	64	851
At December 31, 2018	130,272	43,748	1,764,653	1,938,673
Additions	177,957	–	134,535	312,492
Transfer from assets under construction	–	–	762	762
Write off/disposal	–	–	(95,132)	(95,132)
Exchange adjustment	1,565	(176)	(2,082)	(693)
At December 31, 2019	**309,794**	**43,572**	**1,802,736**	**2,156,102**
ACCUMULATED DEPRECIATION				
At January 1, 2018	(22,771)	(4,832)	(1,155,601)	(1,183,204)
Provided for the year	(21,163)	(2,909)	(238,022)	(262,094)
Written off/disposal	–	–	12,557	12,557
Disposal of a subsidiary	–	–	397	397
Exchange adjustment	(183)	(36)	(24)	(243)
At December 31, 2018	(44,117)	(7,777)	(1,380,693)	(1,432,587)
Provided for the year	(32,689)	(2,911)	(255,844)	(291,444)
Written off/disposal	–	–	95,132	95,132
Exchange adjustment	(1,788)	37	2,007	256
At December 31, 2019	**(78,594)**	**(10,651)**	**(1,539,398)**	**(1,628,643)**
CARRYING AMOUNT				
At December 31, 2019	**231,200**	**32,921**	**263,338**	**527,459**
At December 31, 2018	86,155	35,971	383,960	506,086

17. GOODWILL

Cost and carrying value	2019 RMB'000	2018 RMB'000
At January 1	**151,194**	147,483
Exchange translation differences	**5,056**	3,711
At December 31	**156,250**	151,194

Impairment tests for goodwill

Goodwill was acquired through business combinations of OpenJaw in 2016. Goodwill is monitored by the management at the operating segment level.

The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2%(2018:5%), which does not exceed the long-term growth rate for the aviation services industry in Europe.

	2019	2018
Growth rate	**7% – 24%**	15% – 32%
Discount rate	**15%**	13%

The discount rate used is pre-tax and reflects specific risks relating OpenJaw. Management determined budgeted gross margin based on past performance and its expectations of market development.

These assumptions have been used for the analysis of the CGU within the operating segment.

Management does not foresee any significant change in the key assumptions used in the value-in-use calculation that will cause the recoverable amount of goodwill to be less than its carrying amount.

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18. INVESTMENTS IN ASSOCIATED COMPANIES

	2019 RMB'000	2018 RMB'000
Beginning of year	**316,840**	236,431
Changed from a subsidiary company to an associated company (note 36)	**13,474**	46,061
Share of profits by the Group	**62,937**	47,069
Dividends receivable from associated companies	**(5,063)**	(12,721)
End of year	**388,188**	316,840

Particulars of the Group's investments in associated companies as at December 31, 2019 is as follows:

Name of company	Form of business structure	Place of incorporation and operations	Percentage of ownership interest/ voting rights/ profit share	Principal activity
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**")	Corporation	PRC	41% (2018: 41%)	Computer hardware and software development and data network services
Shenyang Civil Aviation Cares of Northeast China, Ltd. ("**Dongbei Cares**")	Corporation	PRC	46% (2018: 46%)	Computer hardware and software development and data network services
Yunnan TravelSky Airport Technology Limited ("**Yunnan Konggang**")	Corporation	PRC	40% (2018: 40%)	Computer hardware and software development and technical consulting services
Heilongjiang TravelSky Airport Technology Limited ("**Heilongjiang Konggang**")	Corporation	PRC	50% (2018: 50%)	Computer hardware and software development and technical consulting services
Shanghai Dongmei Aviation Tourism Online Co., Limited ("**Dongmei Online**")	Corporation	PRC	50% (2018: 50%)	E-commerce, sale of computers and related parts and provision of network, technical services and economic consulting services

18. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Name of company	Form of business structure	Place of incorporation and operations	Percentage of ownership interest/ voting rights/ profit share	Principal activity
Dalian TravelSky Airport Technology Limited ("**Dalian Konggang**")	Corporation	PRC	50% (2018: 50%)	Computer hardware and software development and technical consulting services
Hebei TravelSky Airport Technology Limited ("**Hebei Konggang**")	Corporation	PRC	50% (2018: 50%)	Computer hardware and software development and technical consulting services
Guangzhou Airport AirSpan Information Technology Co. Ltd. ("**Guangzhou Konggang**")	Corporation	PRC	20% (2018: 20%)	Computer hardware and software development and data network services
Yantai TravelSky Airport Technology Limited ("**Yantai Konggang**")	Corporation	PRC	40% (2018: 40%)	Computer hardware and software development and technical consulting services
HangTu Cruse (Wuhan) Information Technology Services Co., Ltd. ("**HangTu Cruse**")	Corporation	PRC	49% (2018: 49%)	Technical development, transfer and consulting services and computer software development
Aviation Cares of Southwest Chengdu, Ltd. ("**Xinan Cares**")	Corporation	PRC	44% (2018: 44%)	Air passenger traffic handling, provision of electronic travel distribution and airport passenger processing
Beijing TravelSky Bairun Technology Co., Ltd ("**TravelSky Bairun Technology**") (Note 36)	Corporation	PRC	37.09%	Computer information system integration, software development and technical consulting services

18. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

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

As at December 31	2019 RMB'000	2018 RMB'000
Total assets	1,183,412	922,298
Total liabilities	(260,238)	(174,028)
Net assets	923,174	748,270
Group's share of net assets of the associated companies	388,188	316,840
Year ended December 31		
Profit for the year	166,194	112,224
Group's share of profits of the associated companies	62,937	47,069

19. OTHER FINANCIAL ASSETS

	2019 RMB'000	2018 RMB'000
Non-current assets		
Financial assets at amortised cost		
Deposits with banks with original maturity date over three months (note a)	**100,000**	78,525
Restricted bank deposits	**19,420**	11,415
Certificate of deposits (note b)	**900,000**	–
Structural deposits (note d)	**–**	1,100,000
	1,019,420	1,189,940
Financial assets at fair value through other comprehensive income		
Unlisted equity investment (note c)	**883,750**	875,000
Current assets		
Financial assets at amortised cost		
Deposits with banks with original maturity date over three months (note a)	**580,139**	449,211
Restricted bank deposits	**23,198**	28,356
Managed funds, in PRC	**–**	300,000
Structural deposits (note d)	**1,100,000**	–
Certificate of deposits (note b)	**1,400,000**	1,700,000
	3,103,337	2,477,567
Financial assets at fair value through profit or loss		
Managed funds, in PRC (note e)	**–**	161,944

19. OTHER FINANCIAL ASSESTS (CONTINUED)

Note:

(a) As at December 31, 2019, deposits with banks with original maturity date over three months represent deposits with banks with an original maturity ranging from six months to three years. The annual interest rates range from 0.4% to 4.4% (2018: 0.4% to 4.3%).

(b) The annual interest rates on certificates of deposits held by the Group ranges from 3.4% to 4.1% (2018: 4.3% to 4.8%) and these deposits have a maturity period from 182 days to 397 days (2018: 183 days to 395 days) and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate to their fair values.

(c) The unlisted equity investment represents 17.5% (2018:17.5%) equity interest in China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**") at a fair value of RMB884 million (2018: RMB875 million). The Directors designated the investment as financial asset at fair value through other comprehensive income of approximately RMB884 million (2018: RMB875 million), since the Group has no intention to hold the investment for trading purpose. The directors of the Company have determined the fair value of this investment as at December 31, 2019 with reference to the valuation report issued by China Alliance Appraisal Co., ltd, ("**China Alliance**") an independent professional valuer who has professional qualifications and relevant experience. The fair value of the unlisted fund is determined by market approach, with references to comparable companies benchmark multiples. During the year, the Group recognised a fair value gain approximately to RMB9 million in the consolidated statement of profit or loss and other comprehensive income.

