



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)

20
ANNIVERSARY

2020
ANNUAL REPORT

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 business of the Company includes 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 depository 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). Since 2015, 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, etc.

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

As of December 31, 2020, the Group has more than 20 domestic subsidiaries in China, including Accounting Centre of China Aviation Limited Company (“**ACCA**”), Cares Shenzhen Co., Ltd., Civil Aviation Cares of Qingdao Ltd., etc. The Group has nearly 10 overseas wholly-owned subsidiaries in many regions and countries, including Hong Kong, Singapore, Korea, Japan, USA, etc. Meanwhile, the Group holds equity interests in over 10 associates, including Shanghai Civil Aviation East China Cares System Integration Co., Ltd., Aviation Cares of Southwest Chengdu, Ltd., TravelSky Mobile Technology Limited, etc.

The Group had 7,156 employees as of December 31, 2020.

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DEVELOPMENT HISTORY

In 1979

China Aviation set up an organization to conduct research on the establishment of a computerized passenger service system for civil aviation, the key projects of the National "Seventh Five-Year" Electronic Revitalization Plan* (國家「七五」電子振興計劃), and other relevant issues.

In 1987

The CAAC decided to establish the Civil Aviation Computer Center of China* (中國民用航空計算機中心).

In 1996

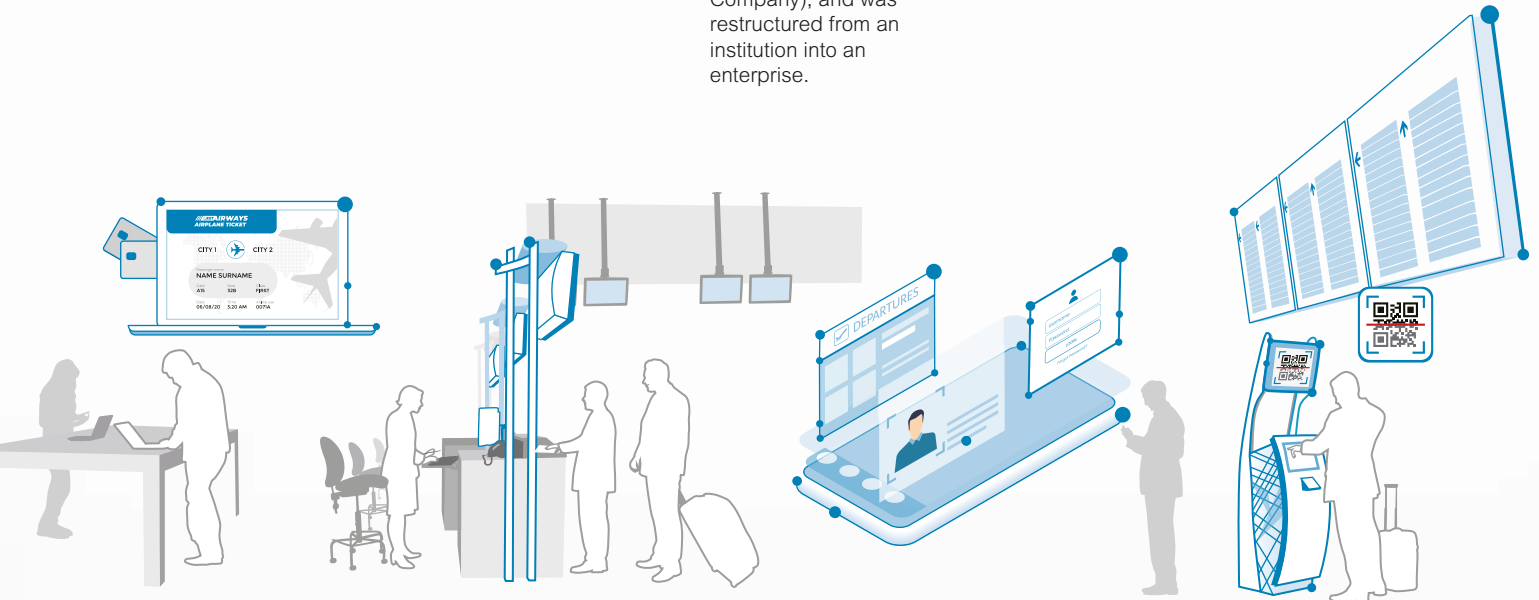
Civil Aviation Computer Center of China was renamed as China Civil Aviation Computer Information Center* (中國民航計算機信息中心) (the predecessor of the Company and its subsidiaries, China TravelSky Holding Company), and was restructured from an institution into an enterprise.

In 2001

The Company's H shares were successfully listed on the Main Board of the Stock Exchange (Stock Code: 00696.HK) with an issue price of HKD4.10 per share and a market value of approximately HKD3.6 billion.

In 2003

The Company completed the construction project of the airport passenger processing system (APP) for the top 100 domestic airports in terms of passengers.



1979

1984

1987

1991

1996

2000

2001

2003

2004

From 1984 to 1985

- In 1984, the Civil Aviation Computer Station* (民航計算機總站) under the State Administration of Civil Aviation* (民航總局) (now known as the Civil Aviation Administration of China) (the "CAAC") was established.
- In 1985, Inventory Control System (ICS) and civil aviation and commercial data network were established.

In 1991

Accounting Centre of China Aviation* (中國航空結算中心) the predecessor of ACCA, (a wholly-owned subsidiary of the Company) was established and China Aviation Revenue Accounting System* (中國航空收入結算系統) was launched 3 years later.

From 2000 to 2001

- In 2000, the Company was jointly founded by China Civil Aviation Computer Information Center* (中國民航計算機信息中心) and all domestic commercial airlines.
- In 2001, the main project of Electronic Travel Distribution (ETD) system service plan was inspected and accepted by the State.

In 2004

ETD system processing capacity exceeded 100 million passengers.

Development History

In 2007

The Company provided civil aviation passenger information security services for the Beijing Olympic Games, expanded mainframe and opened platform resources, built mainframe and opened backup system, and improved the backup system of new-generation airport passenger processing front end system (NewAPP).

In 2009

ACCA became the world's largest billing and settlement plan data processing center.

In 2017

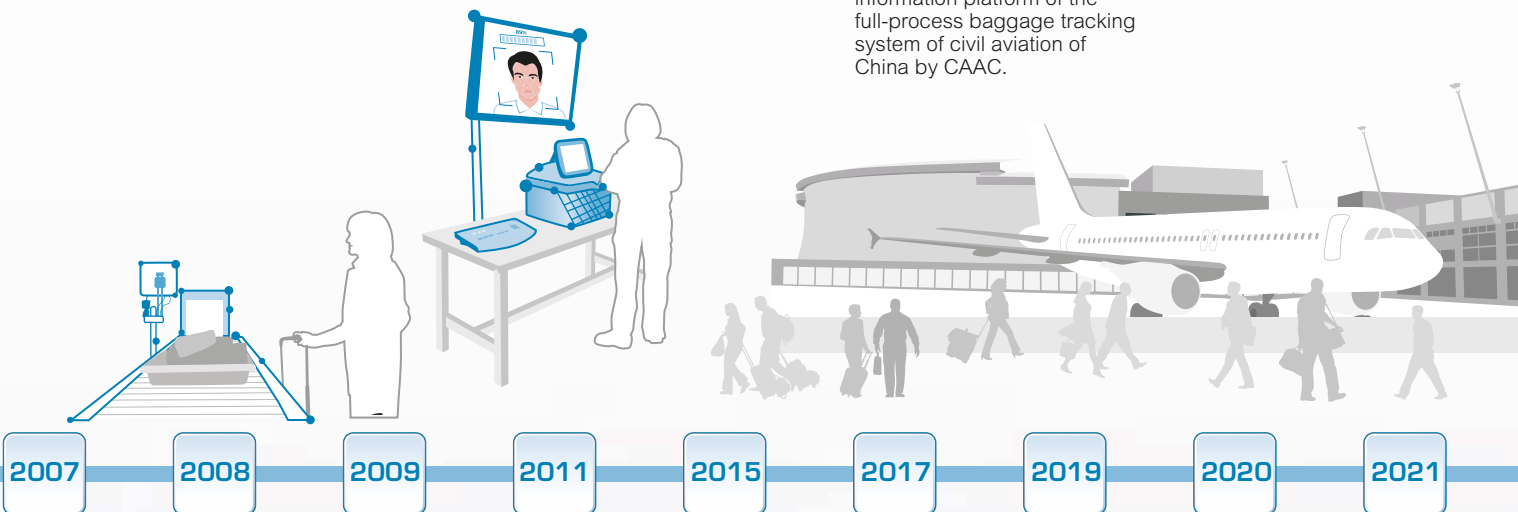
The development of the new-generation passenger service information system was completed and the new data centre in Shunyi, Beijing, was gradually put into use.

In 2020

- The Company was certified as a "High and New Technology Enterprise" for 20 consecutive years.
- The Company was granted "20th Anniversary Partner Award (20週年合作夥伴獎)" by IATA.
- The former wholly-owned subsidiary of the Company, TravelSky Mobile Technology Limited* (中國航信移動科技有限公司) (now as an associated company which provided service with mobile application, "Umetrip", as major product) completed mixed-ownership reform and employee stock ownership plan.
- Our self-developed platform, "Baggage Travel", was recognized as the public information platform of the full-process baggage tracking system of civil aviation of China by CAAC.

So far

The Company has successfully completed the security tasks of civil aviation passenger information systems for many times during the Spring Festival travel rush, the National Day, the National People's Congress of the People's Republic of China and the Chinese People's Political Consultative Conference, International Summit Forum, Expo and other major activities of the Party and the State.

**In 2008**

- TravelSky Technology Limited was the first in the world to realize the 100% electronic application of airline tickets and was granted "Simplified Business Strategic Partner Global Outstanding Contribution Award* (簡化商務戰略合作夥伴全球傑出貢獻獎)" by International Air Transport Association ("IATA").
- The Company acquired all registered capital and properties of ACCA.

In 2011

ETD system processing capacity exceeded 300 million passengers.

A mobile Internet-oriented mobile application, "Umetrip" was independently researched and developed.

From 2015 to 2016

- The H shares of the Company were 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.
- In 2015, the Company obtained the first batch of National Operation and Maintenance Qualification Certificate-Level 1* (運行維護一級資質證書).
- In 2016, ETD system processing capacity exceeded 500 million passengers.

In 2019

- The Company obtained the certificate for "Important Software Enterprise under the National Planning Layout" for 14 consecutive years.
- The "Aggregator (聚合)" platform based on new distribution capability (NDC) was awarded the highest NDC level 4 certification by IATA.
- ETD system daily processing capacity approached 700 million passengers and ranked third in the world for 3 consecutive years in terms of system processing capacity.

On February 7, 2021

The Company has been listed for 20 years with the market value of more than HKD50 billion.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2020

Since its listing on the Stock Exchange in 2001, as required by domestic and overseas regulatory rules, the Company has engaged PRC auditor and international auditor each year to prepare audited financial statements in accordance with China Accounting Standards for Business Enterprise (“CASBE”) and International Financial Reporting Standards (“IFRSs”), respectively.

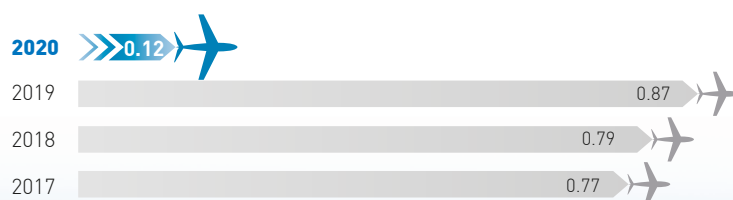
Note: The information in the following chart is derived from the audited financial statements prepared according to CASBE and IFRSs

	For the year ended December 31 (CASBE)			
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Operating revenue	6,734,245	7,472,114	8,121,673	5,485,577
Total profit	2,636,102	2,651,560	2,802,821	314,161
Net profit attributable to shareholders of the parent	2,253,126	2,326,317	2,526,006	362,800
Earnings before interests, tax, depreciation and amortisation	3,086,653	3,134,648	3,458,398	1,240,159
Earnings per share (basic and diluted) (RMB)	0.77	0.79	0.87	0.12

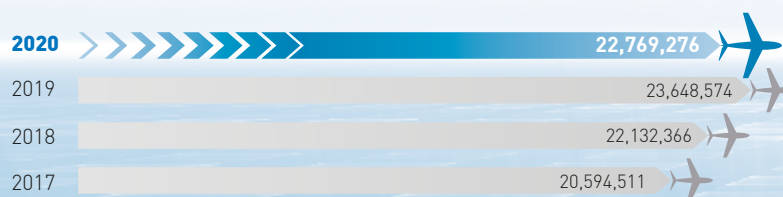
Note: Earnings per share were calculated on the basis of total number of shares in issue of the Company of 2,926,209,589 shares as at December 31, 2020.

	As at December 31 (CASBE)			
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Total assets	20,594,511	22,132,366	23,648,574	22,769,276
Total liabilities	4,731,883	4,685,763	4,412,869	4,001,118
Total equity	15,862,628	17,446,603	19,235,705	18,768,158

Earnings Per Share (Basic and Diluted) RMB



Total Assets RMB'000



Financial Highlights

	For the year ended December 31				2020 RMB'000 CASBE
	2016	2017	2018	2019	
	RMB'000 IFRSs	RMB'000 IFRSs	RMB'000 IFRSs	RMB'000 IFRSs	
Revenue	6,223,267	6,734,245	7,472,114	8,121,673	5,485,577
Profit before taxation	2,869,646	2,631,629	2,650,372	2,819,676	314,161
Profit attributable to equity holders of the Company	2,421,114	2,248,653	2,325,129	2,542,861	362,800
Earnings before interests, tax, depreciation and amortisation	3,216,801	3,082,180	3,133,460	3,475,253	1,240,159
Earnings per share (Basic and diluted) (RMB)	0.83	0.77	0.79	0.87	0.12

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, 2020.

	As at December 31				2020 RMB'000 CASBE
	2016	2017	2018	2019	
	RMB'000 IFRSs	RMB'000 IFRSs	RMB'000 IFRSs	RMB'000 IFRSs	
Total assets	18,130,664	20,593,195	22,113,322	23,646,384	22,769,276
Total liabilities	3,965,754	4,732,757	4,685,762	4,412,868	4,001,118
Total equity	14,164,910	15,860,438	17,427,560	19,233,516	18,768,158

STATEMENT OF THE BOARD

DEAR SHAREHOLDERS,

In 2020, the global civil aviation industry suffered heavy losses due to the spread of the novel coronavirus pneumonia epidemic (the “Epidemic”) which plunged the global economy into a deep recession. In the face of unprecedented difficulties, the Group rose to the challenge and worked together to respond to and implement the State’s plan for coordinating Epidemic prevention and control with economic and social development in a timely manner, and grasped the new circumstances, characteristics and tasks to develop the Company. On the one hand, the Group coordinated the Epidemic prevention and control with the resumption of work and production to achieve the goal that the Company was free from the Epidemic and no employee was infected. It researched and developed multiple civil aviation Epidemic prevention and control platforms to strongly support the joint prevention and control tasks, and fully guarantee the safe operation of the civil aviation passenger information system. On the other hand, the efforts were made to enhance scientific and technological innovation, reduce costs and increase efficiency, step up product construction and market exploitation, intensify reform and management, and launch targeted special business preferential programs related to the Epidemic, in order to maintain the stability of the industry chain in civil aviation market. While the passenger volume of civil aviation dropped significantly and the industry was struggling, the Group made concerted efforts to achieve positive operating results for the year.

2021 marks the start of the “14th Five-Year Plan”. Building on the achievement of completing the tasks of building a moderately prosperous society in all respects and achieving the first centenary goal, the “14th Five-Year Plan” period is the first five years of China’s new journey toward fully building a modern socialist country and marching toward the second centenary goal, with China’s development entering a new stage. At the historic crossroad of the “Two Centenary Goals”, China

 **Cui Zhixiong**
Chairman

has achieved stable economic performance, and has taken effective Epidemic prevention and control measures. China's civil aviation industry has been in the period of recovery and growth upon being the first in the world to bounce back from the bottom. It is the best-run aviation market with the fastest recovery in the world. China has clearly put forward the requirements of promoting the high-quality development of infrastructure and developing from a single air transport power into a multi-field civil aviation power, and has made constant efforts to build a transportation power and a civil aviation power, and construct smart civil aviation. It focuses on the deployment of the application of big data, cloud computing, blockchain, artificial intelligence and other new technologies in the field of civil aviation. The urgent needs of airlines to be digitalised and intellectualised provide the Group with significant development opportunities.

On the other hand, the Epidemic is still spreading around the world, uncertainties and destabilizing factors in the international situation are on the rise, and the world economic situation is complex and grave. The civil aviation industry is still in a period of recovery and growth, and the Epidemic is still the biggest uncertainty affecting the recovery and development of the civil aviation industry. In February 2021, the IATA predicted that global air passenger demands of this year would only reach 30% of that in 2019, and the CAAC proposed a goal for this year of striving to recover the passenger traffic to 90% of that prior to the Epidemic in China. With technological innovation and business model transformation, cross-industry competitors continue to penetrate the market at home and abroad. The risk of a gradual opening of the market has led to increased competition in the global distribution system (GDS) industry. Given the increasingly complex environment at home and abroad, the Group will face severe challenges to fully recover its operating performance.

The Group will continue to closely monitor and evaluate the impact of the Epidemic on the Group's operating and financial performance in 2021 from time to time, and actively respond to the challenges and seize opportunities with a focus on the following aspects: first, to improve the safety system and capacity building, implement safety responsibility system, and ensure the smooth operation of the civil aviation passenger information system; second, to improve core competitiveness, keep up with customer and market needs, accelerate the construction of products with layout significance, strive to increase the market share of competitive products, and build new competitive advantages by fully assisting the construction of smart civil aviation; third, to promote reforms and accelerate innovation, remove institutional obstacles, release development vitality and implement innovation-driven development strategies; fourth, to insist on enhancing quality and effect and stabilising operating performance, strictly control operating costs, strictly implement energy conservation and emission reduction, improve internal management efficiency, prevent and resolve major risks, strengthen the building of talent teams.

2021 marks the Group's 20th anniversary since its public listing. On behalf of the Board, I would like to take this opportunity to extend my gratitude to all shareholders, investors, customers, directors and supervisors for their trust and support they have bestowed upon us over the past 20 years! My thanks also go to all staff of the Group for their 20 years of determination and hard work! In this new year, we will make concerted efforts to provide users and civil aviation passengers with services which are more convenient and of higher quality, and create greater value for the shareholders as well as the society.

Cui Zhixiong
Chairman

March 31, 2021

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BUSINESS REVIEW

2020 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 service providers, travel agencies, travel service distributors or agents, corporate clients, travelers and cargo shippers, as well as major international organisations such as IATA and government bodies, with the scope of services covering the provision of critical information systems on flight control, air ticket distribution, check-in, boarding and load planning, accounting, settlement and clearing system, etc. With 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 business, improve service quality, minimise operational costs and enhance operational efficiency, and ultimately bring benefits to travelers.

In 2020, the Epidemic broke out and continued to spread globally, which caused a serious impact on the civil aviation industry. As shown in the report on global air passenger demand released by the IATA in February 2021, the passenger demand in 2020 plummeted by 65.9% compared to that of 2019 year-on-year, by far the sharpest passenger transportation decline in aviation history. The core business of the Group also suffered unprecedented impact. As stated in the Company's announcements dated January 20, 2021 and March 12, 2021, as affected by the Epidemic, the PRC and foreign countries had adopted various strict measures to curb the spread of the Epidemic. In the second half of 2020, with the prevention and control of the Epidemic in China being further stabilised and normalized, the recovery of transportation in civil aviation industry had gradually accelerated. However, there was a significant decline in passenger transportation of the civil aviation industry throughout the year, and accordingly, the operation data of the Company's main business dropped significantly year-on-year.