(d) As at December 31, 2019, the Group held the structural deposits issued by Ping An Bank Corp., Ltd. of RMB900 million and China CITIC Bank Corp., Ltd. of RMB200 million and the Company expects annual rate of return approximately 4.0%. Both deposits will be matured in January 2020. The Directors classified the investment as financial asset at amortised cost.

(e) As at December 31, 2018, the Company held Bosera Fund with principal amount of RMB850 million and the Company expects annual rate of return approximately 4.5%. The Directors classified the investment as financial asset as fair value through profit or loss. The fair values of the Bosera Fund as at January 1, 2018 and December 31, 2018 were estimated by the management.

In 2018, part of the product was disposed of and a fair value gain of RMB39.0 million was recognised as "Fair value gains on financial assets" in the consolidated statement of profit or loss and other comprehensive income. As at December 31, 2018, a fair value gain for the remaining interest held of the product of RMB9.6 million was recognised as "Fair value gains on financial assets" in the consolidated statement of profit or loss and other comprehensive Income.

During the year, all interest held of the managed fund was disposed of with no gain or loss recognised.

20. DEFERRED INCOME TAX

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years:

	Fair value adjustment on intangible assets	Fair value adjustment on financial assets	Depreciation and amortisation	Accrual, provision and others	Total
At January 1, 2018	(7,962)	–	46,021	60,295	98,354
Charge (credit) to profit or loss for the year	1,305	(2,188)	12,278	20,289	31,684
Exchange differences	(42)	–	(10)	–	(52)
At December 31, 2018	(6,699)	(2,188)	58,289	80,584	129,986
Charge (credit) to profit or loss for the year	1,305	2,188	17,454	18,734	39,681
Exchange differences	20	–	25	50	95
At December 31, 2019	**(5,374)**	**–**	**75,768**	**99,368**	**169,762**

At December 31, 2019, the Group has unused tax losses of approximately RMB218.5 million (2018: RMB205.3 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 RMB4.3 million (2018: RMB4.6 million) arising from Australia, Europe, Hong Kong District and Singapore subsidiaries may be carried forward indefinitely. Included in the tax losses approximately RMB5.3 million (2018: RMB4.8 million) arising from Taiwan District and Korea subsidiaries will expire in various dates up to 2028. Included in the tax losses approximately RMB5.5 million (2018: RMB4.8 million) arising from Japan subsidiary will expire up to 2025. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

	2019 RMB'000	2018 RMB'000
2019	**–**	23,221
2020	**22,681**	28,077
2021	**39,603**	41,342
2022	**35,443**	39,364
2023	**53,511**	54,544
2024	**52,156**	–
	203,394	186,548

20. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balance after offsetting is as follows:

	2019 **RMB'000**	2018 RMB'000
Deferred tax assets	**209,722**	177,627
Deferred tax liabilities	**(39,960)**	(47,641)
	169,762	129,986

21. OTHER LONG-TERM ASSETS

At December 31, 2019, other long-term assets of the Group mainly comprised of deposits paid for acquisition of property, plant and equipment and intangible assets.

22. TRADE AND BILLS RECEIVABLES, NET

	2019 **RMB'000**	2018 RMB'000
Trade receivables (i)	**1,595,642**	1,655,786
Less: provision for impairment of trade receivables	**(305,446)**	(284,415)
	1,290,196	1,371,371
Bills receivables (ii)	**88,045**	107,441
Trade and bills receivables, net	**1,378,241**	1,478,812

(i) Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

22. TRADE AND BILLS RECEIVABLES, NET (CONTINUED)

	2019 RMB'000	2018 RMB'000
Within 6 months	**857,935**	849,260
Over 6 months but within 1 year	**150,789**	300,398
Over 1 year but within 2 years	**207,405**	177,116
Over 2 years but within 3 years	**74,067**	44,597
	1,290,196	1,371,371

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 3.13(ii).

The Group has a policy allowing its customers credit periods normally ranging from 10 to 90 days. The Group does not hold any collateral as security.

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

	2019 RMB'000	2018 RMB'000
RMB	**1,258,011**	1,090,891
HKD denominated	**102,527**	119,414
USD denominated	**193,366**	244,750
EUR denominated	**19,390**	192,529
Others	**22,348**	8,202
	1,595,642	1,655,786

(ii) Bills receivables are mainly commercial acceptance bills with trade-related receivables, which are not yet due at the end of the reporting period and the management considers the default rate is low as the Group did not encounter any default on bills receivables based on the past experience. All bills received by the Group are with a maturity period of less than one year, which is within the credit term.

23. DUE FROM RELATED PARTIES, NET

	2019 RMB'000	2018 RMB'000
Due from related parties (i)	**3,417,363**	3,066,869
Bills receivables (ii)	**302,600**	107,123
Due from related parties, net	**3,719,963**	3,173,992

(i) Included in amount due from related parties with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	2019 RMB'000	2018 RMB'000
Within 6 months	**1,902,997**	1,756,324
Over 6 months but within 1 year	**771,495**	1,191,034
Over 1 year but within 2 years	**728,092**	109,846
Over 2 years but within 3 years	**14,779**	322
Over 3 years	**–**	9,343
	3,417,363	3,066,869

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

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 3.13(ii).

(ii) Bills receivables are mainly commercial acceptance bills with trade-related receivables, which are not yet due at the end of the reporting period and the management considers the default rate is low as the Group did not encounter any default on bills receivables based on the past experience. All bills received by the Group are with a maturity period of less than one year, which is within the credit term.

24. DUE FROM ASSOCIATED COMPANIES

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

25. PREPAYMENTS AND OTHER CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Advance payments	**81,944**	52,793
Interest receivable	**56,892**	71,030
Other receivables (i)	**978,292**	771,027
Other current assets	**96,169**	52,942
	1,213,297	947,792

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

26. CONTRACT ASSETS AND CONTRACT LIABILITIES

(i) Contract assets

	2019 RMB'000	2018 RMB'000
Contract assets arising from performance under:		
System integration services contracts	**10,987**	34,304
Less: provision for impairment	**(1,248)**	(3,682)
	9,739	30,622

Typical payment terms which impact on the amount of contract assets recognised are as follows:

System integration services

The Group's system integration services contracts include payment schedules which require stage payments over the contracted period once milestones are reached. For most of the contracts, the Group has requested a deposit which is payable up front and this has resulted in a contract liability at early stages of the projects. However, the Group also typically agrees to a one year retention period for 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

26. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(i) Contract assets (Continued)

System integration services (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on invoice dates of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

After applying the ECL rate to gross amount of contract assets, a provision of impairment loss of contract assets of RMB1.2 million (2018:RMB3.7 million) was recognised in the consolidated financial statements.

(ii) Contract liabilities

	2019 RMB'000	2018 RMB'000
Contract liabilities arising from:		
System integration services	**178,171**	193,210

Movements in contract liabilities:

	2019 RMB'000	2018 RMB'000
Balance as at January 1	**193,210**	179,131
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(163,229)**	(126,680)
Increase in contract liabilities as a result of billing in advance of system integration services contracts	**148,190**	140,759
Balance as at December 31	**178,171**	193,210

27. TRADE PAYABLES AND ACCRUED LIABILITIES

	2019 RMB'000	2018 RMB'000
Trade payables	**724,964**	1,163,750
Accrued departure technology support fees	**521,791**	630,082
Accrued technical support fees	**72,584**	78,605
Accrued network usage fees	**25,448**	13,164
Accrued bonuses and staff cost	**268,365**	273,664
Other taxes payable	**37,357**	44,351
Other payables (note)	**1,835,128**	1,754,534
Other liabilities	**13,747**	32,644
Total	**3,499,384**	3,990,794

At December 31, 2019, approximately RMB35.6 million of the above balances was denominated in U.S. dollars (2018: RMB31.3 million).

Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2019 RMB'000	2018 RMB'000
Within 6 months	**441,371**	844,443
Over 6 months but within 1 year	**141,590**	38,063
Over 1 year but within 2 years	**74,060**	93,379
Over 2 years but within 3 years	**21,341**	65,365
Over 3 years	**46,602**	122,500
Total trade payables	**724,964**	1,163,750

Note: 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".

28. DUE TO RELATED PARTIES AND ASSOCIATED COMPANIES

	2019 RMB'000	2018 RMB'000
Within 6 months	223,733	159,709
Over 6 months but within 1 year	50,900	31,185
Over 1 year but within 2 years	41,655	33,025
Over 2 years but within 3 years	10,768	–
Over 3 years	72,399	48,118
Total	399,455	272,037

These balances comprised mainly dividend payables to the owners of the company and service fee payables. These balances are unsecured, interest free and repayable on demand.

29. DEFERRED GOVERNMENT GRANT

	2019 RMB'000	2018 RMB'000
At beginning of year	94,491	141,692
Addition	100	480
Set off with other payable	–	(47,600)
Recognised as income during the year	(2,705)	(81)
At end of year	91,886	94,491

Note:

Deferred government grant represents the one-off grant from PRC government agencies. The grant must be used on the special research and development projects and the main project is the Civil Aviation Important Information System Network Security Project. The government grants will be recognised as income when the related projects are completed and accepted by the government agencies.

30. SHARE CAPITAL

As of December 31, 2019, all issued shares are registered and fully paid, totally 2,926,209,589 shares (2018: 2,926,209,589 shares) of RMB1 each, comprised of 1,993,647,589 Domestic Shares and 932,562,000 H Shares (2018: 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, 2018, January 1, 2019, and December 31, 2019	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Issued and fully paid:					
Registered shares of RMB1 each					
As at December 31, 2018, January 1, 2019, and December 31, 2019	1,993,647	1,993,647	932,562	932,562	2,926,209

31. RESERVES

The Group	Capital surplus RMB'000	Statutory surplus reserve fund RMB'000	Merger reserve RMB'000	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000	Currency translation differences RMB'000	FVOCI reserve RMB'000	Total RMB'000
At December 31, 2017	658,443	1,711,188	369,313	1,210,501	490,946	(3,378)	-	4,437,013
Initial application of IFRS 9	-	-	-	-	(39,271)	-	-	(39,271)
At January 1, 2018	658,443	1,711,188	369,313	1,210,501	451,675	(3,378)	-	4,397,742
Currency translation differences	-	-	-	-	-	11,029	-	11,029
Appropriation to reserves	-	196,484	-	185,062	-	-	-	381,546
At December 31, 2018	658,443	1,907,672	369,313	1,395,563	451,675	7,651	-	4,790,317
Currency translation differences	-	-	-	-	-	8,347	-	8,347
Release of translation reserve upon deregistration of a subsidiary	-	-	-	-	-	(6,187)	-	(6,187)
Changes in fair value of equity instruments at FVOCI	-	-	-	-	-	-	8,750	8,750
Appropriation to reserves	-	211,338	-	196,484	-	-	-	407,822
At December 31, 2019	658,443	2,119,010	369,313	1,592,047	451,675	9,811	8,750	5,209,049

(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.

32. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2019, according to the Company Law of PRC, related regulations, and the Articles of Association of the Company, the profit after taxation (at lower of the generally accepted accounting principles of PRC ("PRC GAAP") Financial Statements and IAS Financial Statements) of the Company each year 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 under the Company Law of PRC.

The appropriation of 10% of profit after taxation at IFRS Financial Statements of the Company amounted to RMB196.5 million to the discretionary surplus reserve fund for the year ended December 31, 2018 was approved in the annual general meeting held on May 9, 2019. The amount was accounted for in shareholders' equity as a distribution of retained earnings in the year ended December 31, 2019.

The proposed appropriation of 10% of profit after taxation at PRC GAAP Financial Statements of the Company amounted to RMB211.3 million to the discretionary surplus reserve fund for the year ended December 31, 2019 is subject to shareholders' approval at the forthcoming annual general meeting. Therefore, the amount upon approval will be recorded in the Group's consolidated financial statements for year ending December 31, 2020.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2019 was approximately RMB7,811.0 million (2018: RMB6,885.2 million).

The profit attributable to owner of the Company is dealt with in the IFRS financial statements of the Company to the extent of RMB2,113.4 million (2018: RMB2,000.4 million) for the year ended December 31, 2019.

33. NOTES SUPPORTING CONSILIDATED STATEMENT OF CASH FLOWS

a) Cash and cash equivalents comprise:

	2019 RMB'000	2018 RMB'000
Cash available on demand	**4,546,791**	4,344,496
Short-term deposits	**–**	2,000
	4,546,791	4,346,496

b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 34) RMB'000
At 31 December 2018	–
Initial application of IFRS16	25,118
Restated balance at 1 January 2019	25,118
Changes from cash flows:	
Payment of lease liabilities	(83,044)
Total changes from financing cash flows:	(83,044)
Other changes:	
New lease liabilities	203,348
Interest on lease adjustments	7,435
Total other changes	210,783
At 31 December 2019	152,857

34. LEASES

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 3.21.

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties and certain items of equipment in the jurisdictions from which it operates. Lease contracts are typically made for fixed periods of 1 to 10 years. None of the leases includes variable lease payments.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as Right-of-use assets.

	Properties RMB'000	Equipment RMB'000	Lease prepayment for land use right (Note) RMB'000	Total RMB'000
Balance at January 1, 2019	25,118	–	1,650,377	1,675,495
Additions	200,214	3,134	–	203,348
Depreciation charge for the year	(75,845)	(1,074)	(52,732)	(129,651)
Transfer to investment properties	–	–	(67,448)	(67,448)
Foreign exchange movements	10	–	–	10
Balance at December 31, 2019	149,497	2,060	1,530,197	1,681,754

Note: Lease prepayment for land use right, 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. 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.

34. LEASES (CONTINUED)

Lease liabilities

	Properties RMB'000	Equipment RMB'000	Total RMB'000
Balance at January 1, 2019	25,118	–	25,118
Additions	200,214	3,134	203,348
Interest expense	7,412	23	7,435
Lease payments	(81,080)	(1,964)	(83,044)
Balance at December 31, 2019	151,664	1,193	152,857

Future lease payments are due as follows:

	Minimum lease payments December 31, 2019 RMB'000	Interest December 31, 2019 RMB'000	Present value December 31, 2019 RMB'000
Not later than one year	77,127	3,182	73,945
Later than one year and not later than two years	66,573	5,384	61,189
Later than two years and not later than five years	15,147	1,885	13,262
Later than five years	1,158	199	959
	160,005	10,650	149,355

34. LEASES (CONTINUED)

Lease liabilities (Continued)

	Minimum lease payments January 1, 2019note RMB'000	Interest January 1, 2019 note RMB'000	Present value January 1, 2019 note RMB'000
Not later than one year	9,606	363	9,243
Later than one year and not later than two years	7,363	539	6,824
Later than two years and not later than five years	10,416	1,196	9,220
	27,385	2,098	25,287

Note: The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See note 2(a) for further details about transition.

The present value of future lease payments are analysed as:

	December 31, 2019 RMB'000	January 1, 2019 RMB'000
Current liabilities	**72,448**	8,663
Non-current liabilities	**80,409**	16,455
	152,857	25,118

	December 31, 2019 RMB'000
Short term lease expense	**13,416**
Low value lease expense	**5**
Aggregate undiscounted commitments for short term leases	**570**

34. LEASES (CONTINUED)

(a) Operating lease commitments – the Group as lessee

	2018 RMB'000
Minimum lease payments paid during the year under operating leases	98,200

At December 31, 2018, the Group had outstanding minimum commitments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	12,757
In the second to fifth years inclusive	19,583
	32,340

Operating lease payments represent rentals payable by the Group for its office premises and manufacturing sites. The leases were negotiated for a term of one to ten years at fixed rentals.