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AVIATION INFORMATION TECHNOLOGY SERVICES

The Company's aviation information technology ("AIT") services, which consist of a 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 and 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 business, 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 2020, the processed system capacity of the Group's electronic travel distribution (ETD) system on domestic and overseas commercial airlines was approximately 411.9 million, representing a decrease of approximately 40.2% over the same period in 2019, among which, the processed system capacity on commercial airlines in China decreased by approximately 38.2%, while those on foreign and regional commercial airlines decreased by approximately 93.2%. The number of foreign and regional commercial airlines with direct links to the CRS system of the Group reached 152, with sales percentage through direct links exceeding 99.8%. The number of foreign and regional commercial airlines using the Group's APP system services, multi-host connecting program services and self-developed Angel Cue platform connecting services also increased to 160, with approximately 2 million of passenger departures processed in 59 airports.



Xiao Yinhong

*Executive Director
General Manager*

Business Review

In 2020, the Group continued to enhance the 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) of the Group was launched in 182 major domestic and international airports, and the online check-in service was applied in 331 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 237 million passenger departures. During the Epidemic, “Umetrip”, a mobile application, quickly launched multiple Epidemic prevention and control systems to promote the integration of multiple codes. Among which, the “Civil Aviation Passenger Health Declaration Filling System” has been used by 33 airlines and more than 100 airports and industry regulatory authorities; the self-developed “NLP Intelligent Customer Service System for Civil Aviation Passengers” has been applied in more than 10 airports in Xinjiang, Shanxi, Shandong, Shaanxi, Sichuan and other provinces and cities, so as to effectively reduce the pressure of customer service seat guarantee.

In 2020, the Group continued to improve the function of the passenger service system. Steady progress was made to promote airline retail solutions and upgrades, and the number of e-commerce retail platform (TRP) customers increased to 15. Officially certified by CAAC as the “Public Information Platform of Full-process Baggage Tracking System for China’s Civil Aviation (中國民航行李全流程跟蹤系統公共信息平台)”, the “Baggage Travel” platform realised interconnection with more than 20 commercial airlines including four large domestic commercial airlines and 11 airports including Beijing Daxing, Shanghai Hongqiao, Guangzhou, Wuhan, Chongqing, etc. The “Aviation Information Inquires” business successfully supported Shenzhen Airlines Company Limited in releasing the “Smart Flight Changing Plan in Quarantine Zone for China’s Civil Aviation (中國民航隔離區內智慧改簽方案)” in the first place in China to further explore the application of seat resources.

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 Group. As the downstream business of the Group's principal activities in air travel service distribution and sales, the above business strongly strengthened the 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, ACCA is also the largest provider of outsourced services and system products in settlement and clearing in the air transportation industry in China. Its major customers include domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organisations and IATA.

In 2020, business of accounting, settlement and clearing services of the Group was also adversely affected by the Epidemic. In this regard, the Group actively adjusted business strategies to respond to market changes. It expedited new product construction, with a focus on the research and development of the third-generation accounting management platform to continuously consolidate the market of accounting, settlement and clearing services, develop settlement business and data middle-office capabilities in the process of airline digital transformation and support the development need for new distribution capability ("NDC"). The international passenger settlement system (IPRA) provided Singapore Airlines with settlement solutions of ONE Order ("**ONE Order**") and NDC accounting and settlement solutions. The Group successfully signed with Shanghai Pudong International Airport for real-time settlement of airports' service charges and worked on the implementation. With the emergency response mechanism being activated, products and services related to refund were launched for airlines and agent customers during the Epidemic, which helped solve the problem of a large number of refunds during the Epidemic. The Group continued to expand overseas customers, and successfully signed contracts with Cambodian Airways and Royal Air Philippines for passenger settlement services. In 2020, there were approximately 790.2 million transactions processed with the Group's accounting, settlement and clearing system, and approximately 254.67 million BSP tickets processed with our Billing and Settlement Plan (BSP) Data Processing services. The total amount of all kinds of business processed by the Group's accounting, settlement and clearing system reached USD4.912 billion, and the transaction amount processed by the electronic payment system was approximately RMB60.384 billion.

Business Review

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

In 2020, the Group continued to improve the information technology of the travel distribution network and enriched sales content, with direct links and high-level networking to all Global Distribution Systems (“**GDSs**”) around the world and 152 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The distribution network has reached 25 overseas countries and regions.

In 2020, the Group quickened the construction of NDC, built and completed the NDC aggregation platform that supports the full-process sales of upstream and downstream NDC products. It achieved access to 8 commercial airlines in total. The travel business was connected to the corporate financial system so as to achieve a closed loop of the whole process and facilitate to realise full-process paperless. The branded fare product function of foreign airlines was developed, which enabled 3 foreign commercial airlines to display and sell through the WeChat channel. To accelerate the expansion of overseas sales network, the Group joined the neutral Billing and Settlement Plan (BSP) of 14 countries including France and Italy.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2020, in practicing the concept of caring service, the Group continued to enhance research and development and promotion of airport information technology services and products, while securing the market share of the traditional departure front-end services and products, and established a full coverage product mode from airport operation to full-process passenger services, and thus became the major provider of overall solutions for smart airports in China’s civil aviation industry. The Group actively participated in the formulation of industry standards and helped the construction of airports with four characteristics of “safety”, “green”, “smart” and “humanity”. The airport coordination decision-making system (A-CDM) products continuously increased the market share in airports with over ten million of annual passengers, with the users reaching 12. All the airports with the A-CDM products put into operation reached the A-class standard of civil aviation. Products of “facial recognition & ID authentication” for security inspection were promoted to 213 airports. Face boarding projects were launched in 21 airports and the users reached 32. The One ID passenger service platform was built with full-process biological recognition, and deployed in Guangzhou, Shenzhen and other airports. “Baggage Travel” has actively responded to the needs of airport users, and completed the construction of baggage tracking system at large hub airport terminals such as Shanghai Hongqiao, Shenzhen, Kunming, Zhengzhou, etc. The departure front-end system of the new-generation APP dominated China’s large and medium-sized airports and assisted commercial airlines in providing various services for passengers, such as boarding, transiting and connecting, in 161 overseas or regional airports. The number of departure passengers receiving such services reached approximately 6 million, accounting for approximately 89% of the number of passengers returning from overseas of such commercial airlines in China.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2020, the Group continued to consolidate its leading position in the logistics information service market of cargo terminals among domestic airports, and comprehensively promoted products such as cargo terminal production system, cargo security inspection system, cargo ground operation service management system and airport ground logistics platform. The Group successfully signed contracts with 20 cargo terminals, and accelerated the promotion of electronic waybill business of civil aviation logistics, with a steady growth on electronic waybills achieved.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2020, with an emphasis on governmental authorities, central state-owned enterprises, financial and internet enterprises, the Group continued to advance the research and development and promotion of public information technology service products, extended contracts with China Galaxy Securities Company Limited, China United Network Communications Corporation Limited and other long-term clients, and successfully undertook the top national nodes for the industrial Internet identification analysis (工業互聯網標識解析國家頂級節點) (Beijing). The Group provided proprietary cloud and mixed cloud services for enterprises and public institutions. The Group expanded data intelligent services in cultural tourism, insurance and finance, and landed the project of visualised integration of cultural and tourism content of destinations in Henan and Ningxia. The Group continued to make efforts to expand the information technology services market for general aviation. The number of general aviation companies and airports using the general aviation system has exceeded 80. The Group opened the anti-Epidemic rescue service platform for general aviation and assisted in scientific anti-Epidemic.

INFRASTRUCTURE

The Group's infrastructure serves the sustainable development of its business, the objectives of which 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, and commercial and management instruments, so as to achieve the sustainable development of business.

Business Review

In 2020, the Group actively fulfilled social responsibilities, gave full play to its own advantages, and worked hard to improve quality and efficiency, as a way to provide strong technical support and service guarantee for scientific and technological anti-Epidemic and resumption of work and production. On the one hand, the Group made every effort to ensure the stability of ICS, CRS, APP, and core open systems, and realised 7×24-hour timely response of technology and commercial services to escort the peak of passenger refund due to the Epidemic, as a way to assist in joint prevention and control of the Epidemic. The Group successfully completed the safe operation of the civil aviation passenger information system during the Chinese Spring Festival travel rush, the National People's Congress and Chinese People's Political Consultative Conference sessions, the National Day Golden Week and the China International Import Expo. On the other hand, the Group increased its efforts in basic platforms and core systems to further consolidate the safety foundation. The construction of the dual-mode infrastructure cloud platform steadily advanced, and the scope of its application was gradually expanded. The construction of disaster recovery system was continuously promoted, with commencement of the data-level disaster backup and synchronisation of core business. Both of the full-link monitoring capability and the safety level of the departure system were enhanced. Energy-saving and consumption-reducing transformation was promoted to build a green data centre and reduce operating costs.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strictly implements national policies and regulations on green development and environmental protection. The Group actively builds a green development model, and is committed to effectively integrating into all aspects of the Company's operations, thereby minimizing the impact of the operation process on the environment. In 2020, 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 strengthened its own emissions management system and measures for greenhouse gases, hazardous and non-hazardous waste and domestic sewage, and the Group's energy consumption, resource use and sewage waste were subject to key supervision, measurement and management, thereby enhancing the ability to respond to environmental risks and laying a good foundation for the establishment of an environmentally friendly company.

RISK FACTORS AND FUTURE DEVELOPMENT

The outbreak of Epidemic in 2020 intensified the downward pressure on the global economy. With the market demand and passengers' travelling desire dropping sharply, the global civil aviation industry has been greatly impacted. Affected by the Epidemic, the Group met with great difficulties in business development and business promotion. The difficulty in recovering accounts receivable increased; the international airline market shrank sharply; and the overall revenue of the Company dropped sharply on year-on-year basis. Faced with the impact of the Epidemic, the Group proactively fulfilled its social responsibilities, took its advantages to fight the Epidemic scientifically, stabilized its business foundation, flexibly adjusted its market strategy, strictly controlled costs, implemented quality and efficiency improvement, and strived to reduce the adverse impact of the Epidemic. The liquidity of the Company could meet our working capital demand.



Besides the risk factors caused by the Epidemic, the Group faces macroeconomic environment and geopolitical risks as well. The Group will pay more attention to the changes in the global macroeconomic status, flexibly adjust its market strategy and make efforts to achieve good operating results. Independent innovation of high-tech companies mainly depends on talents. In terms of talent retention and outflow, the Company will constantly optimize the salary incentive mechanism, speed up the implementation of reform, and build channels for talent growth.

In this regard, the Group will stick to the strategic goal of building an “international first-class integrated information service enterprise”, continue to consolidate and develop aviation information technology service, integrate and develop distribution information technology service, strive to develop airport information technology service, and innovate and develop accounting, settlement and clearing service, and is committed to “enhancing internal control, preventing risk and promoting compliance” to intensify internal control, deepen the internal control system and mechanism construction, perform the responsibility of risk subjects, improve the risk prevention and control mechanism, reinforce the awareness of risk control, advance the level of risk control management, and continuously enhance the level of information management and control, thereby boosting the modernization in the governance system and governance ability, so as to provide a solid foundation for the Group’s high-quality development.

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 financial statements (together with the notes thereto) reproduced in this annual report. The following discussions on the summary of historical results do not represent a prediction as to the future business operations of the Group.

EXPLANATION OF ADJUSTMENT OF ACCOUNTING STANDARDS

As stated in the announcements dated December 29, 2020 and February 26, 2021, and the circular dated January 8, 2021 of the Company, according to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, in order to improve the efficiency and reduce the cost of disclosure, the Company will no longer prepare its results according to IFRSs since the Year 2020, which has been considered and approved by the Board and general meeting of the Company, and the Board of the Company will present audited financial statements prepared according to CASBE in our annual report.

There is no material difference in the key financial data for the last three years of the Group under the two accounting standards. Please refer to the section headed “Financial Highlights” for details.

SUMMARY OF RESULTS OF OPERATIONS IN YEAR 2020

As stated in the announcements of the Company dated January 20, 2021 and March 12, 2021, in Year 2020, as affected by the Epidemic, the PRC and foreign countries have adopted various strict measures to curb the spread of the Epidemic, which resulted in a significantly adverse impact on civil aviation industry, and the overall revenue and profitability of the Company experienced a significant decrease compared with the same period last year.

The revenue and operating results of the Group mainly came from the Group's operations in China. For Year 2020, profit before taxation of the Group was approximately RMB314.2 million, representing a decrease of approximately 88.8% over that in the year ended December 31, 2019 ("Year 2019"). Earnings before interests, tax, depreciation and amortisation (EBITDA) reached approximately RMB1,240.2 million, representing a decrease of approximately 64.1% over that in Year 2019. Net profit attributable to shareholders of the parent was approximately RMB362.8 million, representing a decrease of approximately 85.6% over that in Year 2019.

The basic and diluted earnings per share of the Group in Year 2020 were RMB0.12.

TOTAL REVENUE

The total revenue of the Group in Year 2020 amounted to approximately RMB5,485.6 million, representing a decrease of approximately RMB2,636.1 million, or 32.5%, from approximately RMB8,121.7 million in Year 2019. The decrease in total revenue is reflected as follows:

- Aviation information technology service revenue represented 45.5% of the Group's total revenue in Year 2020, as compared to 55.6% for Year 2019. Aviation information technology service revenue decreased by 44.8% from RMB4,517.2 million in Year 2019 to RMB2,495.5 million in Year 2020. The main sources of the revenue were Inventory Control System service, Computer Reservation System service and Airport Passenger Processing service, as well as other extended information technology services related to the above core business provided by the Group to commercial airlines. The decrease of revenue was mainly due to the significant decrease in the number of air passengers as affected by the Epidemic.

Management Discussion and Analysis of Financial Condition and Results of Operations

- Accounting, settlement and clearing services revenue accounted for 6.6% of the Group's total revenue in Year 2020, as compared to 7.4% for Year 2019. Accounting, settlement and clearing services revenue decreased by 39.8% from RMB597.0 million in Year 2019 to RMB359.6 million for Year 2020. The main source of the revenue was accounting, settlement and clearing services provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The decrease of revenue was primarily due to a significant reduction in the volume of settlement and clearing business.
- System integration service revenue accounted for 21.5% of the Group's total revenue in Year 2020, as compared to 14.4% for Year 2019. System integration service revenue increased by 0.9% from RMB1,168.0 million in Year 2019 to RMB1,178.0 million for Year 2020. The main sources of the revenue were 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 business volume of contracted projects.
- Data network revenue accounted for 8.9% of the Group's total revenue in Year 2020, as compared to 6.0% for Year 2019. Data network revenue increased by 0.9% from RMB485.1 million in Year 2019 to RMB489.4 million for Year 2020. The main source of the revenue was distribution information technology service provided by the Group to agencies. The increase of revenue was mainly due to the increased business volume of distribution information technology service.
- Other revenue accounted for 17.6% of the Group's total revenue in Year 2020, as compared to 16.6% for Year 2019. Other revenue decreased by 28.9% from RMB1,354.4 million in Year 2019 to RMB963.1 million for Year 2020. The sources of the revenue were other technology services, payment business, room tenancy and other services provided by the Group. The decrease of revenue was mainly due to the decrease in other technical services and payment business as affected by the Epidemic.

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TOTAL OPERATING EXPENSES

Total operating expenses for Year 2020 amounted to RMB4,817.4 million, representing a decrease of RMB723.8 million or 13.1%, as compared to RMB5,541.3 million for Year 2019. The changes in total operating expenses are reflected as follows:

- Depreciation and amortisation increased by 7.3%, mainly due to the increase of depreciation and amortization resulted by the increase of fixed assets and intangible assets of the Group;
- Staff costs decreased by 4.6%, mainly due to the reduction and exemption of social insurance of the Group;
- Commission and promotion expenses decreased by 40.2%, mainly due to the reduction in business promotion of the Group as affected by the Epidemic;
- Selling costs of software and hardware basically remained flat as the same period last year, mainly due to the steady increase in business volume of contracted projects of the Group;
- Other operating expenses decreased by approximately 16.9%, mainly due to the reduction of daily operating expenses of the Group as affected by the Epidemic.

As a result of the above changes in revenue and total operating expenses, the operating profit of the Group decreased by approximately RMB2,462.5 million, or approximately 88.3%, from approximately RMB2,787.3 million in Year 2019 to approximately RMB324.8 million in Year 2020.

CORPORATE INCOME TAX

Under the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as the "High and New Technology Enterprise" 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 completed in December 2020, and the Company maintained its status as the "High and New Technology Enterprise", and was confirmed to be entitled to the preferential corporate income tax rate of 15% from Year 2020 to Year 2022 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 the "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 from Year 2006 to Year 2019.

Management Discussion and Analysis of Financial Condition and Results of Operations

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告》(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 2019. The excess income tax rate of 5% paid in Year 2019 has been refunded in July 2020 as approved by the relevant tax authorities (please refer to the announcement of the Company dated July 22, 2020), which has been reflected in the financial statements of the Company for Year 2020. The application for a preferential tax rate of 10% for Year 2020 will commence in year 2021, hence the Company has calculated the expenses on corporate income tax for Year 2020 using the preferential tax rate of 15%.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT OF THE COMPANY

Net profit attributable to shareholders of the parent of the Company decreased by approximately 85.6% from approximately RMB2,526.01 million in Year 2019 to approximately RMB362.8 million in Year 2020.

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 of the Company in Year 2020 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 2020, the discretionary surplus reserve fund for Year 2019 approved to appropriate at the annual general meeting held on June 18, 2020 and the statutory surplus reserve fund for Year 2020 that should be appropriated have been accounted for in the financial statements of the Group for Year 2020.

The proposed appropriation of 10% of profit after taxation in the financial statements of the Company prepared in accordance with CASBE with an amount of RMB41.2 million to the discretionary surplus reserve fund for Year 2020 is subject to shareholders' approval at the forthcoming annual general meeting (the "AGM"). Therefore, the amount will be recorded in the Group's financial statements for the year ending December 31, 2021.

DISTRIBUTION PROPOSAL OF FINAL CASH DIVIDEND FOR YEAR 2020

On March 31, 2021, the Board of the Company proposed the distribution of a final cash dividend of RMB46.8 million, representing RMB0.016 per share (tax inclusive) for Year 2020 (the "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 announcement. Upon distribution of the above Final Dividend, the distributable profit as at December 31, 2020 of the Company is approximately RMB7,017.1 million (as at December 31, 2019: RMB6,965.3 million).

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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 2020 is expected to be paid on or before September 30, 2021. 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 from the profit distributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2020 amounted to RMB7,063.9 million (as at December 31, 2019: RMB7,811.0 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,	
	2020 RMB'million	2019 RMB'million
Net cash flow generated from operating activities	164.2	2,113.4
Net cash flow used in investing activities	-311.9	-761.8
Net cash flow used in financing activities	-691.1	-956.9
Net increase in cash and cash equivalents	-862.0	412.7
Effect of foreign exchange rate changes on cash and cash equivalents	-23.2	18.0

The Group's working capital for Year 2020 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB164.2 million. As at December 31, 2020, 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, 2020, cash and cash equivalents of the Group amounted to RMB4,364.9 million, of which 90.2%, 8.6% and 0.5% were denominated in Renminbi, U.S. dollar and Taiwan dollar, respectively.