(b) As lessor

As at 31 December 2019, total future minimum lease receivables of the Group under non-cancellable operating leases are as follows (2018:nil):

	2019 **RMB'000**
Within one year	**33,439**
In the second to fifth years inclusive	**133,754**
After five years	**150,474**
	317,667

35. COMMITMENTS

(a) Capital commitments

	2019 RMB'000	2018 RMB'000
Contracted but not provided for:		
Computer system and others	102,992	90,381
Assets under constructions	399,796	662,000
	502,788	752,381

The above capital commitments mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, and the capital commitment of the new operating centre in Beijing for the construction of Phase I project.

(b) Equipment maintenance fee commitments

As at December 31, 2019, the Group had equipment maintenance fee commitments of approximately RMB135.0 million (2018: RMB292.4 million).

36. DEEMED DISPOSAL OF A SUBSIDIARY

Deemed disposal of Beijing TravelSky Bairun Technology Co., Ltd

As at December 31, 2018, the Group held 51% equity interest in Beijing TravelSky Bairun Technology Co., Ltd ("**TravelSky Bairun Technology**"), TravelSky Bairun Technology was accounted for as a subsidiary of the Company. With issuance of TravelSky Bairun Technology's shares (the "**Share Issuance**") to an independent external party in January 2019, the Group's equity interest in TravelSky Bairun Technology was diluted from 51% to 37.09%, resulting in a loss in control over TravelSky Bairun Technology and its financial results will no longer be consolidated into the financial statements of the Group after the Share Issuance.

36. DEEMED DISPOSAL OF A SUBSIDIARY (CONTINUED)

Deemed diposal of Beijing TravelSky Bairun Technology Co., Ltd (Continued)

The directors of the Company consider that they have power to exercise significant influence on TravelSky Bairun Technology as 2 of the 5 directors in TravelSky Bairun Technology are appointed by the Group. Under IAS 28, the investment in TravelSky Bairun Technology is classified as interest in an associate and has been accounted for in the consolidated financial statements using equity method after the Share Issuance. The fair value of the 37.09% retained interest in TravelSky Bairun Technology at the date on which the control was lost is regarded as the cost on initial recognition of the investment in TravelSky Bairun Technology as an associate.

	RMB,000
Fair value of interest retained	13,474
Analysis of assets and liabilities of TravelSky Bairun Technology over which control was lost:	
Non-current assets	
Property, plant and equipment	3,855
	3,855
Current assets	
Trade receivables	26,685
Prepayments and other current assets	4,217
Contract asset	5,372
Cash and cash equivalents	34
	40,163
Current liabilities	
Trade payables and accrued liabilities	(21,054)
Contract liabilities	(2,781)
Net assets disposal of	16,328
Deemed gain on disposal of TravelSky Bairun Technology	
Net assets disposed of	(16,328)
Fair value of retained interest	13,474
Non-controlling interests	8,001
Gain on deemed disposal	5,147
Net cash outflow arising on disposal	
Cash and cash equivalents of TravelSky Bairun Technology deemed disposed of	34

37. DEREGISTERATION OF SUBSIDIARIES

During the year the Group deregistered two subsidiaries, TravelSky R&D USA, Inc and Guangxi TravelSky Cloud Data Service Co., Ltd. which were inactive and did not have any assets and liabilities at the time of deregistration.

Upon the deregistration of TravelSky R&D USA, the corresponding exchange reserve in relation to this subsidiary of RMB6.2 million was released and recognised in profit or loss for the year.

38. FINANCE INCOME, NET

	2019 **RMB'000**	2018 RMB'000
Exchange gain, net	**28,048**	6,997
Interest income	**207,675**	213,201
Interest on lease liabilities	**(7,435)**	–
Others	**–**	(39)
	228,288	220,159

39. RELATED PARTY DISCLOSURES

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.

39. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related parties

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

39. RELATED PARTY DISCLOSURES (CONTINUED)

(b) 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.

	2019 RMB'000	2018 RMB'000
China Southern Airlines Company Limited and its subsidiaries	**799,735**	768,276
China Eastern Airlines Corporation Limited and its subsidiaries	**935,122**	902,606
Air China Limited and its subsidiaries	**828,109**	806,367
Hainan Airlines Holding Company Limited and its subsidiaries	**640,236**	584,605
	3,203,202	3,061,854

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

39. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions (Continued)

(ii) Lease of properties from CTHC

For the year ended December 31, 2018, operating lease rentals for lease of properties from CTHC and amounted to RMB50.1 million. The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

For the year ended December 31, 2019, under the IFRS 16, the following right-of-use assets and lease liabilities are recognised for lease of properties from CTHC:

	Right-of-use assets RMB'000	Lease liabilities RMB'000
At December 31, 2018 and January 1, 2019	–	–
Addition	145,428	145,428
Depreciation	(48,476)	–
Interest	–	5,222
Payment	–	(51,609)
At December 31, 2019	96,952	99,041

(c) Balances with related parties

Balances due from the related parties mainly comprised:

	2019 RMB'000	2018 RMB'000
Trade related balances (Note (i))		
China Southern Airlines Company Limited and its subsidiaries	221,118	675,886
China Eastern Airlines Corporation Limited and its subsidiaries	734,843	730,133
Air China Limited and its subsidiaries	1,225,971	576,983
Hainan Airlines Holding Company Limited and its subsidiaries	702,186	553,193
Other balances (Note (ii))		
China Southern Airlines Company Limited and its subsidiaries	68,478	58,657
China Eastern Airlines Corporation Limited and its subsidiaries	159,822	120,990
Air China Limited and its subsidiaries	280,073	259,911

39. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Balances with related parties (Continued)

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

(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.

(d) Balances with other major state-owned enterprises

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

	2019 RMB'000	2018 RMB'000
Bank balances	**2,880,897**	2,129,902

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.

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities recognised at the end of reporting period were categorised as follows:

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	–	161,944
Financial assets at fair value through other comprehensive income	883,750	875,000
Financial assets at amortised costs (including cash and cash equivalents)	15,006,627	13,672,347
	15,890,377	14,709,291
Financial liabilities		
Financial liabilities at amortised cost	4,014,339	4,262,831

The fair values of financial assets and financial liabilities are determined as follows:

– the fair value of investments held for trading with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and

– the fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

IFRS 13 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At December 31, 2019				
Financial assets at fair value through other comprehensive income				
Unlisted equity investment (i)	–	–	883,750	883,750

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At December 31, 2018				
Financial assets at fair value through profit or loss				
PRC Managed Fund	–	–	161,944	161,944
Financial assets at fair value through other comprehensive income				
Unlisted equity investment	–	–	875,000	875,000

There were no transfers between levels during the period.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	2019 RMB'000	2018 RMB'000
At January 1	1,036,944	1,753,381
Sales	(161,944)	(765,080)
Fair value change	8,750	48,643
At December 31	883,750	1,036,944

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

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.

The Group's financial instruments carried at other than fair value mainly consist of cash and cash equivalents, financial assets at amortised cost, trade receivables, prepayments and other current assets, due from related parties and associated companies, trade payables, accrued liabilities and due to related parties and associated companies.

The carrying amounts of the Group's financial instruments carried at other than fair value approximated their fair values as at December 31, 2019 because of the short-term maturities of these instruments.

(i) For the unlisted investment fund, the fair value as at December 31, 2019, is arrived at based on a valuation carried out by China Alliance, an independent valuer not connected to the Group. The fair value was determined based on market approach, where fair value estimated with references to comparable companies' benchmark multiples.