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RESTRICTED BANK DEPOSITS

As at December 31, 2020, restricted bank deposits in the amount of RMB92.3 million (as at December 31, 2019: RMB42.6 million) mainly refer 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, 2020, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited with commercial banks and complied with applicable laws and regulations.

FOREIGN EXCHANGE RISKS

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 deposits for the same period, so that the Group can maximize its capital gains.

In Year 2020, the Group had the following major financial assets:

(1) Trading Financial Assets

As at December 31, 2020, the Group held structural bank deposits issued by Ping An Bank and China Everbright Bank of RMB0.4 billion and RMB0.4 billion, with total structural bank deposits of RMB0.8 billion (floating yield). The annual interest rate of such structural bank deposits varied from 1.0% to 4.75%. Such structural bank deposits have a maturity period of 90 days and are non-cancellable before maturity.

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(2) Financial Assets at Amortised Cost

As at December 31, 2020, the Group held structural bank deposits issued by Bank of Beijing, Industrial Bank and China Minsheng Bank of RMB1.1 billion, RMB0.4 billion and RMB0.9 billion, with total structural bank deposits of RMB2.4 billion (fixed yield). The annual interest rate of such structural bank deposits varied from 1.50% to 3.55%. Such structural bank deposits have a maturity period ranging from 90 to 397 days and are non-cancellable before maturity.

(3) Financial Assets at Fair Value whose Changes were Recorded through Other Comprehensive Income

Name of investment	Business nature	Percentage of shareholding as at December 31, 2020 %	Percentage of shareholding as at December 31, 2019 %	Fair value as at December 31, 2020 RMB'000	Fair value as at December 31, 2019 RMB'000	Gain as of December 31, 2020 RMB'000	Gain as of December 31, 2019 RMB'000
Unlisted equity (measured at fair value)							
- CMRH Life	Life insurance	13.26	17.5	893,203	883,750	9,453	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 Banking and Insurance Regulatory Commission.
- c. **Investment cost of the Company:** RMB875 million.
- d. **The percentage of the shareholding held by the Company:** 13.26% (2019:17.5%).

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. The capital increase has been approved and agreed by the China Banking and Insurance Regulatory Commission and relevant industrial and commercial registration procedures of changes were completed on April 16, 2020. The shareholding of the Company in CMRH Life was diluted from 17.5% to 13.26%.

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

As at December 31, 2020, the Group invested a fair value of approximately RMB0.89 billion in CMRH Life, accounting for 3.9% of the total assets of the Group.

f. **The performance in Year 2020:**

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB0.3 billion in Year 2020, mainly because up-front costs are required for branch establishment, channel expansion and other aspects during the period of rapid business expansion for life insurance company, and loss was 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 those in overseas developed countries and regions. With GDP per capita exceeded USD10,000, there is great potential in the PRC life insurance market. CMRH Life will continue to promote the implementation of the four major strategies of “value leading, innovation driving, technology empowering, risk control assurance”, give full play to the shareholders’ advantages and late-developing advantages and strive to build into a quality insurance service provider with innovative characteristics.

(4) Financial Assets at Fair Value whose Changes were Recorded through Profit or Loss:

China Mobile Equity Fund

As stated in the announcement of the Company dated April 16, 2020, the Company entered into the limited partnership agreement (the “**Agreement**”) in relation to the formation of China Mobile Equity Fund (Hebei Xiongan) Partnership (Limited Partnership)* (中移股權基金(河北雄安)合夥企業(有限合夥)) (the “**China Mobile Equity Fund**”) with China Mobile Capital Holding Co., Ltd.* (中移資本控股有限責任公司), other investors (together with the Company and China Mobile Capital Holding Co., Ltd.* (中移資本控股有限責任公司), as the limited partners) and China Mobile Fund Co., Ltd.* (中移股權基金管理有限公司) (as the general partner), pursuant to which, the Company agreed to contribute RMB1 billion in cash to China Mobile Equity Fund during the term of the Agreement. China Mobile Equity Fund will mainly invest in 5th-generation and information communication industry chain, ecosystem and empowerment industry.

As of December 31, 2020, the Company has actually contributed (including the fund management fee) RMB89.4 million pursuant to the Agreement. Please refer to note 5.14 to the financial statements for details.

DISPOSAL OF 68.39% EQUITY INTERESTS IN TRAVELSKY MOBILE TECH

As stated in the announcements of the Company dated May 27, 2020 and June 12, 2020, on June 12, 2020, the Company entered into the new capital increase agreement I with TravelSky Mobile Technology Limited* (中航信移動科技有限公司) (“**TravelSky Mobile Tech**”), China Southern Airlines Group Capital Holding Limited* (中國南航集團資本控股有限公司) (“**Southern Airlines Capital**”), Eastern Airlines Industry Investment Company Limited* (東方航空產業投資有限公司) (“**Eastern Airlines Investment**”), Air Traffic Management Investment Corporation* (民航空管投資管理有限公司) (“**Air Traffic Investment Company**”) and TravelSky Capital Management Limited* (中航信啟航資本管理有限公司) (“**TravelSky Capital**”) to replace the original capital increase agreement I entered into by the Company and relevant investors on May 27, 2020, pursuant to which Southern Airlines Capital, Eastern Airlines Investment, Air Traffic Investment Company and TravelSky Capital have agreed to make a capital contribution of approximately RMB241 million in total to TravelSky Mobile Tech. On the same day, the Company entered into the new capital increase agreement II with TravelSky Mobile Tech and Tianjin Yicheng Technology Partnership (Limited Partnership)* (天津易程科技合夥企業(有限合夥)) (“**Yicheng Technology**”), pursuant to which Yicheng Technology has agreed to make a capital contribution of approximately RMB33.71 million to TravelSky Mobile Tech, and the original capital increase agreement II entered into by the Company, TravelSky Mobile Tech and Yicheng Technology on May 27, 2020 has been terminated.

The above new capital increase agreements have taken effect after the approval of the State-owned Assets Supervision and Administration Commission of the State Council on June 29, 2020, and above investors have paid relevant capital contribution amount. All procedures for the above capital increase were completed on September 22, 2020. Upon the completion of the above capital increase, the registered capital of TravelSky Mobile Tech increased from RMB60 million to approximately RMB190 million and the balance of the capital increase amount of approximately RMB145 million was contributed to the capital reserve of TravelSky Mobile Tech.

Before the completion of the above capital increase, TravelSky Mobile Tech is a wholly-owned subsidiary of the Company. Upon the completion of the above capital increase, TravelSky Mobile Tech is held as to 31.61% by the Company, 8.39% by Yicheng Technology, 12% by Southern Airlines Capital, 12% by Eastern Airlines Investment, 12% by Air Traffic Investment Company and 24% by TravelSky Capital, respectively, and TravelSky Mobile Tech ceased to be a subsidiary of the Company and the financial results of TravelSky Mobile Tech ceased to be consolidated into the financial statements of the Company. Please refer to note 6.1 to the financial statements for details.

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SUBSIDIARY'S GOODWILL

As stated in the announcements of the Company dated April 6, 2016 and May 6, 2016, TravelSky Technology (Singapore) Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interest in OpenJaw Technologies Limited ("**OpenJaw**") on May 5, 2016 (Canadian Eastern Time), the difference between the purchase price and the fair value of the attributable identifiable net assets is reported as goodwill at the time of the preparation of the consolidated financial statements. OpenJaw is a company incorporated under the laws of Ireland, and it is mainly engaged in the provision of services in relation to the travel technologies and products, whose principal business is related to the principal business of the Company.

As of December 31, 2020, the Company conducted impairment tests on the asset groups related to the aforementioned goodwill. The impairment test for goodwill of the Company is determined according to the recoverable amount of the assets groups of the assets related to aforementioned goodwill based on value in use. The value in use is calculated based on cash flow projections of the approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 2.6% (2019: 2%). The main measurement indicators are listed as follows:

Items	2020	2019
Growth rate	-5.37% to 26.31%	7% to 24%
Discount rate	14.86%	14.84%

As of December 31, 2020, the carrying amount of such goodwill of the Company is RMB152.3 million, and the provision for impairment of such goodwill is RMB152.3 million. Please refer to note 5.21 to the financial statements for details.

CHARGE ON ASSETS

As at December 31, 2020, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at December 31, 2020, the Group had no material contingent liabilities.

GEARING RATIO

As at December 31, 2020, the gearing ratio of the Group was approximately 17.6% (as at December 31, 2019: 18.7%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2020.

MAJOR INVESTMENT OR FINANCING PLAN

As of December 31, 2020, 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 2021 will be sufficient for the capital requirement of daily operations and the Group did not have any financing plan.

The total capital expenditure of the Group amounted to RMB941.8 million for Year 2020 (Year 2019: RMB962.1 million), among which the capital expenditure of the new operating centre in Beijing for Phase I project amounted to approximately RMB248.3 million. Other expenditure was mainly used in the Company's daily operation.

As at December 31, 2020, the Group's capital expenditure commitment amounted to approximately RMB1,017.5 million, which will be mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, China Mobile Equity Fund (an unlisted investment fund) and the construction of Phase I project of the new operating centre in Beijing. The sources of funding for such commitments will include existing cash on hand and internal cash flows generated from operating activities. Please refer to note 12.1 to the financial statements for details.

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.

As at December 31, 2020, the total number of employees of the Group was 7,156.

Staff costs of the Group amounted to approximately RMB1,775.2 million for Year 2020 (Year 2019: RMB1,861.5 million), representing approximately 36.9% of the total operating expenses of the Group for Year 2020, among which, the aggregate corporate annuity expenses of the Group amounted to approximately RMB66.7 million for Year 2020 (Year 2019: RMB52.4 million).

Management Discussion and Analysis of Financial Condition and Results of Operations

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 by the Company on January 16, 2020 and taken 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**”).

In Year 2020, the relevant fee of aforesaid Appreciation Rights Scheme was approximately RMB55.7 million, which has been reflected in the financial statements of the Company. Please refer to note 11.1 to the financial statements for details.

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 2020, 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 2020.

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. Han Wensheng, Mr. Zhao Xiaohang and Mr. Xi Sheng 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 the Chairman of the sixth session of the Board.

Corporate Governance Report

As stated in the announcement of the Company dated February 27, 2020:

- (1) As at the extraordinary general meeting of the Company, Mr. Cui Zhixiong and Mr. Xiao Yinhong have been re-elected as executive directors of the seventh session of the Board; Mr. Zhao Xiaohang and Mr. Xi Sheng have been re-elected as non-executive directors of the seventh session of the Board; Mr. Luo Laijun has been elected as the non-executive director of the seventh session of the Board; Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun have been re-elected as independent non-executive directors of the seventh session of the Board. Mr. Han Wensheng, the former non-executive director of the sixth session of the Board, ceased to be the non-executive director of the Company upon expiration.
- (2) Following the abovementioned extraordinary general meeting, the seventh session of the Board re-elected Mr. Cui Zhixiong as the Chairman of the seventh session of the Board. The Board further resolved the composition of the special committees of the seventh session of the Board as follows:
 - (i) Audit and Risk Management Committee: Dr. Ngai Wai Fung (Chairman), Mr. Cao Shiqing and Mr. Liu Xiangqun;
 - (ii) Remuneration and Evaluation Committee: Mr. Cao Shiqing (Chairman), Dr. Ngai Wai Fung and Mr. Liu Xiangqun;
 - (iii) Nomination Committee: Mr. Cui Zhixiong (Chairman), Mr. Cao Shiqing and Mr. Liu Xiangqun;
 - (iv) Strategy and Investment Committee (Legal Compliance Committee): Mr. Cui Zhixiong (Chairman), Mr. Xiao Yinhong, Mr. Zhao Xiaohang, Mr. Xi Sheng and Mr. Luo Laijun.

The composition of the seventh session of the Board: (i) Mr. Cui Zhixiong and Mr. Xiao Yinhong acted as the executive directors of the seventh session of the Board of the Company; (ii) Mr. Zhao Xiaohang, Mr. Xi Sheng and Mr. Luo Laijun acted as the non-executive directors of the seventh 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 seventh session of the Board of the Company. Mr. Cui Zhixiong, an executive director, served as the Chairman of the seventh session of the Board.

Corporate Governance Report

For Year 2020, 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:

Name	Position	Attendance rate for meetings (Note 1)					
		Board meetings	General meetings	Audit and Risk Management Committee ("Audit Committee") meetings	Remuneration and Evaluation Committee ("Remuneration Committee") meetings	Nomination Committee meetings	Strategy and Investment Committee (Legal Compliance Committee) ("Strategy Committee") meetings
Cui Zhixiong	Chairman, Executive Director; Chief Member of Nomination Committee; Chief Member of Strategy Committee	100%	100%	-	-	100%	100%
Xiao Yinhong	Executive Director, General Manager; Member of Strategy Committee	100%	100%	-	-	-	100%
Zhao Xiaohang	Non-executive Director; Member of Strategy Committee	20% (Note 1)	0%	-	-	-	0%
Xi Sheng	Non-executive Director; Member of Strategy Committee	20% (Note 1)	0%	-	-	-	0%
Luo Lajun (Note 2)	Non-executive Director; Member of Strategy Committee	25% (Note 2)	50%	-	-	-	100%

Corporate Governance Report

Name	Position	Attendance rate for meetings (Note 1)					
		Board meetings	General meetings	Audit and Risk Management Committee ("Audit Committee") meetings	Remuneration and Evaluation Committee ("Remuneration Committee") meetings	Nomination Committee meetings	Strategy and Investment Committee (Legal Compliance Committee) ("Strategy Committee") meetings
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%	-	-
Liu Xiangqun	Independent Non-executive Director; Member of Audit Committee; Member of Remuneration Committee; Member of Nomination Committee	100%	100%	100%	100%	100%	-

Corporate Governance Report

Name	Position	Attendance rate for meetings (Note 1)					
		Board meetings (Note 1)	General meetings	Audit and Risk Management Committee ("Audit Committee") meetings	Remuneration and Evaluation Committee ("Remuneration Committee") meetings	Nomination Committee meetings	Strategy and Investment Committee (Legal Compliance Committee) ("Strategy Committee") meetings
Han Wensheng (Note 2)	Resigned Non- executive Director; Resigned Member of Strategy Committee	0%	-	-	-	-	-

Notes:

- Attendance rate = Number of meetings attended/Number of meetings ought to be attended by such director in 2020, 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 Zhao Xiaohang, director Xi Sheng, director Luo Laijun, director Han Wensheng failed to attend a Board meeting in person, they appointed other directors to vote and express their views on their behalf by written authorization.
- Director Han Wensheng resigned on February 27, 2020, and director Luo Laijun took up his position on February 27, 2020.
- During Year 2020, the Board held five physical meetings and two meetings by way of circulation of written proposals, and convened one annual general meeting and three extraordinary general meetings. The Audit Committee held three physical meetings. The Remuneration Committee held one physical meeting and one meeting by way of circulation of written proposals. The Nomination Committee held three meetings by way of circulation of written proposals. The Strategy Committee held one physical meeting.

Corporate Governance Report

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 2020, 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 Year 2020, the Company Secretary provided each director with updates and amendments to the Listing Rules and other regulatory 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 2020, 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. Zhao Xiaohang	A, B
Mr. Xi Sheng	A, B
Mr. Luo Laijun	A

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.

Corporate Governance Report

RELATIONSHIP AMONG MEMBERS OF THE BOARD

In Year 2020, all members of the Board have no financial, business, family or other material/relevant relationships with each other (including the Chairman and the Chief Executive Officer).

TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date/Date of Resignation
Zhao Xiaohang	Non-executive Director	February 27, 2020	February 27, 2023
Xi Sheng	Non-executive Director	February 27, 2020	February 27, 2023
Luo Laijun	Non-executive Director	February 27, 2020	February 27, 2023
Cao Shiqing	Independent Non-executive Director	February 27, 2020	February 27, 2023
Ngai Wai Fung	Independent Non-executive Director	February 27, 2020	February 27, 2023
Liu Xiangqun	Independent Non-executive Director	February 27, 2020	February 27, 2023
Han Wensheng	Non-executive Director (resigned)	August 29, 2018	February 27, 2020

Note: As at the extraordinary general meeting on February 27, 2020, Mr. Zhao Xiaohang and Mr. Xi Sheng were re-elected as non-executive directors; Mr. Luo Laijun was elected as non-executive director; Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun were re-elected as independent non-executive directors. Mr. Han Wensheng ceased to be the non-executive director upon expiration. 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 special committees dedicated in conducting investigation and research, making analysis and giving specific advice to the Board in respect of strategic investment, nomination, remuneration, financial reporting, internal control and risk management, etc. The Company, from time to time, reminds the directors and senior management to learn new rules and laws proactively and take effective management action to discharge their duties cogently. The Company has set up more than ten basic management systems relating to legal compliance, including the "Measures for the Administration of Information Disclosure", the "Legal Affairs Regulations of the Company" and the "Regulations on Contracts". The Board has adopted Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by the Company's directors and supervisors and has also formulated the "Model Code for Securities Transactions by Employees" of the Company.

Audit and Risk Management 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 serves 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 2020, the Audit Committee convened three meetings and all members attended the meetings. 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 accounting standards adopted by the Company, 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.

Corporate Governance Report

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 the same to the Board, and gave opinions and recommendations in respect of the effectiveness of risk management and internal control system.
5. reviewed the independence of auditors and audit procedures, and proposed recommendations in relation to the appointment of auditor and remuneration budget to the Board.

Remuneration and Evaluation Committee

The role and functions of the Remuneration Committee are available at the Company's website. They mainly include: studying appraisal criteria for directors and senior management, carrying out appraisal and giving advice 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.

As stated in the circular of the Company dated January 10, 2020, the announcement of the Company dated February 27, 2020 and the 2020 interim report, 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 and supervisors, the current remuneration policies for directors and supervisors approved by the seventh session of the Board of the Company are as follows:

- (1) 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 basic 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 central State-owned enterprise, the work subsidy standards for the independent non-executive director shall be dynamically adjusted annually in accordance with the results of the annual performance appraisal; (i) the work subsidy shall be provided by the Company in advance according to the monthly standard of RMB5,000 (before tax) per person in the current year, that is, RMB60,000 (before tax) per person per year; (ii) after determining the results of the annual performance appraisal in the previous year, the Company shall settle the balance of work subsidy according to the following specific standards: if she or he receives a excellent appraisal, she or he is entitled to receive an annual work subsidy of RMB100,000 (before tax) per person; if she or he receives a good appraisal, she or he is entitled to receive an annual work subsidy of RMB80,000 (before tax) per person; if she or he receives an appraisal of basically competent or less, she or he is entitled to receive an annual work subsidy of RMB60,000 (before tax) per person; and (iii) if she or he has worked in the Company for less than one year, the work subsidy shall be calculated according to the actual number of months and she or he shall cease to receive any other monetary income from the Company.

- (2) the annual basic remuneration of each independent supervisor is RMB60,000 (inclusive of tax), with no meeting allowance;
- (3) 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 the Supervisory Committee, or member or chief member of any special committee) are not entitled to such remuneration, bonus and meeting subsidies;
- (4) the aforementioned adjustment procedures of remuneration standard: the adjustment proposal shall be formulated by the Remuneration Committee and submitted to the Board for consideration. Such adjustment proposal shall comply with relevant requirements of laws and regulations, requirements of regulatory authorities and shall be implemented by the Board according to the authorization and approval by the general meeting.