Significant unobservable inputs:

	As at December 31, 2019
Market multiples of comparable companies adopted	
P/B Ratio	**1.99**
Discount for lack of marketability	**36.03%**

Had the P/B Ratio ratio of comparable companies adopted increased by 5%, it would increase the fair value of the unlisted investment by RMB43.75 million. Had the P/B Ratio of comparable companies adopted decreased by 5%, it would decrease the fair value of the unlisted investment by RMB43.75 million.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at December 31, 2018 and 2019 were as follows:

Name of subsidiary	Form of business	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage held by the Company Directly %	Percentage held by the Company Indirectly %	Principal activities
Accounting Center of China Aviation Limited Company ("**ACCA**")	Corporation	PRC	RMB759,785,200	100%	-	Accounting, settlement and clearing services, and related information system development and support services
Beijing YaKe Development Company Limited ("**YaKe**")	Corporation	PRC	RMB156,121,600	-	100%	Provision of information system development and related services
OpenJaw Technologies Limited ("**OpenJaw Ireland**")	Corporation	Ireland	EUR252,101	-	100%	Research and development, marketing and selling of travel distribution software solutions to travel industry
TravelSky International Limited (Former known as TravelSky Technology (Hong Kong) Limited) ("**TravelSky International**")	Corporation	Hong Kong District	RMB11,385,233	100%	-	Provision of internet exchange platform services for travel agents
Civil Aviation Cares of Qingdao Ltd. ("**Qingdao Cares**")	Corporation	PRC	RMB25,000,000	51%	-	Computer hardware and software development and data network services
Hainan Civil Aviation Cares Co., Ltd ("**Hainan Cares**")	Corporation	PRC	RMB10,000,000	64.78%	-	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems
Guangzhou TravelSky Information Technology Limited ("**TravelSky Guangzhou**")	Corporation	PRC	RMB400,000,000	100%	-	Computer hardware and software development and data network services
Cares Shenzhen Co., Ltd. ("**Shenzhen Cares**")	Corporation	PRC	RMB61,000,000	61.47%	-	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems

* for identification purpose only

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net		3,990,789	3,759,154
Lease prepayment for land use right, net		–	1,602,590
Investment properties		117,794	–
Intangible assets, net		259,612	380,518
Investments in subsidiaries		1,620,036	1,663,745
Investments in associated companies		178,074	106,532
Right-of-use assets		1,587,220	–
Deferred income tax assets		203,138	174,819
Other long-term assets		53,074	104,148
Financial assets at amortised cost		903,920	1,103,896
Financial assets at fair value through other comprehensive income		883,750	875,000
Total non-current assets		9,797,407	9,770,402
Current assets			
Inventories		158	108
Trade receivables, net		1,320,816	1,129,873
Contract assets		4,051	10,645
Due from related parties, net		2,854,739	2,688,760
Due from subsidiaries, net		579,595	471,084
Due from associated companies		72,264	63,042
Prepayments and other current assets		145,479	163,536
Financial assets at amortised cost		2,507,495	2,080,047
Financial assets at fair value through profit or loss		–	161,944
Cash and cash equivalents		2,202,217	2,395,377
Total current assets		9,686,814	9,164,416
Total assets		19,484,221	18,934,818

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Statement of financial position of the Company (Continued)

	Notes	2019 RMB'000	2018 RMB'000
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities		1,288,028	1,873,690
Contract liabilities		105,950	169,813
Due to related parties and associated companies		372,757	252,826
Due to subsidiaries		2,306,722	2,620,527
Lease liabilities		50,838	–
Income tax payable		23,478	63,730
Total current liabilities		4,147,773	4,980,586
Non-current liabilities			
Deferred income tax liabilities		15,504	22,928
Deferred government grants		91,390	93,960
Lease liabilities		54,138	–
Total non-current liabilities		161,032	116,888
NET ASSETS		15,175,416	13,837,344
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	2,926,209	2,926,209
Reserves	42(b)	4,761,549	4,344,977
Retained earnings		7,487,658	6,566,158
TOTAL EQUITY		15,175,416	13,837,344

The statement of financial position of the Company was approved by the Board of Director on March 27, 2020 and was signed on its behalf by:

Cui Zhixiong	**Xiao Yinhong**
DIRECTOR	*DIRECTOR*

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(b) Reserves movement of the Company

	Capital surplus RMB'000	Statutory surplus reserve fund RMB'000	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000	FVOCI reserve RMB'000	Total RMB'000
At December 31, 2017	661,932	1,703,908	1,210,501	426,361	–	4,002,702
Initial application of IFRS 9	–	–	–	(39,271)	–	(39,271)
At January 1, 2018	661,932	1,703,908	1,210,501	387,090	–	3,963,431
Transfer from retained earnings	–	196,484	185,062	–	–	381,546
At December 31, 2018	661,932	1,900,392	1,395,563	387,090	–	4,344,977
Transfer from retained earnings	–	211,338	196,484	–	–	407,822
Changes in fair value of equity instruments at FVOCI	–	–	–	–	8,750	8,750
At December 31, 2019	**661,932**	**2,111,730**	**1,592,047**	**387,090**	**8,750**	**4,761,549**

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Financial risk factors (Continued)

(i) Foreign currency risk

The functional currency of the Company and most of the subsidiaries are 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, financial assets at amortised cost, cash and cash equivalents and trade payables denominated in foreign currencies.

As at December 31, 2019, 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 RMB27 million (2018: RMB24 million) lower/higher, mainly as a result of foreign exchange differences on translation of balances of denominated in USD, HKD and EUR trade receivables, financial assets at amortised cost, cash and cash equivalents and trade payables.

(ii) Interest rate risk

The Group's interest-bearing assets are mainly represented by financial assets at amortised cost and cash and cash equivalents. For the year ended December 31, 2019, interest income is approximately RMB207.7 million (2018: RMB213.2 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 financial assets at amortised cost are disclosed in Note 19.

The Group has no significant borrowings or non-current liabilities at December 31, 2019 and therefore do not have significant exposure to changes in interest rates.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Financial risk factors (Continued)

(iii) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from trade receivables, financial assets at amortised cost, 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 most of the Group's revenue is derived from shareholders of the Company, therefore the amount due from related parties are trade related, and the counterparties mainly comprise the domestic airlines and airports.

Most of these domestic airlines and airports are state-owned enterprises with good repayment record and no significant impairment loss occurred in the past.

As at December 31, 2019, approximately 72% (2018: 76%) 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 55% (2018: 43%) of the total bank balances were concentrated with 4 largest state-owned banks as at December 31, 2019.

Trade receivables and contract assets

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different customer segments, the loss allowance based on invoice date ageing status is further distinguished between the Group's different customer bases, the Group recognised lifetime ECL for its trade receivables based on individually significant risk customer or the ageing of customers collectively that are not individually significant risk. The Grouping for trade receivables and contract assets is by invoices dates ageing.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Financial risk factors (Continued)

(iii) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at December 31, 2018 and December 31, 2019:

December 31, 2018	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Individually assessment
Expected credit loss rate (%)	7.21	20.00	30.00	100.00	–
Gross carrying amount (RMB'000)	1,265,983	228,476	63,807	131,824	–
Loss allowance (RMB'000)	91,436	45,695	19,142	131,824	–
December 31, 2019					
Expected credit loss rate (%)	**5.90**	**18.33**	**28.64**	**100.00**	**45.88**
Gross carrying amount (RMB'000)	**1,031,257**	**224,176**	**93,768**	**110,490**	**146,938**
Loss allowance (RMB'000)	**60,827**	**41,098**	**26,859**	**110,490**	**67,420**

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2019 RMB'000	2018 RMB'000
Balance at January 1	**288,097**	191,578
Amounts written off during the year	**(9,555)**	(2,485)
Impairment losses recognised during the year	**28,152**	99,004
Balance at December 31	**306,694**	288,097

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Financial risk factors (Continued)

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2019, approximately 22% 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 (2018: 22%). Directors believe the Group has sufficient cash balances to meet its daily operations requirements and has no significant exposure to liquidity risk.

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table shows the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are estimated based on contractual undiscounted cash flow (including interest payment computed using contractual rates or, if floating, based on the current rates at the end of the reporting period) and the earliest date the Group may be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 1 year but less than 5 years RMB'000
As at 31 December 2019					
Non-derivative financial liabilities					
Trade payables and accrued liabilities	**3,462,027**	**3,462,027**	**3,462,027**	**–**	**–**
Due to related parties and associated companies	**399,455**	**399,455**	**399,455**	**–**	**–**
Lease liabilities	**152,857**	**160,005**	**77,127**	**81,720**	**1,158**
	4,014,339	**4,021,487**	**3,938,609**	**81,720**	**1,158**
As at 31 December 2018					
Trade payables and accrued liabilities	3,990,794	3,990,794	3,990,794	–	–
Due to related parties and associated companies	272,037	272,037	272,037	–	–
	4,262,831	4,262,831	4,262,831	–	–

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balance as at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

Capital risk management

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

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

44. EVENT AFTER THE REPORTING PERIOD

(i) The Novel Coronavirus Pneumonia Epidemic (the "Epidemic")

Since the occurrence of the Epidemic, the PRC and foreign countries have adopted various strict measures to curb the spread of the Epidemic. As disclosed in the announcement of the Company on March 20, 2020, due to the significant decline in the number of passenger transportation in civil aviation industry, the Epidemic is expected to have an adverse impact on the Group's operating performance for the first half of 2020 and the year of 2020.

Since the occurrence of the Epidemic, the Group has made continuous efforts in prevention and control, maintained a 7 × 24-hour real-time responses to the technical and commercial services. By virtue of its advantages in information systems, big data, and real-time computing technologies, the Company conducts close cooperation in research and development of products, accelerates the application of new technologies and provides technical support and service safeguard for scientific anti-epidemic. The Group will closely pay attention to exposure to the risks and uncertainties in connection with the Epidemic and make continuous assessment of the impact of the Epidemic on the Group's operating and financial performance in 2020.

(ii) The adoption of Phase II H Share appreciation rights scheme

As disclosed in the announcement of the Company dated November 26, 2019 in relation to the proposed adoption of Phase II H Share appreciation rights scheme (the "**Appreciation Rights Scheme**") and the Initial Grant Proposal (the "**Initial Grant Proposal**"), the circular of the Company dated December 2, 2019 in relation to the proposed adoption of Appreciation Rights Scheme, the voluntary announcement of the Company dated January 3, 2020 in relation to the approval of the Appreciation Rights Scheme by the SASAC of the State Council and the announcement of the Company dated January 16, 2020 in relation to the poll results of the resolution passed at the EGM, the Appreciation Rights Scheme has been approved by the EGM convened on January 16, 2020 and became effect on the same date.

44. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(ii) The adoption of Phase II H Share appreciation rights scheme (Continued)

As disclosed in the announcement of the Company dated January 16, 2020 in relation to the grant of the H Share appreciation rights, the Initial Grant Proposal has officially taken effect on January 16, 2020 (the "**Initial Grant Date**"). On the Initial Grant Date, the Company decided to grant 35,958,950 Share Appreciation Rights to 502 Incentive Recipients in total (including the key personnel having direct impacts on the operating results and sustainable development of the Company, which includes 3 members of senior management of the Company, excluding any current Director, supervisor and general manager of the Company as at the Initial Grant Date) and the corresponding number of H Shares would amount to approximately 1.23% of the total issued share capital of the Company as at the Initial Grant Date.

Since the Share Appreciation Rights Scheme and the Initial Grant Proposal would not involve the grant of options in respect of new shares or other new securities in the Company or any of its subsidiaries, the Scheme and the Initial Grant Proposal are not subject to Chapter 17 of the Listing Rules. The Company will disclose the information in relation to relevant fair value of the Share Appreciation Rights and corresponding expense recognised in the interim report and annual report after the Initial Grant Date.

45. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on March 27, 2020.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

DIRECTORS

Mr. Cui Zhixiong, aged 59, 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. Since February 2020, Mr. Cui has been serving as an executive director of the seventh session of the Board of the Company, and re-appointed as the chief member of the Nomination Committee and Strategic Committee. 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.

(as of the issue date of this report)

Mr. Xiao Yinhong, aged 57, 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. Since February 2020, Mr. Xiao has been serving as an executive director of the seventh session of the Board of the Company and has been re-appointed as a member of the Strategic Committee. 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.

Mr. Zhao Xiaohang, aged 58, a non-executive director of the Company, is the vice general manager of China National Aviation Holding Company Limited. He graduated from Tsinghua University majoring in industrial automation & management engineering, and holds a postgraduate diploma and a master's degree. Mr. Zhao started his career in August 1986 and served various positions, including the deputy division chief of the Planning Department, general manager and deputy secretary of the Ground Handling Department, general manager of the Planning and Development Department, and assistant president of Air China Limited. He served as the director and vice president of China National Aviation Corporation (Group) Limited from September 2003 to February 2011, and secretary of the Commission for Discipline Inspection of China National Aviation Corporation (Group) Limited from May 2004 to February 2011. From April 2007 to December 2016, he served as director and general manager of China National Aviation Corporation (Macau) Company Limited. In April 2011, he was appointed as chairman, executive director and general manager of Air Macau Company Limited. Mr. Zhao has been serving as the senior vice president and a member of the Standing Committee of Communist Party Committee of Air China Limited since February 2011. Since April 2011, he has been serving as a director of Shandong Aviation Group Corporation. Since June 2011, he has been serving as the non-executive director of Cathay Pacific Airways Ltd. (Stock Exchange, Stock Code: 00293). Since August 2011, he has been serving as the chairman of Dalian Airlines Company Limited. Mr. Zhao has been serving as the chairman of Air Macau Company Limited since January 2016, a member of the Communist Party Group of China National Aviation Holding Company Limited since August 2016, the vice general manager and a member of the Communist Party Group of China National

Aviation Holding Company Limited, a director and vice chairman of China National Aviation Corporation (Group) Limited, as well as chairman of China National Aviation Media Company Limited, since December 2016. He has been serving as chairman of China National Aviation Capital Holding Company Limited since September 2016. In December 2019, he also served as Chairman of the Supervisory Board of Air China. Since June 2019, Mr. Zhao has been serving as a non-executive director of the sixth session of the Board of the Company, and has been appointed as a member of the Strategic Committee. Since February 2020, Mr. Zhao has been serving as a non-executive director of the seventh 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. Zhao is an employee of China National Aviation Holding Company Limited.

Mr. Xi Sheng, aged 56, a non-executive director of the Company, graduated from Jiangxi University of Finance and Economics with a bachelor degree. He is a senior auditor, a Chinese Certified Public Accountant (CPA) and an International Certified Internal Auditor (CIA). From July 1988 to January 2007, Mr. Xi served as the deputy head of the foreign affairs office II of the foreign funds utilization and application audit department, the head of the liaison and reception office of the foreign affairs department of the National Audit Office of the PRC, the deputy head of the PRC Audit Institute* (中國審計事務所), the deputy head and head of the fixed assets investment audit department of the National Audit Office of the PRC, and the party secretary and a special commissioner of the Harbin commission office of the National Audit Office of the PRC. He served as the head of the personnel and education department of the National Audit Office of the PRC from January 2007 to September 2009. He was the head of the audit department of China Eastern Air Holding Company Limited* (中國東方航空集團有限公司) ("**CEA Holding**") from September 2009 to November 2012 and has been serving as the chief auditor of CEA Holding since September 2009. Since June 2012, he has been a supervisor of China Eastern Airlines Corporation Limited* (中國東方航空股份有限公司) ("**CEA**", a company listed on the Main Board of the Stock Exchange and a subsidiary of CEA Holding; Stock Code: 00670 (Stock Exchange); 600115 (Shanghai Stock Exchange)). Since June 2016, he has been the chairman of supervisory committee of CEA. He served as the head of the audit department of CEA Holding from December 2017 to November 2018 and has been serving as the general manager of the audit department of CEA Holding and CEA since November 2018. Since January 2018, he has been serving as the vice president and party member of CEA Holding. Mr. Xi is also the standing council of China Institute of Internal Audit and vice chairman of the special committee of the 2nd session of supervisory committee of China Association for Public Companies. Since September 2019, Mr. Xi has been serving as a non-executive director of the sixth session of the Board of the Company, and has been appointed as a member of the Strategic Committee. Since February 2020, Mr. Xi has been serving as a non-executive director of the seventh session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee. CEA Holding 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. Xi is an employee of CEA Holding.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Luo Laijun, aged 48, graduated from Nanjing University of Aeronautics and Astronautics, majoring in Accounting and also obtained an Executive Master of Business Administration (EMBA) degree from Tsinghua University School of Economics and Management. He served as the Manager of Finance Department in Shanghai Branch of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司), Deputy Director of the Purchasing Office in Finance Department of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司), Deputy Manager and Manager of Finance Department of Guizhou Airlines Company Limited* (貴州航空有限公司). He has acted as Chief Financial Officer and Manager of Finance Department of Guizhou Airlines Company Limited* (貴州航空有限公司) in June 2003; Director of Business Assessment Office of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司) in June 2005; Deputy Director of Commercial Steering Committee and General Manager and Party member of Financing Plan Department of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司) in November 2005; General Manager and Deputy Party Secretary of Freight Department of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司) in February 2009; the General Manager and the Deputy Party Secretary of Dalian Branch of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司) in July 2012; Executive Deputy Director and the Deputy Party Secretary of Commercial Steering Committee of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司) in November 2016; Director and the Deputy Party Secretary of Commercial Steering Committee of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司) in August 2017; Executive Vice President and the Party member of China Southern Air Holding Limited Company* (中國南方航空集團有限公司) in February 2019; Executive Vice President and the Party member of China Southern Air Holding Limited Company* (中國南方航空集團有限公司) and Executive Vice President of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司) in March 2019. Since February 2020, Mr. Luo has been serving as a non-executive director of the seventh session of the Board of the Company, and has been appointed as a member of the Strategic Committee.