Corporate Governance Report

In Year 2020, the Remuneration Committee held two 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 and Initial Grant Proposal for Appreciation Rights Scheme.

Details of remuneration of the directors and senior management are set out in note 10.5 to the financial statements.

Nomination Committee

The role and functions of the Nomination Committee are available at the Company's website. They mainly include: reviewing the structure, size and composition of the Board; identifying candidates 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 serves 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 policies 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), and at least one-third of the directors are 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 about his intention 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 2020, the Nomination Committee held three meetings by way of circulation of written proposals and all members attended the meetings. During the reporting period, the Nomination Committee successively considered the proposals on the appointment of Mr. Huang Yuanchang, Mr. Yuan Leifeng, Mr. Liang Haifeng and Mr. Wang Jinping as the Vice General Managers, and the proposal on the resignation of Mr. Wang Wei as the Vice General Manager.

Strategy and Investment Committee (Legal Compliance 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 projects, as well as legal compliance issues. Its duties were disclosed on October 16, 2018, and are available at the Company's website.

In Year 2020, the Strategy Committee comprises two executive directors, namely Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Han Wensheng, Mr. Zhao Xiaohang and Mr. Xi Sheng. Chairman Mr. Cui Zhixiong serves as the chief member (chairman) of the Strategy Committee. The term of each member of the committee is the same as his respective term as a director. Mr. Han Wensheng ceased to be the member of the Strategy Committee from February 27, 2020 upon expiration, and Mr. Luo Laijun, a non-executive director, was appointed as the member of the Strategy Committee to replace Mr. Han Wensheng.

In Year 2020, the Strategy Committee held one meeting and all members attended the meeting. During the reporting period, the Strategy Committee listened to the annual summary report of the Company's legal compliance, and discussed the Company's medium-term and long-term development strategies and plans, the implementation of the 13th Five-Year Plan, the work ideas of the 14th Five-Year Plan and the progress of the Company's strategy and reform.

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 and 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.

As stated in the announcement of the Company dated January 9, 2020, on January 9, 2020, the staff representative meeting of the Company has resolved that Mr. Huang Yuanchang and Mr. Xiao Wei ceased to serve as the staff representative supervisors of the Company. Accordingly, Mr. Huang also ceased to serve as the Chairman of the Supervisory Committee of the Company. At the same time, the staff representative meeting has elected to appoint Mr. Ding Wanzhi and Ms. Liang Shuang as the staff representative supervisors of the Company.

As stated in the announcement of the Company dated February 27, 2020, on February 27, 2020, as at the extraordinary general meeting of the Company, Ms. Zeng Yiwei was re-elected as the supervisor of the seventh session of the Supervisory Committee of the Company, Mr. Zhu Yan was elected as the independent supervisor of the seventh session of the Supervisory Committee of the Company. Mr. He Haiyan ceased to be the supervisor of the Company upon expiration and Mr. Rao Geping ceased to be the independent supervisor of the Company upon expiration. At the same time, according to the resolution of the seventh session of the Supervisory Committee, Mr. Ding Wanzhi acted as the Chairman of the seventh session of the Supervisory Committee.

As stated in the announcement of the Company dated February 26, 2021, on February 26, 2021, as at the extraordinary general meeting of the Company, Ms. Tang Lichao was elected as the supervisor of the seventh session of the Supervisory Committee.

The seventh session of the Supervisory Committee of the Company comprises Mr. Ding Wanzhi, Ms. Zeng Yiwei, Ms. Liang Shuang, Ms. Tang Lichao and Mr. Zhu Yan. Mr. Zhu Yan is an independent supervisor while Mr. Ding Wanzhi and Ms. Liang Shuang are staff representative supervisors. Mr. Ding Wanzhi serves as the Chairman of the Supervisory Committee.

Corporate Governance Report

The list of supervisors of the seventh session of the Supervisory Committee of the Company and the attendance of each supervisor at meetings in Year 2020 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings (Note 1)	Attendance rate for general meetings	Attendance rate for Board meetings
Ding Wanzhi (Note 3)	Chairman of the Supervisory Committee, Staff Representative Supervisor	100%	100%	100%
Liang Shuang (Note 3)	Staff Representative Supervisor	100%	100%	100%
Zeng Yiwei (Note 3)	Supervisor	50% (Note 2)	25%	0%
Zhu Yan (Note 3)	Independent Supervisor	100%	100%	75%
Huang Yuanchang (Note 3)	Staff Representative Supervisor (resigned)	-	-	-
Xiao Wei (Note 3)	Staff Representative Supervisor (resigned)	-	-	-
He Haiyan (Note 3)	Supervisor (resigned)	-	-	-
Rao Geping (Note 3)	Independent Supervisor (resigned)	-	-	-

Notes:

- Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the supervisor in 2020. The attendance rate for meetings by way of circulation of written proposals was not included in the above attendance rate.
- Supervisor Zeng Yiwei failed to attend one meeting of the Supervisory Committee in person, but she has appointed other supervisor to attend and vote at the meeting on her behalf in writing.
- Supervisor Huang Yuanchang and supervisor Xiao Wei resigned on January 9, 2020, and supervisor Ding Wanzhi and supervisor Liang Shuang took up their positions on January 9, 2020. Supervisor He Haiyan and supervisor Rao Geping resigned on February 27, 2020, supervisor Zeng Yiwei was re-elected on February 27, 2020, and supervisor Zhu Yan took up his position on February 27, 2020.
- In Year 2020, the Supervisory Committee held five meetings and supervisors shall be present in five physical meetings of the Board, one annual general meeting and three extraordinary general meetings.

Corporate Governance Report

During Year 2020, the seventh session of the Supervisory Committee reviewed the financial reporting information for the year ended December 31, 2019 and the six months ended June 30, 2020 and the proposal on by-election of Ms. Tang Lichao as supervisor, formulated "Working Rules of the Supervisory Committee", 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 fully complied with the requirements of the Model Code in Year 2020.

REMUNERATION OF EXTERNAL AUDITORS

The aggregate service fees under the service contract between the Company and 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 2020 amounted to RMB2,304.9 thousand, comprising annual audit service fee of approximately RMB1,705.6 thousand and non-audit service fee of approximately RMB599.3 thousand for the review of interim financial statements, annual compliance review of continuing connected transactions and compliance review of preliminary results announcement, etc. As of December 31, 2020, pursuant to the above contract, the Company has paid the non-audit service fee of RMB599.3 thousand. As stated in the announcements of the Company dated December 29, 2020 and February 26, 2021, and the circular of the Company dated January 8, 2021, the Company will no longer prepare its results according to IFRSs since the Year 2020 and the Board of the Company will present audited financial statements prepared according to CASBE in the annual report. Regarding the related adjustment due to the abovementioned change of accounting standard, the Company is negotiating with BDO and BDO China on the workload, and the aggregate service fees paid by the Company to BDO and BDO China for 2020 shall not exceed the amount under the service contract for Year 2020.

In light of the adoption of the CASBE, only one set of annual financial statements of the Company prepared under the CASBE for the year ended December 31, 2020 was published by the Company on March 31, 2021. On March 31, 2021, the Board proposed to cease the re-appointment of BDO as the international auditor of the Company and proposed to re-appoint BDO China as the PRC auditor of the Company for the year 2021, subject to the approval by the shareholders of the Company at the AGM. BDO China is a firm of practicing accountants which has been approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission and eligible to provide auditing services by using the CASBE to the mainland incorporated issuers listed in Hong Kong. Upon approval by the shareholders of the Company at the AGM, BDO China will be appointed as the auditor auditing the Company's financial reports in accordance with the CASBE and discharge the duties as an international auditor under the Listing Rules, with a term of office until the conclusion of the 2021 annual general meeting of the Company.

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 2020.

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 temporary 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 put forward and deliver his/her/its proposal in written form to the Company (addressed to the Chairman or the Company Secretary of the Company) 10 days before the date of convening the general meeting. The Board will issue supplementary notice of the general meeting within two days from the receipt of such proposal and announce the content of the proposal. If the issuance of supplementary notice fails to meet the relevant requirements of the listing rules of the stock exchange where the Company's shares were listed in respect of issuance of supplementary notice, the Company shall postpone the general meeting in an appropriate way.

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.cn

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

During Year 2020, no amendment or alteration has been made to the Articles. On February 26, 2021, with the approval of the extraordinary general meeting, the Articles have been amended for terms therein regarding accounting standards, financial report, shareholders' proposal right, change in the register of members, the notice period of the general meeting and convening procedures. Please refer to the announcements dated December 29, 2020, and February 26, 2021, and the circular dated January 8, 2021 of the Company for details.

RISK MANAGEMENT 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 organising 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 2020. 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 analysis 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 2020. 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 organise 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 summarise 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 organised 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 optimised and improved its risk management and internal control system by revising and refining its internal control manual every year, rationalising 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 optimised, 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 organise 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 "standardised, 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 specialised 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 31, 2021

REPORT OF DIRECTORS

The Board of the Company is pleased to present its report together with the audited financial statements of the Group for Year 2020.

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 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" and this section. The Company's environmental policies and performance are set out in section headed "Business Review".

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2020 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2020, the share capital structure of the Company is 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, 2020, 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, 2020, 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%
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%

Report of Directors

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 Southern Air Holding Company Limited	202,781,500 domestic shares of RMB1 each (L)	Beneficial owner	10.17%	6.93%
	65,773,500 domestic shares of RMB1 each (L) (Note 7)	Interest of controlled corporation	3.30%	2.25%
China Mobile Capital Holding Co., Ltd.	146,600,000 domestic shares of RMB1 each (L)	Beneficial owner	7.35%	5.01%
Citigroup Inc.	55,928,604 H shares of RMB1 each (L) (Note 8)	Interest of corporation controlled by the substantial shareholder	5.99%	1.91%
	875,408 H shares (L)			
	55,053,196 H shares (L)	Approved lending agent		
	35,000 H shares of RMB1 each (S) (Note 8)	Interest of corporation controlled by the substantial shareholder	0.00%	0.00%
JPMorgan Chase & Co.	55,053,196 H shares of RMB1 each (P) (Note 8)	Approved lending agent	5.90%	1.88%
	50,213,820 H shares of RMB1 each (L) (Note 9)		5.38%	1.72%
	5,053,985 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	831,000 H shares (L)	Investment manager		
	398,660 H shares (L)	Person having a security interest in shares		
	43,930,175 H shares (L)	Approved lending agent		
	1,074,000 H shares of RMB1 each (S) (Note 9)	Interest of corporation controlled by the substantial shareholder	0.11%	0.04%
	43,930,175 H shares of RMB1 each (P) (Note 9)	Approved lending agent	4.71%	1.50%
Brown Brothers Harriman & Co.	48,012,981 H shares of RMB1 each (L) (Note 10)	Agent	5.15%	1.64%
	48,012,981 H shares of RMB1 each (P) (Note 10)	Agent	5.15%	1.64%

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)
FMR LLC	46,812,300 H shares of RMB1 each (L) (Note 11)	Interest of corporation controlled by the substantial shareholder	5.02%	1.60%

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, 2020. 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, 2020; 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, 2020.
- (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) 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.

Report of Directors

- (8) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on December 4, 2020, Citigroup Inc. was deemed to be interested in 55,928,604 H shares (L), 35,000 H shares (S) and 55,053,196 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 Europe Finance Limited, Citigroup Global Markets (International) Finance GmbH, 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.
- (9) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on September 24, 2020, JPMorgan Chase & Co. was deemed to be interested in 50,213,820 H shares (L), 1,074,000 H shares (S) and 43,930,175 H shares (P). These shares were held by China International Fund Management Co., Ltd., JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, J.P. Morgan Investment Management Inc., JPMorgan Asset Management (Asia Pacific) Limited, J.P. MORGAN SECURITIES PLC, 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, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Broker-Dealer Holdings Inc., JPMorgan Chase Bank, National Association, J.P. MORGAN CAPITAL HOLDINGS LIMITED, J.P. Morgan International Finance Limited, which were directly or indirectly controlled by JPMorgan Chase & Co.. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.
- (10) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Brown Brothers Harriman & Co. on September 29, 2020, Brown Brothers Harriman & Co. was deemed to be interested in 48,012,981 H shares (L) and 48,012,981 H shares (P).
- (11) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by FMR LLC on November 25, 2020, FMR LLC was deemed to be interested in 46,812,300 H shares (L). These shares were held by Fidelity Management & Research Company LLC, FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED, FIDELITY MANAGEMENT & RESEARCH (JAPAN) LIMITED, FIAM Holdings LLC, Fidelity Institutional Asset Management Trust Company, FIAM LLC, FIDELITY MANAGEMENT TRUST COMPANY, Fidelity Canada Investors LLC, Bay Street Holdings LLC, 483A Bay Street Holdings LP, BlueJay Lux 1 S.a.r.l., FIC Holdings ULC, FIDELITY INVESTMENTS CANADA ULC, which were directly or indirectly controlled by FMR LLC. FMR LLC was deemed to be interested in the shares held by such companies by virtue of the SFO.

As set out in the announcements dated December 15, 2020 and January 21, 2021 of the Company, China Eastern Air Holding Company Limited agreed to transfer, and China Mobile Capital Holding Co., Ltd. agreed to acquire 145,500,000 domestic shares of the Company. Immediately following the completion of the transaction, China Eastern Air Holding Company Limited directly and indirectly holds 211,798,500 domestic shares of the Company, representing approximately 7.24% of the total issued share capital of the Company (of which, directly holds 182,743,500 domestic shares of the Company, representing approximately 6.25% of the total issued share capital of the Company); China Mobile Capital Holding Co., Ltd. holds 292,100,000 domestic shares of the Company, representing approximately 9.98% of the total issued share capital of the Company.

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2020, no person (other than directors, supervisors or chief executive 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, 2020, none of the directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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, 2020.

As at December 31, 2020, 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, 2020:

- (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. Zhao Xiaohang (a non-executive director) was an employee of China National Aviation Holding Company Limited;
- (d) Mr. Xi Sheng (a non-executive director) was an employee of China Eastern Air Holding Company Limited; and
- (e) Mr. Luo Laijun (a non-executive director) was an employee of China Southern Air Holding Company Limited.

Save as disclosed above, as at December 31, 2020, none of the existing and proposed directors or supervisors of the Company was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of Directors

CHANGE OF DIRECTORS AND SUPERVISORS

Details in relation to the change of directors and supervisors 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 2020 interim report is set out below:

Mr. Zhao Xiaohang, a non-executive director of the seventh session of the Board of the Company, ceased to be the chairman of Dalian Airlines Company Limited in March 2020, and ceased to be the director of Shandong Aviation Group Corporation in April 2020.

Mr. Xi Sheng, a non-executive director of the seventh session of the Board of the Company, ceased to be the general manager of Audit Department of China Eastern Air Holding Company Limited and China Eastern Airlines Corporation Limited in May 2020, and ceased to be the supervisor and the chairman of the supervisory committee of China Eastern Airlines Corporation Limited in January 2021. Mr. Xi has been appointed as the executive vice president and member of Standing Committee of the Party Committee of China Eastern Airlines Corporation Limited since January 2021.

Ms. Liang Shuang, a staff representative supervisor of the seventh session of the Supervisory Committee of the Company, was appointed as the head of general office of the labour union of the Company since November 2020.

Dr. Ngai Wai Fung, an independent non-executive director of the seventh session of the Board of the Company, was appointed as an independent non-executive director of China Energy Engineering Corporation Limited (the Stock Exchange, Stock Code: 3996) since February 2021.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All members of the seventh session of the Board and the seventh session of the Supervisory Committee of the Company have respectively entered into service contracts with the Company. The term for the seventh session of the Board and the Supervisory Committee is from February 27, 2020 to February 26, 2023. For the year ended December 31, 2020, 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, 2020, 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 note 10.5 to the financial statements.

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

Certain members of the seventh 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 2020.

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 which accounted for approximately 30-40% of the profit after taxation of the Company in that year.

The Board proposed the distribution of a final cash dividend of RMB0.016 per share (tax inclusive) for Year 2020. 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 2020 are set out in the 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 2020.

DONATION

In 2020, the Company donated RMB12.00 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 5.28 to the financial statements.

Report of Directors

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at December 31, 2020 are set out in note 15.4 to the financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2020 are summarised in note 5.16 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The Group deeply acknowledges the importance of maintaining good relationships with its suppliers and customers to achieve its long-term goals and maintain its leading position in the market.

China TravelSky Holding Company Limited was the largest supplier of the Group for Year 2020 and the total fees paid by the Group to such company in Year 2020 accounted for 1.3% of the Group's total operating expenses (after deducting depreciation and amortisation expenses). During Year 2020, the total fees paid to the five largest suppliers of the Group accounted for 4.4% of the Group's total operating expenses (after deducting depreciation and amortisation expenses).

The Group strictly complies with laws and regulations such as the "People's Republic of China Tendering and Bidding Law", the "Implementation Regulations of the People's Republic of China on Tendering and Bidding Law" and the "Administrative Measures for Non-tendering Procurement of Government Procurement", and has been exploring and improving its supplier management system. The Group formulated the "Supplier Management Measures", followed the "market access system" for suppliers and selected excellent suppliers against a set of criteria based on price, quality, technology, integrity and etc., and prevented the supplier's information leakage, damage, loss through reasonable and effective information security technology and management process. The Group will continue to improve the ability to identify and monitor environmental and social risks of suppliers, hold activities for suppliers' communication regularly, listen to and absorb the opinions and advice from suppliers, and work with suppliers to improve their sustainable development performance.

Sales to the largest customer of the Group, China Southern Airlines Company Limited, accounted for 10.2% of the Group's revenue from its sales of goods or rendering of services for Year 2020. During the same period, total sales to the Group's five largest customers accounted for 40.7% of the Group's revenue from its sales of goods or rendering of services. Three of these top five customers were China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited and Air China Limited. Their respective controlling shareholders, namely China Southern Air Holding Company Limited, China Eastern Air Holding Company Limited (a substantial shareholder of the Company during Year 2020) and China National Aviation Holding Company Limited, held an aggregate of approximately 31.2% of the number of the issued shares of the Company as at December 31, 2020. 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 10.5 to the financial statements.

The Group adheres to the customer service policy of “customer-oriented”, and continues to strive to provide products and services that meet customer needs as a long-term partner of customers. In our operation and management, the Group has always established the “provision of excellent information services” as its core philosophy, and quickly responded to customer needs. Through the full-process service of “customer-oriented”, the Group has comprehensively improved customer satisfaction and loyalty.

Save as disclosed in this report and in note 10.5 to the financial statements, none of the directors, supervisors and 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 10.5 to the financial statements) which are the connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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 (g) 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 2020 (the following (a) to (g)): (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.

Report of Directors

During the Year 2020, 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 (“**Eastern Airlines**”) and its subsidiaries, including but not limited to Shanghai Airlines Company Limited (“**Shanghai Airlines**”) and China United Airlines Company Limited (collectively the “**Airlines**”). The Airlines were the associates of the substantial shareholders of the Company.

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

- (i) flight control system services which provided, among other services, the consolidated information, flight information, flight control, flight tickets sales, automatic tickets sales and announcement of freight price and related products (if applicable);
- (ii) computer 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 and related products (if applicable);
- (iii) airport passenger processing system services which provided check-in, departure control and load planning services and related products (if applicable); and
- (iv) civil aviation and commercial data network services which provided, among other services, the network transmission services and connection services, and related products (if applicable).

In accordance with the following prescribed prices of 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 “computer 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 and regional 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 is subject to be determined by the Company after taking into account the following two factors: (i) the cost of provision of those products or services; and (ii) the processing volume and complexity involved in handling 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 announcement of the Company dated November 8, 2017 and the circular of the Company dated December 13, 2017.