Mr. Cao Shiqing, aged 65, 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. Since February 2020, Mr. Cao has been serving as an independent non-executive director of the seventh 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 58, an independent non-executive director of the Company, is a director and the group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, formerly known as 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 30 years of professional practice and 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. Dr. Ngai is 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. He was the president of The Hong Kong Institute of Chartered Secretaries (2014-2015), a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants (2013-2018) and a member of the Working Group on Professional Services under the Economic Development Commission of The Hong Kong Special Administrative Region (2013-2018). 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 TheChartered Governance Institute (formerly known as 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, a member of The Hong Kong Securities and Investment Institute and a member of The Chartered Institute of Arbitrators. Dr. Ngai obtained a Doctoral Degree in Finance at Shanghai University of Finance and Economics, a Master's Degree in Corporate Finance from Hong Kong Polytechnic University, 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 (Stock Exchange, Stock Code: 01338), Health and Happiness (H&H) International Holdings Limited (Stock Exchange, Stock Code: 01112), Bosideng International Holdings Limited (Stock Exchange, Stock Code: 03998), Beijing Capital Grand Limited (Stock Exchange, Stock Code: 01329), Powerlong Real Estate Holdings Limited (Stock Exchange, Stock Code: 01238), SITC International Holdings Company Limited (Stock Exchange, Stock Code: 01308), BBMG Corporation (English translation denotes for identification purposes only) (Stock Exchange, Stock Code: 02009) and China Communications Construction Company Limited (Stock Exchange, Stock Code: 01800). 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 Coal Energy Company Limited from December 2010 to June 2017, China Railway Group Limited from June 2014 to June 2017, HKBridge Financial Holdings Limited from March 2016 to April 2018 and Yangtze Optical Fibre and Cable Joint Stock Limited Company from September 2014 to January 2020. Since January 2016, Dr. Ngai had served as an independent non-executive director of the fifth session of the Board of the Company, the member of the Audit Committee and the Remuneration and Evaluation Committee. Since October 2016, Dr. Ngai has served as an independent non-executive director of the sixth session of the Board of the Company and the chief member of Audit and Risk Management Committee, and has been re-appointed as a member of the Remuneration and Evaluation Committee. Since February 2020, Dr. Ngai has served as an independent non-executive director of the seventh session of the Board of the Company, and has been re-appointed as a chief member of the Audit and Risk Management Committee and a member of the Remuneration and Evaluation Committee.

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Mr. Liu Xiangqun, aged 65, an independent non-executive director of the Company, 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 Group Co., Ltd since July 2015. Since October 2016, Mr. Liu has beenserving 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. Since February 2020, Mr. Liu has been serving as an independent non-executive director of the seventh session of the Board of the Company, and re-appointed as a member of the Audit and Risk Management Committee, a member of the Remuneration and Evaluation Committee and a member of the Nomination Committee.

SUPERVISORS

Mr. Ding Wanzhi, aged 57, is a senior economist. He graduated from Anhui Technology College (currently known as Hefei University of Technology) and has a master's degree in business administration from Guanghua School of Management, Peking University. He has over 30 years of management and technical experience in China's civil aviation industry. From July 1984 to July 1992, Mr. Ding served successively as the staff and officer of Civil Aviation Beijing Maintenance Base. From July 1992 to September 1998, Mr. Ding served successively as the principal staff member of the Scientific and Technical Personnel Division and deputy chief of the Enterprise Personnel Division of the Personnel and Labour Department in the General Administration of Civil Aviation. From September 1998 to October 2000, Mr. Ding served as head of the Personnel and Labour Department and head of Talent Exchange Center 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* (中國民航信息集團公司) (one of the promoters of the Company). From October 2000 to December 2002, Mr. Ding served as the general manager of Human

Resources Department of the Company. From December 2002 to August 2004, Mr. Ding served as the general manager of Human Resources Department of China TravelSky Holding Company* (中國民航信息集團公司) (one of the promoters of the Company). From August 2004 to January 2009, Mr. Ding served successively as the deputy secretary of the party committee, secretary of the disciplinary inspection committee and member of the party committee of the Company. From January 2009 to October 2017, Mr. Ding served as the deputy secretary of the disciplinary inspection committee of China TravelSky Holding Company* (中國民航信息集團公司) and the Company. From January 2009 to January 2020, Mr. Ding served as the assistant to the general manager of the Company. Since January 2009, Mr. Ding has been the member of the party committee of China TravelSky Holding Company* (中國民航信息集團公司), and the member of the party committee of the Company. In addition, Mr. Ding held positions in the following subsidiaries of the Company: since December 2014, he has been the director and vice chairman of Zhejiang TravelSky Information Technology Limited* (浙江民航信息科技有限公司). Since February 2017, he has been the director and chairman of Guangzhou TravelSky Information Technology Limited* (廣州民航信息技術有限公司), Hainan Civil Aviation Cares Co., Ltd.* (海南民航凱亞有限公司), Civil Aviation Cares of Xiamen Ltd.* (廈門民航凱亞有限公司) and Civil Aviation Cares Technology of Xinjiang Ltd.* (新疆民航凱亞信息網絡有限責任公司), respectively. Since May 2018, he has been the director and chairman of the Hunan TravelSky Information Technology Limited* (湖南民航信息技術有限公司). Since January 2020, Mr. Ding has become a staff representative supervisor of the Supervisory Committee of the Company. Since February 2020, Mr. Ding has become the chairperson of the seventh session of the Supervisory Committee of the Company.

Ms. Zeng Yiwei, aged 48, 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 Planning and Finance Department and deputy general manager and general manager of the Planning and Finance 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 Planning and Finance 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 has been re-appointed as a supervisor of the sixth session of the Supervisory Committee of the Company. Since February 2020, she has continued to serve as a supervisor of the seventh session of the Supervisory Committee of the Company.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Ms. Liang Shuang, aged 48, is a senior economist with a postgraduate degree in economic management. She started her career in August 1992 and has nearly 30 years of work and management experience in China's civil aviation industry. Ms. Liang joined Accounting Centre of China Aviation* (中國航空結算中心) in December 1998. From November 2004 to February 2010, Ms. Liang served as the deputy general manager (presiding over work) of the Human Resources Department of the Accounting Centre of China Aviation* (中國航空結算中心) (renamed to Accounting Centre of China Aviation Limited Company* (中國航空結算有限責任公司) in 2009). From February 2010 to August 2013, Ms. Liang served as deputy head of the office of the Company. From August 2013 to January 2014, Ms. Liang served as temporary deputy secretary of the party committee, temporary secretary of the disciplinary inspection committee and chairman of the labor union of the operation centre of the Company. From January 2014 to October 2016, Ms. Liang served as temporary deputy secretary of the party committee, temporary secretary of the disciplinary inspection committee, chairman of the labor union and deputy general manager of the operation centre of the Company. Since October 2016, Ms. Liang served as secretary of the disciplinary inspection committee, chairman of the labor union and deputy general manager of the operation centre of the Company. Since October 2017, Ms. Liang has been a member of the disciplinary inspection committee of China TravelSky Holding Company* (中國民航信息集團公司), and a member of the disciplinary inspection committee of the Company. Since January 2020, Ms. Liang has become a staff representative supervisor of the Supervisory Committee of the Company.

Mr. Zhu Yan, aged 48, studied at Tsinghua University from October 1989 to August 2000, and obtained a bachelor's degree of the Department of Engineering Physics and a doctor's degree of the Design Institute of Nuclear Energy Technology, and is a postdoctoral of the Department of Management Science and Engineering of School of Economics and Management. From August 2000, Mr. Zhu worked as a lecturer of the Department of Management Science and Engineering, School of Economics and Management, Tsinghua University and was promoted to an associate professor in December 2002. Since December 2010, Mr. Zhu has been working as a professor and a doctoral supervisor of the Department of Management Science and Engineering, School of Economics and Management, Tsinghua University. At present, Mr. Zhu concurrently works as the dean of the Institute of Internet Industry of Tsinghua University, the head of the Advanced Information Technology Business Application Laboratory of School of Economics and Management of Tsinghua University and the executive deputy head of the Research Center for Healthcare Management of School of Economics and Management of Tsinghua University; Mr. Zhu is also holding positions such as the commentator on economics at China Central Television, the deputy head of the Internet Economics and Industrial Innovative Development Committee of the China Society of Industrial Economics, the member of the China Info100, the member of the Shanghai Informatization Expert Committee, the member of the Electronic Commerce Expert Committee of the Ministry of Commerce of China, the member of the China Internet Information Center DNSLAB Expert Group, the executive member of China Soft Science Research Association, etc. Since May 2019, Mr. Zhu has been an independent director of Guangdong Jingyi Metal Co., Ltd.* (廣東精藝金屬股份有限公司), a company listed on the Shenzhen Stock Exchange, the stock code of which is 002295. Since February 2020, Mr. Zhu has become an independent supervisor of the seventh session of the Supervisory Committee of the Company.

SENIOR MANAGEMENT

Mr. Rong Gang, aged 57, 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 59, a vice general manager of the Company, is a senior engineer. He graduated from Tsinghua University and holds a master's degree in business administration from the China Europe International Business School. From July 1993 to April 2002, he served as a deputy general manager of the Beijing branch of China Aviation Supplies Import and Export Corporation (中國航空器材進出口總公司北京分公司). He was the assistant to the general manager of China Aviation Supplies Import and Export Corporation from April 2002 to September 2002. From September 2002 to March 2008, Mr. Wang served as deputy general manager of China Aviation Supplies Import and Export Group Corporation (中國航空器材進出口集團公司). From March 2008 to June 2008, he served as a deputy general manager of China TravelSky Holding Company, a promoter of the Company. Mr. Wang has been a vice general manager of the Company since December 2008.

Mr. Li Jinsong, aged 50, 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, the chief financial officer and the chief accountant of the Company.

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Mr. Huang Yuanchang, aged 57, 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. From January 2015 to January 2020, he served as the chairperson of the labour union of the Company. From March 2015 to January 2020, he acted as a staff representative supervisor and the chairperson of the Supervisory Committee of the Company. Since January 2020, Mr. Huang has served as a vice general manager of the Company.

Mr. Zhu Xiaoxing, aged 55, 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.

COMPANY SECRETARY

Mr. Yu Xiaochun, aged 52, 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.

CORPORATE INFORMATION

(as of the issue date of this report)

BOARD

The seventh session of the Board of the Company established by election by shareholders on February 27, 2020 comprises:

Cui Zhixiong	*The Chairman, Executive Director*
Xiao Yinhong	*Executive Director, General Manager*
Zhao Xiaohang	*Non-executive Director*
Xi Sheng	*Non-executive Director*
Luo Laijun	*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 seventh session of the Board of the Company on February 27, 2020 and comprises:

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

REMUNERATION AND EVALUATION COMMITTEE

Appointed by the seventh session of the Board of the Company on February 27, 2020 and comprises:

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

NOMINATION COMMITTEE

Appointed by the seventh session of the Board of the Company on February 27, 2020 and comprises:

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

STRATEGY AND INVESTMENT COMMITTEE (LEGAL COMPLIANCE COMMITTEE)

Appointed by the seventh session of the Board of the Company on February 27, 2020 and comprises:

Cui Zhixiong	*Chief Member (Chairman)*
Xiao Yinhong	*Member*
Zhao Xiaohang	*Member*
Xi Sheng	*Member*
Luo Laijun	*Member*

(as of the issue date of this report)

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

Cao Jianxiong	*Non-executive Director, Member of the Strategy and Investment Committee (Legal Compliance Committee)* (appointed on October 18, 2016, resigned on June 27, 2019)
Tang Bing	*Non-executive Director, Member of the Strategy and Investment Committee (Legal Compliance Committee)* (appointed on August 29, 2018, resigned on September 25, 2019)
Han Wensheng	*Non-executive Director, Member of the Strategy and Investment Committee (Legal Compliance Committee)* (appointed on August 29, 2018, resigned on February 27, 2020)

SUPERVISORY COMMITTEE

The seventh session of the Supervisory Committee established by election by shareholders on February 27, 2020 (except for the staff representative supervisors) comprises:

Ding Wanzhi	*Chairman of the Supervisory Committee, Staff Representative Supervisor* (appointed by the staff representative meeting of the Company on January 9, 2020)
Zeng Yiwei	*Supervisor*
Liang Shuang	*Staff Representative Supervisor* (appointed by the staff representative meeting of the Company on January 9, 2020)
Zhu Yan	*Independent Supervisor*

SENIOR MANAGEMENT

Xiao Yinhong	*General Manager, Executive Director*
Rong Gang	*Vice General Manager*
Wang Wei	*Vice General Manager*
Li Jinsong	*Vice General Manager, Chief Financial Officer (Chief Accountant)*
Huang Yuanchang	*Vice General Manager*
Zhu Xiaoxing	*Vice General Manager*
Yu Xiaochun	*Company Secretary (Secretary to the Board)*

SENIOR MANAGEMENT RESIGNED

Liu Jianping	*Vice General Manager* (appointed on May 5, 2017, resigned on January 29, 2019)

(as of the issue date of this report)

REGISTERED ADDRESS

7 Yu Min Da Street, Houshayu Town, Shunyi District
Beijing 101318, PRC

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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

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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

AUDITORS

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BDO Limited
25th Floor, Wing on Centre,
111 Connaught Road Central, Hong Kong

PRC auditors:

BDO China SHU LUN PAN (Certified Public Accountants LLP)
F7, Union Plaza, NO. 20 Chao Wai Street,
Chaoyang District, Beijing 100020, PRC

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(as of the issue date of this report)

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979 King's Road, Quarry Bay, Hong Kong

as to the PRC law:
Grandall Law Firm (Beijing)
9th Floor, Taikang Financial Tower,
No.38 North Road East Third Ring,
Chaoyang District, Beijing, 100026, PRC

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Unit 2401, 24/F, Admiralty Centre Tower II, 18 Harcourt Road, Admiralty, Hong Kong
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Facsimile: (8610) 5765 0695
Email: ir@travelsky.com
Website: www.travelskyir.com

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 English and Chinese versions of the financial reports, announcements, circulars, operation data and results presentation of the Company through this website. This annual report is also available in Chinese paper.

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