As stated in the announcement of the Company dated January 21, 2021, China Eastern Air Holding Company Limited* (中國東方航空集團有限公司) and its associates, which include but not limited to, the Airlines, Eastern Air Logistics Co., Ltd.* (東方航空物流股份有限公司) (“**Eastern Logistics**”), China Cargo Airlines Co., Limited* (中國貨運航空有限公司) (“**China Cargo**”), ceased to be the connected persons of the Company under the Listing Rules since January 21, 2021.

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Waiver regarding written agreements:

As stated in the circular of the Company dated December 13, 2017, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver, which is for a three-year term (from 2018 to 2020), 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. As stated in the announcement dated September 11, 2020 and the circular dated September 24, 2020 of the Company, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver, which is for a three-year term (from 2021 to 2023) 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 or these details of the transactions so disclosed herein (in the absence of written agreements).

The transaction amount of the continuing connected transactions between the Company and the Airlines in (a) above for the financial year ended December 31, 2020 was approximately RMB486,252 thousand, the annual cap of which was RMB1,181,310 thousand.

(b) Lease of Properties by the Company from China TravelSky Holding 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 stated in the announcement of the Company dated December 12, 2018, the Company leases two properties from China TravelSky Holding Company Limited:

- (i) The Company leases the properties in Dongsì, 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 Dongsì 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 Dongsì 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 by the Company 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 two rentals stated above were determined based on market rates and excluded property management fee.

For Year 2020, the total rental paid by the Company to China TravelSky Holding Company Limited for the lease of the Beijing Dongsì 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.

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

As stated in the announcement of the Company dated December 27, 2018, the Company has renewed the services framework agreement (the “**Cares Framework Agreements**”) from 2019 to 2021 with the following connected Cares.

The connected Cares are:

- (A) Non-wholly-owned subsidiaries, being the connected persons under Rule 14A.07(5) of the Listing Rules: Cares Hubei Co., Ltd.* (湖北民航凱亞有限公司) (“**Hubei Cares**”), Aviation Cares of Yunnan Information Co., Ltd.* (雲南民航凱亞信息有限公司) (“**Yunnan Cares**”), Civil Aviation Cares of Qingdao Limited* (青島民航凱亞系統集成有限公司) (“**Qingdao Cares**”) and Civil Aviation Cares Technology of Xi’an Ltd.* (西安民航凱亞科技有限公司) (“**Xi’an Cares**”);
- (B) The associates of the substantial shareholders of the Company, being connected persons as defined under Rule 14A.07(4) of the Listing Rules: Shanghai Civil Aviation East China Cares System Integration Co., Ltd. (“**Huadong Cares**”).

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:

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- (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 transaction amount of the aforesaid continuing connected transactions for the financial year ended December 31, 2020 was approximately RMB61,311 thousand, the annual cap of which was RMB224,000 thousand.

As stated in the announcement of the Company dated January 21, 2021, Hubei Cares, Yunnan Cares, Qingdao Cares, Xi'an Cares and Huadong Cares, ceased to be the connected persons of the Company under the Listing Rules since January 21, 2021.

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(d) Services Provided by ACCA to Eastern Airlines, Shanghai Airlines and China Cargo

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 November 23, 2018 and December 31, 2019.

The services provided by ACCA to Eastern Airlines and Shanghai Airlines include:

- (1) the provision of application systems in relation to passenger transport, which include, among others, (i) domestic and 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 customised program development;
- (2) the provision of revenue accounting services, which include, among others, (i) the passenger revenue accounting services (i.e., the passenger combined audit services, UATP accounting services and the passenger sales audit services) and (ii) the service fee settlement services; and
- (3) the provision of clearing services through domestic and/or international clearing platforms.

The services provided by ACCA to China Cargo include:

Cargo and mail revenue management platform services and agent management platform services, which mainly include the installation, implementation and adjustment of the cargo and mail revenue management platform and agent management platform; the technical support and application support services for the operation of the cargo and mail revenue management platform and agent management platform; the customised development, supervision, maintenance and systematic infrastructure services required for the operation of application systems for the cargo and mail revenue management platform and agent management platform.

The foresaid 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 pricing policies of the relevant services are as follows:

- (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 and 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, Eastern Airlines and Shanghai Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). The rate of unit price for such services is not more than RMB0.4 for domestic passengers and not more than RMB1.65 for international passengers. (ii) the pricing of the abovementioned provision of passenger transport business analysis system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA, Eastern Airlines and Shanghai Airlines. Such fees mainly consist of an annual fee of not more than RMB2,000,000 for the usage and technology support of business analysis system products; a system implementation fee of RMB2,500 per person per day; and a customised development fee of RMB2,500 per person per day. (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, Eastern Airlines and Shanghai Airlines. Such fees mainly consist of a service fee with the rate of unit price not more than RMB50,000 for monthly payment for international services and not more than RMB120,000 for quarterly payment for the technology support of the system products; a system implementation fee of RMB2,500 per person per day; and a customised 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, Eastern Airlines and Shanghai Airlines. Such fees mainly consist of a services fee with the rate of unit price of RMB100,000 for monthly payment for the technology support of the system products; a system implementation fee of RMB2,500 per person per day; and a customised development fee of RMB2,500 per person per day.
- (2) the pricing of the abovementioned passenger revenue accounting services is generally subject to the maximum 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 subject to the maximum guidance prices prescribed by CAAC, and is generally calculated by 0.9% of the amount involved in the services fee accounting services;

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- (3) the pricing of the abovementioned clearing services is generally subject to the maximum 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 provision of the abovementioned cargo and mail revenue management platform services is determined through arm's length negotiation between ACCA and China Cargo with reference to waybills processed by the system per month. Fees for each waybill handled by the cargo and mail revenue management platform are not more than RMB5.2 for international and regional routes, and not more than RMB1.8 for domestic routes, depending on the volume of waybills processed; and
- (5) the pricing of provision of the abovementioned agent management platform services is determined through arm's length negotiation between ACCA and China Cargo, mainly include: a system implementation fee of RMB2,500 per person per day, a customised development fee of RMB2,500 per person per day and a system services fee of RMB100,000 per month.

In Year 2020, 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 2020 Annual Caps (RMB'000)	Year 2020 Transaction Amounts (RMB'000)
Eastern Airlines and Shanghai Airlines	Agreement for December 1, 2018 to December 31, 2020 was re-entered into by both parties on November 23, 2018.	175,000	52,052
China Cargo	Agreement for January 1, 2020 to December 31, 2021 was entered into by both parties on December 31, 2019.	15,000	13,247

(e) Freight System Services Agreement

As stated in the announcement of the Company dated November 26, 2018, the Company has re-entered into Freight System Services Agreement with Eastern Logistics and China Cargo, with a term of two years commencing from December 1, 2018 to November 30, 2020.

Eastern Logistics is a subsidiary of China Eastern Air Holding Company Limited* (中國東方航空集團有限公司), and China Cargo is a subsidiary of Eastern Logistics. Therefore, they are both 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 air freight logistics system 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 2020, the transaction amount of the aforesaid continuing connected transactions between the Company and Eastern Logistics and China Cargo was approximately RMB11,987 thousand, the annual cap of which was RMB20,000 thousand.

(f) Factoring Services Agreement

As stated in the announcement of the Company dated August 27, 2020, Antu Jinxin Commercial Factoring Company Limited* (安途金信商業保理有限公司) ("**Factoring Company**") and ACCA have re-entered into Factoring Services Agreement with Eastern Airlines on August 27, 2020, with a term of one year commencing from November 5, 2020 to November 4, 2021.

Factoring Company and ACCA are wholly-owned subsidiaries of the Company. Eastern Airlines is a subsidiary of China Eastern Air Holding Company Limited* (中國東方航空集團有限公司) and therefore an associate of a substantial shareholder of the Company, and a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

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Contents of service: Factoring Company provides financing commercial factoring services for the account receivables incurred during the operation process of the UATP card issuing business by Eastern Airlines and its customers, which include, but not limited to, all or part of the services in relation to account receivables financing, account receivables management, account receivables collection and repayment guarantee. Of which, Factoring Company will acquire the account receivables of Eastern Airlines arising from using UATP accounts, based on the requirements of Eastern Airlines on conducting UATP card issuing business, and Eastern Airlines will receive factoring financing amounts from Factoring Company. The debtor of the account receivables shall pay the transferred account receivables to Factoring Company upon its maturity. ACCA shall provide financial, data and business resources to support Factoring Company.

Service fees: The service fees charged to Eastern Airlines by Factoring Company shall be not lower than 0.9% of each factoring proceed, and shall vary depending on payment days (the longer the payment days, the higher the rate). The service fees charged to Eastern Airlines by ACCA shall be 0.15% of the total factoring proceeds. After the deduction of all the service fees and handling charges receivable by Factoring Company and ACCA on the date of formation of relevant account receivables from the factoring proceeds, Factoring Company shall pay the remaining amounts to Eastern Airlines on the next day of formation of the relevant account receivables, and shall transfer relevant service fees to ACCA.

The maximum outstanding factoring balance of the aforesaid continuing connected transactions for the financial year ended December 31, 2020 was approximately RMB0 thousand, the annual cap being RMB22,000 thousand, and factoring service fees and handling charges were RMB0 thousand, the annual cap being RMB2,500 thousand.

(g) Continuing connected transactions between the Company and TravelSky Mobile Tech

As stated in the announcements of the Company dated May 27, 2020 and June 12, 2020, TravelSky Capital, a wholly-owned subsidiary of China TravelSky Holding Company Limited* (中國民航信息集團有限公司), the substantial shareholder of the Company, and other investors have agreed to make a capital contribution to TravelSky Mobile Tech. The relevant capital increase agreement was approved by the State-owned Assets Supervision and Administration Commission of the State Council on June 29, 2020, and the relevant industrial and commercial registration procedures of changes in relation to the above capital increase have been completed on September 22, 2020. TravelSky Mobile Tech then has become a connected person of the Company by virtue of being a 30%-controlled company of China TravelSky Holding Company Limited under the Listing Rules.

Before TravelSky Mobile Tech became a connected person of the Company, the Company and TravelSky Mobile Tech had entered into (A) the Service Agreement in relation to the provision of cloud services and computer system services by the Company to TravelSky Mobile Tech; and (B) the Loan Agreement in relation to the provision of loan by the Company to TravelSky Mobile Tech. As such, the Service Agreement, the Loan Agreement and the transactions thereunder constituted continuing connected transactions of the Company under the Listing Rules.

(1) the Service Agreement in relation the provision of cloud services and computer system services by the Company to TravelSky Mobile Tech;

Date:	October 8, 2016 (as supplemented by the supplementary agreement dated May 26, 2020)
Term:	A total of five (5) years commencing from August 1, 2016 to July 31, 2021. According to the supplementary agreement to the Service Agreement, if the Company and TravelSky Mobile Tech have no objection, the Service Agreement may be renewed for two years upon expiration from August 1, 2021 to July 31, 2023. Under such circumstances, the Company will duly perform its compliance obligations in accordance with the applicable provisions of the Listing Rules.
Scope of services:	The Company continuously provides cloud services and computer system services to TravelSky Mobile Tech, mainly including, the provision of cloud computing infrastructure services (including but not limited to the lease of related servers, provision of storage services and ancillary database, backup and disaster recovery, computer room and operation and maintenance services), and services relating to advanced interactive executive for engines in cloud industry, etc.

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Service fees:

The pricing of the aforementioned provision of services is determined through arm's length negotiation between the Company and TravelSky Mobile Tech with reference to the costs relating to the specific services and the processing volume and complexity of such services, and after taking into account the market conditions from time to time. Among which: In respect of cloud computing infrastructure services, the pricing relating to the lease of related servers depends on the calculation performance (such as the kernels and memories) and operation and maintenance level of specific servers (the more advanced the calculation performance and operation and maintenance level involved, the higher the cost), and the unit price ranges from RMB1,721 per year (inclusive of tax) and RMB11,440 per year (inclusive of tax); the pricing of the storage services depends on the storage capacity and storage performance (the more advanced the storage capacity and storage performance involved, the higher the cost), and the unit price ranges from RMB2.41 per year (inclusive of tax) and RMB69.59 per year (inclusive of tax); the miscellaneous fees will be charged for other ancillary services in accordance with the pricing principles mentioned above; and the unit price of advanced interactive executive for engines in the cloud industry is not more than RMB2.15 (inclusive of tax), among which, relevant services shall be tiered pricing (i.e. the higher the transaction volume, the lower the unit price, if applicable). According to the supplementary agreement to the Service Agreement, TravelSky Mobile Tech shall pay an annual minimum service fee of no less than RMB40 million in aggregate to the Company in respect of the aforementioned services. If less than a year, aforementioned minimum service fee shall be calculated based on the days of actual provision of services. If the actual service fee payable exceeds aforementioned minimum service fee, it shall pay in accordance with the actual service fee. The calculation method of minimum service fee is determined through arm's length negotiation between the Company and TravelSky Mobile Tech with reference to the unit price of the aforementioned services, the historical transaction volume and the future business demand.

Payment: The service fees of the aforementioned services shall generally be calculated on an interim or monthly basis and settled to the Company's designated bank accounts. As TravelSky Mobile Tech is a wholly-owned subsidiary of the Company, the Company provides the above services free of charge before the TravelSky Mobile Tech has become a connected person of the Company. According to the supplementary agreement to the Service Agreement, the service fees shall be charged by the Company in accordance with the above pricing terms after TravelSky Mobile Tech has become a connected person of the Company.

The transaction amount of the continuing connected transactions from September 22, 2020 to December 31, 2020 was approximately RMB13,219.25 thousand, the annual cap being RMB38,000 thousand.

(2) the Loan Agreement in relation to the provision of loan by the Company to TravelSky Mobile Tech

Date: July 24, 2019

Amount of the loan: Not more than RMB180 million, which may be drawn down by TravelSky Mobile Tech in one or more tranches with prior written notice.

Term of the loan: 365 days commencing from the date of actual receipt of loan

Interest rate: 4.35% per annum

Repayment of the loan: The principal amount of the loan together with respective accrued interest shall be paid by TravelSky Mobile Tech no later than the 365th day upon the date of actual receipt of such loan. In respect of early repayment, the interest shall be calculated based on the actual term of loan and the interest rate.

Default: If TravelSky Mobile Tech fails to repay the loan and the interest incurred, the Company will charge a penalty at 0.03% of the overdue amount per day.

As at May 27, 2020, TravelSky Mobile Tech has drawn down all the above loan in an amount of RMB180 million in three tranches. As at December 31, 2020, TravelSky Mobile Tech has repaid the loan of RMB150 million in total and the Company has received the interest of RMB6,303 thousand in total. The outstanding loan amount of TravelSky Mobile Tech is RMB30 million, and the repayment date is May 15, 2021.

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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 prices 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 2020:

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
Qingdao Cares	January 15, 2020	January 15, 2020	The Company entered into the Guangdong Province 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 and the airport ground vehicle operations management system for the Guangdong Province Airport Project, which includes but not limited to, the 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 and the airport ground vehicle operations management system.	8,460,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Guangdong Province 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)
	July 17, 2020	January 16, 2020	The Company entered into the Qingdao Cares Ordos 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, integration system and security inspection system for the Ordos 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, integration system and security inspection system.	1,400,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Qingdao Cares Ordos Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		July 17, 2020	Civil Aviation Cares Technology of Xinjiang Ltd. ("Xinjiang Cares"), the subsidiary of the Company, entered into the Qingdao Cares Urumqi International Airport Subcontract Agreement with Qingdao Cares, pursuant to which Qingdao Cares has agreed to subcontract to Xinjiang Cares the construction of the weak current renovation program for the Urumqi International Airport Project, which includes but not limited to, the procurement, installation and testing of the required hardware and software as well as the two-year quality warranty for the weak current renovation program.	21,383,883 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Qingdao Cares Urumqi International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	December 30, 2020	August 12, 2020	The Company entered into the Qingdao Cares Penglai International Airport Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the operation command dispatching information system for the Penglai International Airport Project, which includes but not limited to, the installation and testing of the required hardware and software and the overall system implementation as well as the three-year quality warranty for the operation command dispatching information system.	2,718,795.38 The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Qingdao Cares Penglai International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

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Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		October 12, 2020	The Company entered into the Qingdao Cares Taoxian 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 Taoxian Airport Project, which includes but not limited to, the installation, testing and maintenance of the required hardware and software and the overall system implementation for the airport collaborative decision-making (A-CDM) system.	250,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Qingdao Cares Taoxian Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		November 12, 2020	The Company entered into the Qingdao Cares Zhuhai 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 and operation management platform system for the Zhuhai Airport Project, which includes but not limited to, the installation and testing of the required hardware and software and the overall system implementation as well as the one-year quality warranty for the airport collaborative decision-making (A-CDM) system and operation management platform system.	3,968,128.26 The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Qingdao Cares Zhuhai Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		December 3, 2020	The Company entered into the Qingdao Cares Jining Qufu 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 Jining Qufu 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 two-year quality warranty for the airport collaborative decision-making (A-CDM) system.	230,000 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 Qingdao Cares Jining Qufu 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, 2020	The Company entered into the Qingdao Cares Anshun Huangguoshu Airport Subcontract Agreement with Qingdao Cares, pursuant to which the Company has agreed to subcontract to Qingdao Cares the construction of the weak current system for the Anshun Huangguoshu Airport Project, which includes but not limited to, the procurement, installation and testing of the required hardware and software and the overall system implementation as well as the two-year quality warranty for the weak current system.	7,047,173.40 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 Qingdao Cares Anshun Huangguoshu Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Huadong Cares	March 4, 2020	January 3, 2020	The Company entered into the Huadong Cares Changzhou 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 system for the Changzhou 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-service check-in system.	692,000 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 Changzhou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		March 4, 2020	The Company entered into the Huadong Cares Hongqiao 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 system for the Hongqiao 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 self (automatic) bag drop system.	22,425,764 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 Hongqiao Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Report of Directors

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
	September 21, 2020	March 17, 2020	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 departure system for the Jinan Airport Project, which includes but not limited to, the procurement and delivery of the required hardware as well as the quality warranty for the above hardware for not more than three years.	511,811 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware under the Huadong Cares Jinan Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		May 7, 2020	The Company entered into the Huadong Cares Lianyungang Airport Subcontract Agreement I 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 Lianyungang Airport Project I, which includes but not limited to, the procurement, delivery, installation and testing of the required software and hardware as well as the one-year quality warranty for the common use self-service system.	356,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Huadong Cares Lianyungang Airport Subcontract Agreement I. The adjustment shall not exceed 10% of the consideration.
		June 19, 2020	The Company entered into the Huadong Cares Lianyungang Airport Subcontract Agreement II with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the common use self-service check-in system for the Lianyungang Airport Project II, which includes but not limited to, the procurement and delivery of the required software and hardware for the common use self-service check-in system.	72,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Huadong Cares Lianyungang Airport Subcontract Agreement II. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		July 14, 2020	The Company entered into the Huadong Cares Jinggangshan Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the security inspection system and facial recognition & ID authentication system for the Jinggangshan 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 security inspection system and facial recognition & ID authentication system.	489,150 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 Jinggangshan Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		July 20, 2020	The Company entered into the Huadong Cares Hongqiao Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the Hongqiao Airport Project, which includes but not limited to, the installation and testing of the required software and the overall system implementation for the data services provision.	1,100,000 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 Huadong Cares Hongqiao Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		July 20, 2020	The Company entered into the Huadong Cares Weifang Airport Subcontract Agreement 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 Weifang Airport Project, which includes but not limited to, the procurement and delivery of the required software for the self-service check-in system.	144,000 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 Weifang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Report of Directors

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
		September 21, 2020	The Company entered into the Huadong Cares Yaoqiang Airport Subcontract Agreement with Huadong Cares, pursuant to which the Company has agreed to subcontract to Huadong Cares the construction of the departure control system and security inspection information management system for the Yaoqiang 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 two-year quality warranty for the departure control system and security inspection information management system.	25,810,206.80 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Huadong Cares Yaoqiang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	December 11, 2020	September 24, 2020	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 airport collaborative decision-making (A-CDM) 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 as well as the one-year quality warranty for the airport collaborative decision-making (A-CDM) system.	239,400 The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Huadong Cares Jinan Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		October 13, 2020	The Company entered into the Huadong Cares Nanjing Lukou International Airport Subcontract Agreement I with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the self-service boarding system for the Nanjing Lukou International Airport Project I, which includes but not limited to, the procurement and delivery of the required software.	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 Nanjing Lukou 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 28, 2020	The Company entered into the Huadong Cares Nanjing Lukou International Airport Subcontract Agreement II with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the remote check-in system for the Nanjing Lukou International Airport Project II, 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 one-year quality warranty for the remote check-in system.	156,000 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 Huadong Cares Nanjing Lukou International Airport Subcontract Agreement II. The adjustment shall not exceed 10% of the consideration.
		December 11, 2020	The Company entered into the Huadong Cares Zhengzhou Xinzheng International Airport Subcontract Agreement with Huadong Cares, pursuant to which Huadong Cares has agreed to subcontract to the Company the construction of the luggage tracking system for the Zhengzhou Xinzheng International 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 quality warranty for the above software and hardware for not more than three years.	8,081,772 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 Zhengzhou Xinzheng International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Xi'an Cares	March 9, 2020	March 9, 2020	The Company entered into the Xi'an Cares Ankang Airport Subcontract Agreement 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 Ankang 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 departure system.	10,025,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Xi'an Cares Ankang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Report of Directors

Connected Cares	Date of Announcement	Date of Agreement	Content of Contracts	Contract Sum (RMB)
	September 1, 2020	July 28, 2020	The Company entered into the Xi'an Cares Western Airport Subcontract Agreement with Xi'an Cares, pursuant to which Xi'an Cares has agreed to subcontract to the Company the construction of the Western Airport Project, which includes but not limited to, the provision of data services for the airport operation data statistics analysis system.	1,440,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual provision of services under the Xi'an Cares Western Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		September 1, 2020	The Company entered into the Xi'an Cares Yulin Airport Subcontract Agreement 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 Yulin 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 departure system.	16,646,328 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 Yulin Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

(b) Other one-off connected transaction entered into by the Company in Year 2020**Deemed disposal of 68.39% equity interests in TravelSky Mobile Tech**

As stated in the announcements of the Company dated May 27, 2020 and June 12, 2020, on June 12, 2020, the Company entered into the new capital increase agreement I with TravelSky Mobile Tech, Southern Airlines Capital, Eastern Airlines Investment, Air Traffic Investment Company and TravelSky Capital to replace the original capital increase agreement I entered into by the Company and relevant investors on May 27, 2020, pursuant to which Southern Airlines Capital, Eastern Airlines Investment, Air Traffic Investment Company and TravelSky Capital have agreed to make a capital contribution of RMB241,062,954.75 in total to TravelSky Mobile Tech. On the same day, the Company entered into the new capital increase agreement II with TravelSky Mobile Tech and Yicheng Technology, pursuant to which Yicheng Technology has agreed to make a capital contribution of RMB33,708,636.51 to TravelSky Mobile Tech, and the original capital increase agreement II entered into by the Company, TravelSky Mobile Tech and Yicheng Technology on May 27, 2020 has been terminated.

Above new capital increase agreements have taken effect upon the approval by the State-owned Assets Supervision and Administration Commission of the State Council on June 29, 2020. The above investors have paid relevant capital contribution amount and all procedures of the capital increase above have been completed on September 22, 2020. Upon the completion of the capital increase above, the registered capital of TravelSky Mobile Tech has been increased from RMB60,000,000 to RMB189,813,350 and the balance of the capital increase amount of RMB144,958,241.26 has been contributed to the capital reserve of TravelSky Mobile Tech.

Before the completion of the above capital increase, TravelSky Mobile Tech is a wholly-owned subsidiary of the Company. After the completion of the above capital increase, TravelSky Mobile Tech was held as to 31.61% by the Company, 8.39% by Yicheng Technology, 12% by Southern Airlines Capital, 12% by Eastern Airlines Investment, 12% by Air Traffic Investment Company and 24% by TravelSky Capital, respectively. TravelSky Mobile Tech has ceased to be a subsidiary of the Company and the financial results of TravelSky Mobile Tech has ceased to be consolidated into the financial statements of the Company.

The dilution of the Company's equity interests from 100% to 31.61% in TravelSky Mobile Tech constituted a deemed disposal of TravelSky Mobile Tech under Rule 14.29 of the Listing Rules. As at the date of entering into the new capital increase agreement I, China TravelSky Holding Company Limited is a substantial shareholder of the Company, and TravelSky Capital is a wholly-owned subsidiary of China TravelSky Holding Company Limited. As at the date of entering into the new capital increase agreement I, China Eastern Air Holding Company Limited* (中國東方航空集團有限公司) is a substantial shareholder of the Company, and Eastern Airlines Investment is a wholly-owned subsidiary of China Eastern Air Holding Company Limited* (中國東方航空集團有限公司). Therefore, TravelSky Capital and Eastern Airlines Investment are the connected persons of the Company under the Listing Rules, and the capital contributions made by TravelSky Capital and Eastern Airlines Investment to the TravelSky Mobile Tech under the new capital increase agreement I constitute connected transactions of the Company under the Listing Rules.

Report of Directors

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 financial statements for Year 2020.

AUDITORS

Pursuant to the resolutions passed at the annual general meeting held on June 18, 2020, 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 2020.

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.

The Company has not replaced its international auditor and PRC auditor for Year 2018 to Year 2020.

In light of the adoption of the CASBE, only one set of annual financial statements of the Company prepared under the CASBE for the year ended December 31, 2020 was published by the Company on March 31, 2021. On March 31, 2021, the Board proposed to cease the re-appointment of BDO as the international auditor of the Company and proposed to re-appoint BDO China as the PRC auditor of the Company for the year 2021, subject to the approval by the shareholders of the Company at the AGM. BDO China is a firm of practicing accountants which has been approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission and eligible to provide auditing services by using the CASBE to the mainland incorporated issuers listed in Hong Kong. Upon approval by the shareholders of the Company at the AGM, BDO China will be appointed as the auditor auditing the Company's financial reports in accordance with the CASBE and discharge the duties as an international auditor under the Listing Rules, with a term of office until the conclusion of the 2021 annual general meeting of the Company.

By Order of the Board

Cui Zhixiong

Chairman

March 31, 2021

REPORT OF SUPERVISORY COMMITTEE

Dear shareholders,

For the year ended December 31, 2020, 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 and the seventh session of the Supervisory Committee of the Company convened 5 meetings in Year 2020. The Supervisory Committee reviewed the Company's annual consolidated financial statements for Year 2019, interim financial statements and the "Working Rules of the Supervisory Committee" for Year 2020, 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 the 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".

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 of the Company.

As stated in the announcements dated January 9, 2020, February 27, 2020, December 22, 2020 and February 26, 2021, and the circulars dated January 10, 2020 and January 8, 2021 of the Company:

- According to the resolution of the Staff Representative Meeting of the Company, Mr. Ding Wanzhi and Ms. Liang Shuang acted as the staff supervisors of the Company and Mr. Huang Yuanchang and Mr. Xiao Wei ceased to serve as the staff supervisors of the Company, with effect from January 9, 2020, Mr. Huang Yuanchang subsequently ceased to serve as the Chairman of Supervisory Committee of the Company.
- According to the poll results of the extraordinary general meeting on February 27, 2020, Ms. Zeng Yiwei was re-elected as the supervisor of the seventh session of the Supervisory Committee of the Company and Mr. Zhu Yan was elected as the independent supervisor of the seventh session of the Supervisory Committee of the Company. Meanwhile, Mr. He Haiyan and Mr. Rao Geping ceased to be the supervisors of the Company upon expiration. On the same day, Mr. Ding Wanzhi was elected as the Chairman of the seventh session of the Supervisory Committee of the Company.
- According to the poll results of the extraordinary general meeting on February 26, 2021, Ms. Tang Lichao was elected as the supervisor of the seventh session of the Supervisory Committee of the Company.

Report of Supervisory Committee

The seventh session of the Supervisory Committee of the Company is comprised of: (i) Mr. Ding Wanzhi and Ms. Liang Shuang acted as staff representative supervisors of the seventh session of the Supervisory Committee of the Company; (ii) Ms. Zeng Yiwei and Ms. Tang Lichao acted as the supervisors of the seventh session of the Supervisory Committee of the Company; (iii) Mr. Zhu Yan acted as an independent supervisor of the seventh session of the Supervisory Committee of the Company. Mr. Ding Wanzhi acted as the Chairman of the seventh session of the Supervisory Committee of the Company.

On March 31, 2021, the seventh session of the Supervisory Committee of the Company reviewed the Company's financial statements for Year 2020, and considered that the financial statements gave a true and fair view of the financial position and operation results of the Company and that they were in compliance with the regulations applicable to the Company. The 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 2020.

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 2020, 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, 2020 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 of the seventh session of the Supervisory Committee 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 31, 2021

Auditor's Report

PCPAR (2021) No. ZK21036

To all shareholders of TravelSky Technology Limited:

I OPINION

We have audited the financial statements of TravelSky Technology Limited (hereinafter referred to as the “**Company**”), including the consolidated balance sheet and the balance sheet of the parent company as at December 31, 2020, the consolidated income statement and the income statement of the parent company, the consolidated statement of cash flows and statement of cash flows of the parent company, the consolidated statement of changes in shareholders’ equity and the statement of changes in shareholders’ equity of the parent company for the year then ended and the relevant notes to the financial statements.

In our opinion, the financial statements attached are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and present fairly the consolidated financial positions and the parent company’s financial positions as at December 31, 2020 and the consolidated operating results and cash flows and the parent company’s operating results and cash flows for the year then ended.

II BASIS FOR OUR OPINION

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of this auditor’s report. According to the Code of Ethics for Certified Public Accountants of China, we are independent of the Company, and we have fulfilled other responsibilities in the aspect of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. The response to these matters is based on the overall audit of the financial statements and the formation of audit opinions. We do not express our opinions on these matters separately. We determine to communicate the following key audit matters in the auditor’s report.

III KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How the audit addressed the matter
<p>(II) Impact of its subsidiary TravelSky Mobile Tech's dilution of equity on the consolidated net profit</p> <p>In June 2020, upon the approval of the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC), the Company's wholly-owned subsidiary, TravelSky Mobile Technology Limited. (hereinafter referred to as "TravelSky Mobile Tech") introduced five companies, including TravelSky Capital Management Limited, as shareholders of TravelSky Mobile Tech through a capital increase in a non-public manner. After the capital increase, the Company's shareholding ratio was reduced from 100% to 31.61%. In accordance with the capital increase agreement entered into by the parties and the new "Articles of Association" of TravelSky Mobile Tech, the Company loss controls on TravelSky Mobile Tech, the Company will not include TravelSky Mobile Tech in the scope of consolidation. This matter has a significant impact on consolidated net profit for the period at the Company's consolidation level. For this reason, we identified the impact of TravelSky Mobile Tech's dilution of equity on the net profit of consolidated statement as a key audit matter.</p>	<p>(1) Obtained and reviewed the capital increase agreement signed by and between the Company and the investors, the approval documents of SASAC on the matter, the changed business license and new articles of association of TravelSky Mobile Tech, and bank receipt etc., and confirmed the completion date of the equity dilution and the completion of the capital increase business;</p> <p>(2) Obtained and reviewed the asset valuation report at the point when the Company ceased to include TravelSky Mobile Tech in the scope of consolidation, and examined the appraisal report and the reasonableness of measuring the remaining equity at fair value at the consolidation level, and confirmed the calculation of the Company's investment income at the individual statement level and the consolidated statement level.</p>

For details of the investment income please refer to note 5.50, and for the details of the "change of the consolidation scope" please refer to note 6.

III KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How the audit addressed the matter
<p>(II) Impairment test of goodwill</p> <p>See Note 3.18 for details of disclosure of accounting policies and estimates on the impairment of goodwill.</p> <p>1. Description of the matter</p> <p>As at December 31, 2020, TravelSky Technology Singapore Pte. Ltd., a wholly-owned subsidiary of the Company with goodwill amounted RMB152.3 million, the Management required to perform impairment test annually.</p> <p>The impairment assessment for goodwill involves key assumptions such as revenue growth rate, gross margin, expense ratio and discount rate, and the impairment test involves complex work and requires significant judgment of the Management; therefore, we identified the impairment test of goodwill as a key audit matter.</p>	<p>(1) Understanding, evaluating and testing the Company's key internal controls related to the impairment of goodwill;</p> <p>(2) Evaluating the reasonableness and consistency of the methods used by the Management in the impairment test;</p> <p>(3) Analyzing management's determination of the asset group or combination of asset groups to which the goodwill belongs and the key assumptions and methods used in performing the goodwill impairment test, and checking the reasonableness of the relevant assumptions and methods;</p> <p>(4) Understanding and evaluating the work of the external valuation experts and analyzing the competence, professionalism and objectivity of the work of the external valuation experts;</p> <p>(5) Analyzing and evaluating whether the disclosures in the financial statements regarding the goodwill impairment test comply with the requirements of the Accounting Standards for Business Enterprises.</p>

Auditor's Report

III KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters

How the audit addressed the matter

(III) Testing for impairment of receivables

As at December 31, 2020, the carrying amount of the Company's accounts receivable was RMB5,441.8 million and the Management has provided expected credit losses of RMB996.5 million. The Management made significant judgment in assessing the recoverability of accounts receivable. The Management made assessment based on past experience, including customer repayment records, customer financial condition and aging of receivables, assessment of the present and expected economic environment, to make judgments on the expected solvency of the debtor, all of which involved significant judgments on the Management. Therefore, we identified the impairment testing of receivables as a key audit matter.

- (1) Analyzed the reasonableness of the accounting estimates for the provision for impairment of the Company's accounts receivable, including the basis for the receivable portfolio and the judgment of the individual provision for expected credit losses.
- (2) Assessed whether the historical loss rates used in the expected credit loss model were based on the present economic conditions and expected information.
- (3) Obtained the aging schedule of accounts receivable and the calculation table for provisions for impairment of the Company and recalculated whether the calculation of the expected credit loss model was accurate.
- (4) For significant accounts receivable, check the debtor's past payment record and subsequent repayment records, evaluate the accuracy of the provision for expected credit loss, through analyzing the age of accounts receivable, the customer's financial status and the expected status and reputation of the industry.

IV OTHER INFORMATION

The management of the Company (hereinafter referred to as the "Management") is responsible for other information. The other information comprises the information covered in the 2020 annual report of the Company, but excludes the financial statements and our auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

V RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the Management is responsible for assessing the ability of the Company to continue as a going concern, disclosing matters related to going concern (if applicable) and using the going concern basis of accounting, unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company.

Auditor's Report**VI AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are generally considered material if separate or aggregated misstatements are reasonably expected to possibly influence the economic decisions made by the users of financial statements on the basis of these financial statements.

During the process of an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional skepticism. We also:

- (1) Identify and assess the risks of material misstatement of the 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.
- (2) Understand the 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the going-concern assumption. Meanwhile, according to the audit evidence acquired, the management comes to conclusion on matters which may cause significant misgiving against the going-concern ability of the Company or whether the said situation exists material uncertainty or not. If we conclude that a material uncertainty exists, we are required to, in our auditor's report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should 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 Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) We have acquired sufficient and proper audit evidence in regard to financial information relating to entity or business activities of the Company to give the audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

VI AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless these matters are forbidden by laws and regulations to be disclosed or in extremely rare circumstances, when the negative impact arising from the reasonable and expected communication about a certain matter in a auditor's report exceeds the public interest benefits arising therefrom, we determine that such matter should not be communicated in the auditor's report.

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China:
Xiao Yong (Project Partner)

Certified Public Accountant of China:
Yang Jianli

Shanghai, China

March 31, 2021

This auditor's report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China.

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Assets	Notes	Balance as at December 31, 2020	Balance as at December 31, 2019
Current assets:			
Cash and cash equivalents	5.1	4,457,255,676.51	5,269,547,947.45
Balances with clearing companies			
Loans to banks and other financial institutions			
Financial assets held for trading	5.2	800,028,493.15	
Derivative financial assets			
Notes receivable	5.3	108,668,919.80	390,605,087.90
Accounts receivable	5.4	4,445,315,617.15	4,231,887,437.83
Receivables financing			
Advances to suppliers	5.5	176,440,157.02	182,561,925.80
Premiums receivable			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables	5.6	922,748,962.53	1,560,927,224.03
Financial assets purchased under resale agreements			
Inventories	5.7	77,597,543.53	48,231,750.98
Contract assets	5.8	133,515,605.31	9,946,729.30
Assets held for sale			
Non-current assets maturing within one year	5.9	922,750,037.84	1,100,000,000.00
Other current assets	5.10	1,646,770,233.88	1,514,466,108.50
Total current assets		13,691,091,246.72	14,308,174,211.79
Non-current assets:			
Disbursement of loans and advances			
Creditor's right investment	5.11		900,000,000.00
Other creditors' right investment			
Long-term receivables			
Long-term equity investments	5.12	670,124,379.69	388,187,556.10
Investment in other equity instruments	5.13	893,202,600.00	883,750,000.00
Other non-current financial assets	5.14	82,315,300.00	
Investment properties	5.15	110,002,932.41	118,541,081.37
Fixed assets	5.16	4,242,379,666.41	4,417,426,956.40
Construction in progress	5.17	23,733,542.62	49,019,244.92
Productive biological assets			
Oil and gas assets			
Right-of-use assets	5.18	100,661,080.67	151,557,438.56
Intangible assets	5.19	1,759,713,955.22	1,922,179,996.77
Development expenditures	5.20	310,092,511.88	135,475,030.12
Goodwill	5.21	260,400.76	156,250,372.93
Long-term deferred expenses	5.22	3,956,875.09	8,290,290.63
Deferred tax assets	5.23	357,591,359.89	209,721,560.24
Other non-current assets	5.24	524,150,216.91	
Total non-current assets		9,078,184,821.55	9,340,399,528.04
Total assets		22,769,276,068.27	23,648,573,739.83

Consolidated Balance Sheet

As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note	Balance as at December 31, 2020	Balance as at December 31, 2019
Current liabilities:			
Short-term borrowings			
Borrowings from central bank			
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	5.25	1,799,529,173.62	1,685,362,715.95
Advances from customers	5.26	115,200.00	
Contract liabilities	5.27	155,713,280.20	181,421,301.08
Financial assets sold under repurchase agreements			
Absorption of deposits and interbank deposit			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee compensation payable	5.28	327,616,032.55	268,364,598.38
Taxes and surcharges payable	5.29	141,966,524.65	88,511,478.60
Other payables	5.30	1,349,011,112.20	1,891,250,092.68
Handling charges and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year	5.31	76,146,476.84	72,765,245.39
Other current liabilities	5.32	8,675,292.95	13,257,153.78
Total current liabilities		3,858,773,093.01	4,200,932,585.86

Consolidated Balance Sheet

As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note	Balance as at December 31, 2020	Balance as at December 31, 2019
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities	5.33	27,347,493.33	80,091,086.17
Long-term payables	5.34	420,237.65	495,709.35
Long-term employee compensation payable			
Estimated liabilities	5.35	4,488.00	
Deferred income	5.36	84,748,888.89	91,390,000.00
Deferred tax liabilities	5.23	29,823,737.12	39,959,801.54
Other non-current liabilities			
Total non-current liabilities		142,344,844.99	211,936,597.06
Total liabilities		4,001,117,938.00	4,412,869,182.92
Shareholders' equity:			
Share capital	5.37	2,926,209,589.00	2,926,209,589.00
Other equity instruments			
Including: preferred stock			
Perpetual bonds			
Capital reserves	5.38	1,159,410,625.06	1,159,410,625.06
Less: treasury stock			
Other comprehensive income	5.39	18,845,593.64	18,560,932.11
Special reserves			
Surplus reserves	5.40	3,935,022,105.66	3,711,752,429.87
General risk reserves	5.41	6,984,649.60	5,224,825.65
Undistributed profits	5.42	10,249,328,657.65	10,957,232,941.03
Total equity attributable to shareholders' of the parent company		18,295,801,220.61	18,778,391,342.72
Minority interest		472,356,909.66	457,313,214.19
Total shareholders' equity		18,768,158,130.27	19,235,704,556.91
Total liabilities and shareholders' equity		22,769,276,068.27	23,648,573,739.83

BALANCE SHEET OF THE PARENT COMPANY

As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Assets	Note	Balance as at December 31, 2020	Balance as at December 31, 2019
Current assets:			
Cash and cash equivalents		2,219,301,794.60	2,213,632,360.32
Financial assets held for trading		800,028,493.15	
Derivative financial assets			
Notes receivable	15.1	108,668,919.80	390,101,287.90
Accounts receivable	15.2	4,206,645,282.63	3,984,373,335.15
Receivables financing			
Advances to suppliers		147,077,154.49	159,758,180.37
Other receivables	15.3	275,497,265.06	410,991,451.55
Inventories		13,984.30	157,913.50
Contract assets		121,801,084.58	4,050,944.19
Assets held for sale			
Non-current assets maturing within one year		922,750,037.84	1,100,000,000.00
Other current assets		1,591,277,590.18	1,480,742,326.88
Total current assets		10,393,061,606.63	9,743,807,799.86
Non-current assets:			
Creditor's right investment			900,000,000.00
Other creditors' right investment			
Long-term receivables			
Long-term equity investments	15.4	2,539,645,236.07	2,545,010,863.99
Investment in other equity instruments		893,202,600.00	883,750,000.00
Other non-current financial assets		82,315,300.00	
Investment properties		109,550,576.77	117,794,218.12
Fixed assets		3,690,799,132.62	3,827,367,788.98
Construction in progress		20,412,051.23	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		70,616,599.86	103,548,660.47
Intangible assets		1,611,581,810.17	1,743,283,802.52
Development expenditures		329,357,725.35	158,233,785.44
Goodwill			
Long-term deferred expenses		2,013,976.08	5,188,191.71
Deferred tax assets		351,102,918.74	203,137,906.04
Other non-current assets			
Total non-current assets		9,700,597,926.89	10,487,315,217.27
Total assets		20,093,659,533.52	20,231,123,017.13

Balance Sheet of the Parent Company

As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note	Balance as at December 31, 2020	Balance as at December 31, 2019
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		1,936,905,182.98	1,859,767,223.51
Advances from customers			
Contract liabilities		109,381,480.59	107,613,772.33
Employee compensation payable		227,646,103.26	174,588,192.39
Taxes and surcharges payable		107,267,069.90	38,399,017.79
Other payables		2,404,522,033.86	1,910,110,802.27
Liabilities held for sale			
Non-current liabilities maturing within one year		61,938,660.93	50,837,968.78
Other current liabilities		6,606,473.78	6,456,826.34
Total current liabilities		4,854,267,005.30	4,147,773,803.41
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities		10,311,494.44	54,138,458.88
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities			
Deferred income		84,648,888.89	91,390,000.00
Deferred income tax liabilities		6,949,440.51	15,503,518.78
Other non-current liabilities			
Total non-current liabilities		101,909,823.84	161,031,977.66
Total liabilities		4,956,176,829.14	4,308,805,781.07

Balance Sheet of the Parent Company

As at December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note	Balance as at December 31, 2020	Balance as at December 31, 2019
Shareholders' equity:			
Share capital		2,926,209,589.00	2,926,209,589.00
Other equity instruments			
Including: preferred stock			
Perpetual bonds			
Capital reserves		1,255,654,385.67	1,255,654,385.67
Less: treasury stock			
Other comprehensive income		18,202,600.00	8,750,000.00
Special reserves			
Surplus reserves		3,929,515,913.46	3,706,246,237.67
Undistributed profits		7,007,900,216.25	8,025,457,023.72
Total shareholders' equity		15,137,482,704.38	15,922,317,236.06
Total liabilities and shareholders' equity		20,093,659,533.52	20,231,123,017.13

CONSOLIDATED INCOME STATEMENT

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
I. Total operating revenue		5,485,576,735.75	8,121,672,873.94
Including: operating revenue	5.43	5,485,576,735.75	8,121,672,873.94
Interest income			
Premiums earned			
Handling fee and commission income			
II. Total operating costs		4,817,394,008.03	5,541,245,296.38
Including: operating cost	5.43	3,085,918,226.02	3,625,753,136.19
Interest expenses			
Handling charges and commission expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance liability reserves			
Commissions on insurance policies			
Cession charges			
Taxes and surcharges	5.44	82,823,299.06	84,499,335.07
Selling and distribution expenses	5.45	117,350,403.38	147,474,950.72
General and administrative expenses	5.46	930,086,253.46	1,036,181,092.18
Research and development expenses	5.47	691,616,213.97	757,733,363.08
Financial expenses	5.48	-90,400,387.86	-110,396,580.86
Including: interest expenses		5,820,988.65	7,440,660.44
Interest income		117,450,311.49	91,655,403.37
Plus: other income	5.49	55,801,003.02	59,751,783.10
Investment income ("-" for losses)	5.50	538,933,267.73	201,082,307.12
Including: income from investment in associates and joint ventures		34,385,380.05	62,936,904.33
Income from derecognition of financial assets measured at amortized cost			
Gains from foreign exchange ("-" for losses)			
Income from net exposure hedging ("-" for losses)			
Gains from the changes in fair value ("-" for losses)	5.51	-7,005,845.66	-9,668,077.83
Losses from credit impairment ("-" for losses)	5.52	-696,010,142.47	-43,413,358.54
Losses from asset impairment ("-" for losses)	5.53	-235,074,061.29	-1,248,195.51
Gains from disposal of assets ("-" for losses)	5.54	11,839.37	330,883.40

Consolidated Income Statement

For the Year Ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
III. Operating profits ("-" for losses)		324,838,788.42	2,787,262,919.30
Plus: non-operating revenue	5.55	4,119,979.39	33,266,396.68
Less: non-operating expenses	5.56	14,797,391.63	17,707,883.98
IV. Total profits ("-" for total losses)		314,161,376.18	2,802,821,432.00
Less: income tax expenses	5.57	-97,775,354.51	217,309,227.77
V. Net profit ("-" for net loss)		411,936,730.69	2,585,512,204.23
(I) Classified by operating sustainability			
1. Net profit from continuing operations ("-" for net loss)		411,936,730.69	2,585,512,204.23
2. Net profit from discontinued operation ("-" for net losses)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company ("-" for net loss)		362,799,787.58	2,526,005,844.73
2. Minority interest income ("-" for net loss)		49,136,943.11	59,506,359.50
VI. Other comprehensive income, net of tax		284,661.53	10,910,291.34
Other comprehensive income, net of tax attributable to shareholders of the parent company		284,661.53	10,910,291.34
(I) Other comprehensive income that cannot be reclassified into profit or loss		9,452,600.00	8,750,000.00
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment		9,452,600.00	8,750,000.00
4. Changes in the fair value of the company's own credit risk			

Consolidated Income Statement

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
(II) Other comprehensive income that will be reclassified into profit or loss		-9,167,938.47	2,160,291.34
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of other creditor's right investment			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other creditor's rights investment			
5. Cash flow hedging reserves			
6. Differences arising from translation of foreign-currency financial statements		-9,167,938.47	2,160,291.34
7. Others			
Other comprehensive income, net of tax, attributable to minority shareholders			
VII. Total comprehensive income		412,221,392.22	2,596,422,495.57
Total comprehensive income attributable to shareholders of the parent company		363,084,449.11	2,536,916,136.07
Total comprehensive income attributable to minority shareholders		49,136,943.11	59,506,359.50
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	5.58	0.12	0.87
(II) Diluted earnings per share (RMB/share)			

INCOME STATEMENT OF THE PARENT COMPANY

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
I. Operating revenue	15.5	4,045,025,717.52	6,191,862,445.87
Less: operating cost	15.5	2,409,416,320.32	2,782,272,399.92
Taxes and surcharges		66,563,611.71	66,266,116.77
Selling and distribution expenses		44,313,343.40	59,844,294.30
General and administrative expenses		591,743,583.50	648,051,934.80
Research and development expenses		456,238,473.92	584,140,685.24
Financial expenses		-16,520,993.19	-39,091,877.79
Including: interest expenses		4,122,215.17	5,494,983.49
Interest income		44,044,774.16	36,514,139.56
Plus: other income		26,352,762.56	25,735,757.57
Investment income ("-" for losses)	15.6	159,675,175.05	199,994,626.88
Including: income from investment in associates and joint ventures		68,399,092.90	63,131,067.67
Income from derecognition of financial assets measured at amortized cost			
Income from net exposure hedging ("-" for losses)			
Gains from changes in fair value ("-" for losses)		-7,005,845.66	-9,668,077.83
Losses from credit impairment ("-" for losses)		-666,408,016.35	-55,592,802.70
Losses from asset impairment ("-" for losses)		-13,925,360.32	-255,805.81
Income from disposal of assets ("-" for losses)		84,203.62	333,385.33
II. Operating profits ("-" for losses)		-7,955,703.24	2,250,925,976.07
Plus: non-operating revenue		2,257,776.42	21,720,401.59
Less: non-operating expenses		12,535,937.24	17,038,107.98
III. Total profits ("-" for total losses)		-18,233,864.06	2,255,608,269.68
Less: income tax expenses		-137,548,024.42	142,225,672.16
IV. Net profit ("-" for net loss)		119,314,160.36	2,113,382,597.52
(I) Net profit from continued operation ("-" for net loss)		119,314,160.36	2,113,382,597.52
(II) Net profit from discontinued operation ("-" for net loss)			

Income Statement of the Parent Company

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
V. Other comprehensive income, net of tax		9,452,600.00	8,750,000.00
(I) Other comprehensive income that cannot be reclassified into profit or loss		9,452,600.00	8,750,000.00
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment		9,452,600.00	8,750,000.00
4. Changes in the fair value of the company's own credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of other creditor's right investment			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other creditor's rights investment			
5. Cash flow hedging reserves			
6. Differences arising from translation of foreign-currency financial statements			
7. Others			
VI. Total comprehensive income		128,766,760.36	2,122,132,597.52
VII. Earnings per share			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		5,266,255,140.18	8,151,259,076.49
Net increase in customer deposits and deposits from other banks and financial institutions			
Net increase in borrowings from central banks			
Net increase in loans from other financial institutions			
Cash received from receiving insurance premium of original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, handling charges and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Net cash received from vicariously traded securities			
Refunds of taxes and surcharges		177,641,190.92	151,486,347.89
Cash received from other operating activities	5.60	62,283,876,703.68	130,500,646,658.65
Sub-total of cash inflows from operating activities		67,727,773,034.78	138,803,392,083.03
Cash paid for goods purchased and services received		2,095,266,837.61	3,022,242,049.99
Net increase in customers' loans and advances			
Net increase in deposits with central bank and with banks and other financial institutions			
Cash paid for original insurance contract claims			
Net increase in loans to banks and other financial institutions			
Cash paid for interest, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		1,836,686,089.54	1,980,075,028.15
Cash paid for taxes and surcharges		493,946,655.34	781,149,674.30
Cash paid for other operating activities	5.60	63,137,658,847.10	130,906,522,622.92
Sub-total of cash outflows from operating activities		67,563,558,429.59	136,689,989,375.36
Net cash flows from operating activities		164,214,605.19	2,113,402,707.67

Consolidated Statement of Cash Flow

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
II. Cash flows from investing activities			
Cash received from disposal of investments		5,400,000,000.00	6,692,143,256.03
Cash received from returns on investments		119,181,753.43	170,295,404.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		263,268.85	1,052,852.67
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities	5.60		
Sub-total of cash inflows from investing activities		5,519,445,022.28	6,863,491,512.81
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		533,597,450.74	795,340,143.33
Cash paid for investments		5,289,349,638.81	6,829,984,323.48
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities	5.60	8,404,155.22	
Sub-total of cash outflows from investing activities		5,831,351,244.77	7,625,324,466.81
Net cash flows from investing activities		-311,906,222.49	-761,832,954.00
III. Cash flows from financing activities			
Cash from absorption of investments		247,804,683.26	
Including: cash received by subsidiaries from investment by minority shareholders			
Cash received from borrowings			
Cash received from other financing activities	5.60		
Sub-total of cash inflows from financing activities		247,804,683.26	
Cash paid for debts repayments			
Cash paid for distribution of dividends and profits or payment of interest		841,148,818.86	866,110,319.11
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid for other financing activities	5.60	97,777,768.88	90,776,572.14
Sub-total of cash outflows from financing activities		938,926,587.74	956,886,891.25
Net cash flows from financing activities		-691,121,904.48	-956,886,891.25
IV. Effect of fluctuation in exchange rate on cash and cash equivalents			
		-23,180,493.08	18,014,274.73
V. Net increase in cash and cash equivalents			
Plus: beginning balance of cash and cash equivalents		5,226,929,496.55	4,814,232,359.40
VI. Ending balance of cash and cash equivalents		4,364,935,481.69	5,226,929,496.55

STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		3,581,406,183.85	5,860,873,870.62
Refund of taxes and surcharges		168,211,497.40	141,606,312.47
Cash received from other operating activities		697,673,595.20	205,909,671.93
Sub-total of cash inflows from operating activities		4,447,291,276.45	6,208,389,855.02
Cash paid for goods purchased and services received		1,753,341,121.80	2,658,942,707.15
Cash paid to and on behalf of employees		961,693,021.37	1,012,509,046.74
Cash paid for taxes and surcharges		350,758,511.83	610,758,691.64
Cash paid for other operating activities		357,191,004.50	620,524,591.52
Sub-total of cash outflows from operating activities		3,422,983,659.50	4,902,735,037.05
Net cash flows from operating activities		1,024,307,616.95	1,305,654,817.97
II. Cash flows from investing activities			
Cash received from disposal of investments		5,550,000,000.00	6,808,143,256.03
Cash received from returns on investments		129,408,890.29	183,931,647.94
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		234,395.55	1,014,614.04
Net cash received from disposal of subsidiaries and other business units			54,793,099.27
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		5,679,643,285.84	7,047,882,617.28
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		457,707,512.37	669,588,868.83
Cash paid for investments		5,319,349,638.81	7,005,000,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		5,777,057,151.18	7,674,588,868.83
Net cash flows from investing activities		-97,413,865.34	-626,706,251.55

Statement of Cash Flows of the Parent Company

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Year 2020	Year 2019
III. Cash flows from financing activities			
Cash from absorption of investments			
Cash received from borrowings			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities			
Cash paid for debts repayments			
Cash paid for distribution of dividends and profits or payment of interest		828,700,445.22	854,894,022.94
Cash paid for other financing activities		75,695,049.59	74,699,476.63
Sub-total of cash outflows from financing activities		904,395,494.81	929,593,499.57
Net cash flows from financing activities		-904,395,494.81	-929,593,499.57
IV. Effect of fluctuation in exchange rate on cash and cash equivalents			
		-9,615,672.57	-1,147,491.41
V. Net increase in cash and cash equivalents			
Plus: beginning balance of cash and cash equivalents		12,882,584.23	-251,792,424.56
		2,202,217,158.32	2,454,009,582.88
VI. Ending balance of cash and cash equivalents			
		2,215,099,742.55	2,202,217,158.32

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2020							Total shareholders' equity					
	Share capital	Preferred stock	Perpetual bonds	Other equity instruments	Equity attributable to shareholders of the parent company	Minority interest							
				Others	Capital reserves	Less: treasury stock	Other comprehensive income	Surplus reserves	General risk reserves	Undistributed profits	Sub-total		
I. Balance as at December 31, 2019	2,926,209,589.00				1,159,410,625.06		18,540,932.11	3,711,752,429.87	5,224,825.65	10,957,232,941.03	18,778,391,342.72	457,313,214.19	19,235,704,556.91
Plus: changes in accounting policies													
Correction of accounting errors in prior period													
Business combination under common control													
Others													
II. Balance as at January 1, 2020	2,926,209,589.00				1,159,410,625.06		18,540,932.11	3,711,752,429.87	5,224,825.65	10,957,232,941.03	18,778,391,342.72	457,313,214.19	19,235,704,556.91
III. Increases/decreases in 2020 ("+" for increases)													
(I) Total comprehensive income							284,661.53	223,269,675.79	1,759,823.95	-707,904,383.38	-482,590,122.11	15,043,695.47	-447,544,426.64
(II) Capital contributed or reduced by shareholders							284,661.53			362,799,787.58	363,084,449.11	49,136,943.11	412,221,392.22
1. Common stock contributed by shareholders													
2. Capital contributed by the holders of other equity instruments													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Others													
(III) Profit distribution								223,269,675.79	1,759,823.95	-1,070,704,070.96	-845,674,571.22	-34,093,247.64	-879,767,818.86
1. Withdrawal of surplus reserves								223,269,675.79		-223,249,675.79			
2. Withdrawal of general risk reserves									1,759,823.95	-1,759,823.95			
3. Profit distributed to shareholders										-845,674,571.22	-845,674,571.22	-34,093,247.64	-879,767,818.86
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Conversion of capital reserves into paid-in capital (or share capital)													
2. Conversion of surplus reserves into paid-in capital (or share capital)													
3. Losses offset by surplus reserves													
4. Carry-forward of changes in the defined benefit plan for retained earnings													
5. Carry-forward of other comprehensive income for retained earnings													
6. Others													
(V) Special reserves													
1. Amount withdrawn in 2020													
2. Amount used in 2020													
(VI) Others													
IV. Balance as at December 31, 2020	2,926,209,589.00				1,159,410,625.06		18,845,593.64	3,935,022,105.66	6,984,649.60	10,249,328,657.65	18,295,801,220.61	472,356,909.66	18,768,158,130.27

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2019															
	Share capital	Preferred stock	Perpetual bonds	Other equity instruments	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Risk reserves	General reserves	Undistributed profits	Sub-total	Minority interest	Total shareholders' equity
I. Balance as at December 31, 2018	2,926,209,589.00					1,159,410,625.06		7,650,640.77	3,303,930,103.48	4,774,967.21	4,774,967.21	9,626,649,660.57	17,028,625,586.09	417,977,322.41	17,446,602,908.50	
Plus: changes in accounting policies																
Correction of accounting errors in prior period																
Business combination under common control																
Others																
II. Balance as at January 1, 2019	2,926,209,589.00					1,159,410,625.06		7,650,640.77	3,303,930,103.48	4,774,967.21	4,774,967.21	9,626,649,660.57	17,028,625,586.09	417,977,322.41	17,446,602,908.50	
III. Increases/decreases in 2019 ("-" for decreases)																
(I) Total comprehensive income							10,910,291.34	10,910,291.34	407,822,326.39	449,858.44	449,858.44	1,330,583,280.46	1,749,765,756.63	39,335,891.78	1,789,101,648.41	
(II) Capital contributed or reduced by shareholders												2,526,005,844.73	2,526,005,844.73	59,506,359.50	2,585,422,495.57	
1. Common stock contributed by shareholders																
2. Capital contributed by the holders of other equity instruments																
3. Amounts of share-based payments recognized in shareholders' equity																
4. Others																
(III) Profit distribution																
1. Withdrawal of surplus reserves									407,822,326.39	449,858.44	449,858.44	-1,195,422,564.27	-787,150,379.44	-20,170,463.72	-807,320,847.16	
2. Withdrawal of general risk reserves									407,822,326.39	449,858.44	449,858.44	-407,822,326.39				
3. Profit distributed to shareholders																
4. Others																
(IV) Internal carry-forward of shareholders' equity																
1. Conversion of capital reserves into paid-in capital (or share capital)																
2. Conversion of surplus reserves into paid-in capital (or share capital)																
3. Losses offset by surplus reserves																
4. Carry-forward of changes in the defined benefit plan for retained earnings																
5. Carry-forward of other comprehensive income for retained earnings																
6. Others																
(V) Special reserves																
1. Amount withdrawn in 2019																
2. Amount used in 2019																
(VI) Others																
IV. Balance as at December 31, 2019	2,926,209,589.00					1,159,410,625.06	18,560,932.11	18,560,932.11	3,711,752,429.87	5,224,825.65	5,224,825.65	10,957,232,941.03	18,778,391,342.72	457,313,214.19	19,235,704,556.91	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

For the Year Ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Share capital	Other equity instruments			Year 2020				Total shareholders' equity		
		Preferred stock	Perpetual bonds	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves		Surplus reserves	Undistributed profits
I. Balance as at December 31, 2019	2,926,209,589.00				1,255,654,385.67		8,750,000.00		3,706,246,237.67	8,025,457,023.72	15,922,317,236.06
Plus: changes in accounting policies											
Correction of accounting errors in prior period											
Others											
II. Balance as at January 1, 2020	2,926,209,589.00				1,255,654,385.67		8,750,000.00		3,706,246,237.67	8,025,457,023.72	15,922,317,236.06
III. Increases/decreases in 2020 ("-" for decreases)											
(I) Total comprehensive income							9,452,600.00			-1,017,556,807.67	-784,834,531.68
(II) Capital contributed or reduced by shareholders							9,452,600.00		223,269,675.79	119,314,160.36	128,766,760.36
1. Common stock contributed by shareholders											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Profit distribution											
1. Withdrawal of surplus reserves									223,269,675.79	-1,068,944,247.01	-67,926,720.82
2. Profit distributed to shareholders									223,269,675.79	-223,269,675.79	
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Losses offset by surplus reserves											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserves											
1. Amount withdrawn in 2020											
2. Amount used in 2020											
(VI) Others											
IV. Balance as at December 31, 2020	2,926,209,589.00				1,255,654,385.67		18,202,600.00		3,929,515,913.46	7,007,900,216.25	15,137,482,704.38

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

1 COMPANY PROFILE

1.1 Company overview

TravelSky Technology Limited (hereinafter referred to as the “Company” or “the Company”) was incorporated in Beijing, the People’s Republic of China on October 18, 2000, with a total share capital of RMB577,303,500.00 and par value of RMB1.00 per share at the time of establishment.

On February 7, 2001, the Company completed its initial offering of shares (H shares) to overseas investors and listed on the Stock Exchange of Hong Kong Ltd. (the “SEHK”), increasing its total share capital to RMB888,157,500.00 after the offering.

On June 5, 2007, at the annual and extraordinary general shareholders’ meeting of the Company, the Company approved to distribute bonus at RMB1.00 par value per share to shareholders with the capital reserves-equity premiums of RMB888,157,500.00, totaling 888,157,500.00 shares for each existing share for one share, and meanwhile increased the share capital of the Company. After the conversion, the number of ordinary shares of the Company increased from 888,157,500.00 shares to 1,776,315,000.00 shares and the total share capital increased to RMB1,776,315,000.00.

In 2009, the Company issued 174,491,393.00 ordinary shares to China TravelSky Holding Company Limited (formerly known as China TravelSky Holding Company, hereinafter referred to as “CTH”) as all equities of China Accounting Center of China Aviation Limited Company (hereinafter referred to as “China Aviation Accounting”) acquired by the Company from CTH and the consideration for property located at Dongxing Lane, Chaoyang District, Beijing, China (Among which, 137,499,218.00 shares used for acquisition of China Aviation Accounting and 36,992,175.00 shares used for acquisition of the property). Upon completion of the acquisition, the number of ordinary shares of the Company increased from 1,776,315,000.00 shares to 1,950,806,393.00 shares and the total share capital increased to RMB1,950,806,393.00.

In accordance with the resolution of the 2010 annual general meeting, the Company was approved issue bonus of RMB975,403,196.00 by way of allocation of its reserves and retained earnings to capital, increase its share capital with discretionary surplus (RMB487,701,598.00) and undistributed profits (RMB487,701,598.00), and distribute the bonus to the shareholders of the Company whose names appeared on its register of shareholders on June 28, 2011, with one bonus share for every two shares of the Company held at that time, and the total share capital of the Company after the capital increase increased to RMB2,926,209,589.00.

The industry in which the Company operates is: other air transportation auxiliary activities.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

1 COMPANY PROFILE (CONTINUED)

1.1 Company overview (Continued)

The Company's business scope includes: licensed business items: Internet information service business (specific service items are subject to the operation license of telecommunication and information service business). General business items: contracting of computer software and hardware engineering projects; research, development, production, sales or leasing of computer software, hardware, peripherals and network products, and technical consulting and technical services related to the above business; import and export business; business information and tourism information consulting; professional contracting of items such as system integration, electronic engineering and airport air traffic control engineering and terminal building weak electrical system engineering projects. (The Company may independently choose business items and conduct business activities according to law; any item that need to be approved according to law shall be carried out after acquiring the approval of related administration; any operating activity of the item banned and restricted by Beijing industrial policy may not be conducted.)

The business nature of the Company is: aviation information technology services.

The Company handles the combination of the business license, organization code certificate and tax registration certificate into one certificate on April 11, 2016, and the existing unified social credit code: 9111000071092729XP. The legal representative of the Company was changed from Xu Qiang to Cui Zhixiong.

As of December 31, 2020, the total cumulative share capital issued by the Company was 2,926,209,589 shares, and the registered capital was RMB2,926,209,589.00. Registered office: No. 7 Yumin Street, Houshayu Town, Shunyi District, Beijing.

Legal representative: Cui Zhixiong.

The Company's main business activities are: the Company provides a full range of services such as air passenger business processing, air travel electronic distribution, airport passenger processing, air cargo data processing, Internet travel platform, international and domestic passenger and cargo revenue management system and application, and agency settlement and clearing for airlines, airports, air ticket sales agents, tourism enterprises and civil aviation-related institutions and international organizations.

The parent company of the Company is China TravelSky Holding Company Limited, and the effective controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council of China.

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

The financial statements have been approved by the Company's board of directors on March 31, 2021.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

1 COMPANY PROFILE (CONTINUED)

1.2 Scope of consolidated financial statements

See “Note 7. Equity in other entities” for details of subsidiaries of the Company.

See “Note 6. Changes in consolidation scope” for details of the changes in consolidation scope during the report period.

2 BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

2.1 Basis of preparation

As per the Company’s announcements dated December 29, 2020 and February 26, 2021, and the circular dated January 8, 2021, according to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Stock Exchange in December 2010, the board of directors of the Company and the general meeting of shareholders approved that start from 2020, the financial statements of the Company will not prepared in accordance with the International Financial Reporting Standards, the board of directors of the Company will prepare the annual financial report in accordance with the China Accounting Standards for Business Enterprises, in order to improve the efficiency and reduce the cost of disclosures.

The Company prepares financial statements in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the “Accounting Standards for Business Enterprises”), as well as the disclosure provisions of the Rules for the Compilation and Submission of “Information Disclosure by Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reports” issued by the China Securities Regulatory Commission.

2.2 Going concern

The financial statements are prepared on a going concern basis.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following contents disclosed have covered the specific accounting policies and accounting estimates formulated according to the characteristics of actual production and business operation by the Company.

3.1 Statement on compliance with Accounting Standards for Business Enterprises

The financial statements meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated financial position and the parent company's financial position as at December 31, 2020, and the consolidated operating results and the parent company's operating results, the consolidated cash flows and the parent company's cash flows for the year then ended.

3.2 Accounting Period

The accounting year is from January 1 to December 31 in calendar year.

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

The Company adopts RMB as its functional currency.

3.5 Accounting treatment methods for business combinations under common control and not under common control

Business combination under common control: for the assets and liabilities acquired from business combination by the combining party (including the goodwill formed by the acquisition by the final controller of the combinee), they are measured at book value of assets and liabilities in the consolidated financial statements of the final controller on the combination date. The stock premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the stock premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

Business combination not under common control: the combination costs are the fair value, on the acquisition date, of any assets acquired, any liabilities incurred or assumed, and any equity securities issued by the acquirer, in exchanges for the right of control over the acquiree. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss. The identifiable assets, liabilities and contingent liabilities of the acquiree that are obtained by the acquirer from combination and conform to the recognition criteria shall be measured at the fair value on the acquisition date.

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.5 Accounting treatment methods for business combinations under common control and not under common control (Continued)

Direct relevant expenses arising from the business combination are included in the current profit or loss upon occurrence. Trading expenses on issuing equity securities or debt securities for the business combination are included in the initially recognized amount of the equity securities or the debt securities.

3.6 Preparation method of consolidated financial statements

3.6.1 Scope of consolidation

The consolidation scope of consolidated financial statements is determined on the basis of control, covering the Company and all the subsidiaries. Control means the Company has the power over the investee and enjoys the variable return through participating in activities related to the investee, and has the ability to affect the Company's return by using the power over the investee.

3.6.2 Procedures for consolidation

The Company regards the entire enterprise group as an accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial status, operating results and cash flow of the enterprise group. The influence of internal transactions between the Company and its subsidiaries or between subsidiaries shall be offset. If internal transactions indicate that the relevant assets have suffered impairment losses, this part of losses shall be confirmed in full. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policies and accounting periods of the Company.

The share of shareholders' equity, current net profit or loss and current comprehensive income of subsidiaries attributable to minority shareholders are respectively and separately presented under the shareholders' equity in the consolidated balance sheet, the net profit in the consolidated income statement, and the total comprehensive income in the consolidated income statement. If the current loss shared by a minority shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the minority shareholder in the shareholders' equity of the subsidiary at the beginning of the period, minority equity will be written down accordingly.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 Preparation method of consolidated financial statements (Continued)

3.6.2 Procedures for consolidation (Continued)

(1) Increase of subsidiaries or business

During the reporting period, where the Company acquired subsidiaries or business from the business combination under common control, the operating results and cash flows of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the reporting period are included in the consolidated financial statements; the beginning amount of the consolidated financial statements and relevant items in the comparative statements are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

Where control can be exercised on the investee under the common control for additional investment or other reasons, equity investments held before the control over the combined party is obtained, the related profits or losses, other comprehensive income as well as other changes in net assets recognized from the later between the date when the original equity is obtained and the date when the acquirer and the acquiree are under common control to the combination date will respectively write down the beginning retained earnings or the current profit or loss during the period for comparing financial statements.

During the reporting period, if the Company acquired subsidiaries or business from the business combination not under common control, all identifiable assets, liabilities and contingent liabilities will be included in the consolidated financial statements from the purchase date based on their fair value determined on purchase date.

Where the Company can control the investee not under common control for additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference between the fair value and book value in the current investment income. Where equity of the acquiree held before the acquisition date involves in other comprehensive income that can be reclassified into profit or loss and other changes in shareholders' equity accounted for under the equity method shall be transferred to the investment income in the year which the acquisition date falls in.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 Preparation method of consolidated financial statements (Continued)

3.6.2 Procedures for consolidation (Continued)

(2) Disposal of subsidiaries

① General treatment methods

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal should be re-measured by the Company at the fair value thereof on the date of losing the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date shall be included in the investment income of the period at the loss of control. Other comprehensive income that will be reclassified into profit or loss later associated with the equity investments of the original subsidiary, or the changes in other shareholders' equity calculated under the equity method, shall be transferred into investment income of the current period when control is lost.

② Disposal of subsidiaries by stages

If the control is lost due to disposal of the equity investments in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the disposal of equity investments in subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions will be treated a package deal:

- i. The transactions are concluded at the same time or under the consideration of mutual effect;
- ii. These transactions as a whole can reach a complete business result;
- iii. The occurrence of a transaction depends on that of other transaction or more; and/or
- iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 Preparation method of consolidated financial statements (Continued)

3.6.2 Procedures for consolidation (Continued)

(2) Disposal of subsidiaries (Continued)

② Disposal of subsidiaries by stages (Continued)

Where various transactions belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

Where various transactions do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

(3) Purchase of minority interest of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. If the share premium is insufficient to offset, retained earnings will be adjusted.

(4) Partial disposal of equity investments in subsidiaries without losing control

The equity premium of capital reserves in the consolidated balance sheet will be adjusted according to the difference between the disposal price and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the equity premium of capital reserves is insufficient, the retained earnings will be adjusted.

3.7 Recognition criteria of cash and cash equivalents

Cash refers the Company's cash on hand and the unrestricted deposits. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of the cash and which are subject to an insignificant risk of change in value.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.8 Foreign currency transactions and translation of foreign currency statements

3.8.1 Foreign currency transactions

As for foreign currency transactions of the Company, the amounts of these transactions are translated into RMB at the spot exchange rate on the day when these transactions occur.

At the end of the period, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange difference arising from different exchange rates (the spot exchange rate on the balance sheet date and that upon the initial recognition or the preceding balance sheet date) shall be included in the current profit or loss; foreign currency non-monetary items measured at historical costs should still be converted at the spot exchange rates on the date transactions occur; for the foreign currency non-monetary items measured at fair value, they are converted at the spot exchange rate on the date when the fair value is determined, and the exchange difference arising therefrom is calculated as the difference of equity instrument investment measured at fair value through other comprehensive income and included in other comprehensive income, and other differences are included in the current profit or loss.

3.8.2 Translation of foreign currency financial statements

When the Company measures the foreign currency statements of its overseas business, the assets and liabilities in the balance sheet are translated at the spot exchange rates on the balance sheet date; shareholders' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the date when the business occurs.

The income and expenses items in income statements are translated at the average rate of the beginning and ending exchange rate.

Items in the statement of cash flows are translated at the average exchange rate at the beginning of the period or at the end of the period. The cash amount affected due to the fluctuation in exchange rate shall, as an adjustment item, be separately presented as "effect of fluctuation in exchange rate on cash and cash equivalents" in the statement of cash flows.

Differences arising from the translation of financial statements are presented as "other comprehensive income" under the shareholders' equity in the balance sheet. At the disposal of overseas business, the translation differences of foreign currency statements relating to the overseas business shall be transferred from the other comprehensive income to the current profit or loss at disposal.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments

The Company recognizes a financial asset, a financial liability or equity instrument when it becomes a party to the financial instrument contract.

3.9.1 Classification of financial instruments

According to the business model of financial assets and contractual cash flow characteristics of the same, which are subject to the management of the Company, financial assets are classified at initial recognition as: financial assets measured at the amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

Financial assets not designated to be measured at fair value through the current profit or loss in line with the following conditions will be reclassified into the financial assets measured at amortized cost:

- held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not designated to be measured at fair value through profit or loss in line with the following conditions will be reclassified into the financial assets (debt instruments) measured at fair value through other comprehensive income:

- held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For non-trading equity investments, the Company could irrevocably designate them as financial assets (equity instruments) measured at fair value through other comprehensive income at initial recognition. The designation is made on an investment-by-investment basis, and the related investment meets the definition of an equity instrument from the issuer's perspective.

Except for the financial assets measured at amortized cost and the financial assets measured at fair value through other comprehensive income mentioned above, all the remaining financial assets are classified as financial assets measured at fair value through profit or loss.

Notes to Financial Statements

For the year ended December 31, 2020
 (Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.1 Classification of financial instruments (Continued)

At the initial recognition, in order to eliminate or obviously reduce accounting mismatch, the Company may irrevocably designate the financial assets that shall be classified to be measured at amortized cost or measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through profit or loss and financial liabilities measured at the amortized cost.

3.9.2 Recognition basis and measurement method of financial instruments

(1) *Financial assets measured at amortized cost*

Financial assets measured at amortized cost include notes receivable and accounts receivable, other receivables, long-term receivables, and creditors' investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contract transaction price.

During the holding period, the interest calculated with the effective interest method should be included in the current profit or loss.

At recovery or disposal, the difference between the purchase price obtained and the book value of such financial assets is included in the current profit or loss.

(2) *Financial assets (debt instruments) measured at fair value through the other comprehensive income*

Financial assets (debt instruments) measured at fair value through the other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for the interest calculated by the effective interest method, impairment losses or reversal, and exchange gains or losses.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the current profit or loss.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.2 Recognition basis and measurement method of financial instruments (Continued)

(3) *Financial assets (equity instruments) measured at fair value through other comprehensive income*

Financial assets (equity instruments) measured at fair value through other comprehensive income, including the investment in other equity instruments, are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the retained earnings.

(4) *Financial assets measured at fair value through profit or loss*

Financial assets measured at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

(5) *Financial liabilities measured at fair value through profit or loss*

Financial liabilities measured at fair value through profit or loss include trading financial liabilities and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

At derecognition, the difference between the book value and the consideration paid of such financial liabilities is included in the current profit or loss.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.2 Recognition basis and measurement method of financial instruments (Continued)

(6) *Financial liabilities measured at amortized cost*

Financial liabilities measured at the amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognized amount.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At derecognition, the difference between the consideration paid and the book value of such financial liabilities is included in the current profit or loss.

3.9.3 Derecognition and transfer of financial assets

Where one of the following conditions is met, the Company shall derecognize financial assets:

- The contractual right of collecting cash flows of financial assets is terminated;
- The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
- The financial assets have been transferred, and the Company does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

At the transfer of financial assets, where nearly all of the risks and rewards related to the ownership of the financial assets have been retained, such financial assets shall not be derecognized.

In determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the principle of substance over form will be adopted.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.3 Derecognition and transfer of financial assets (Continued)

The Company divides the transfer of financial assets into overall transfer and partial transfer. Where the entire transfer of financial assets meets the derecognition conditions, the difference of the following two amounts is included in the current profit or loss:

- (1) The book value of the transferred financial asset;
- (2) The sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in shareholders' equity (the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value through the other comprehensive income).

Where the partial transfer of a financial asset meets the derecognition criteria, the entire book value of the financial asset transferred shall be allocated between the derecognized part and the recognized part based on the relative fair value, and the difference between the following two amounts shall be included in the current profit or loss:

- (1) The book value of derecognized part;
- (2) The sum of the consideration for the derecognized part and the amount corresponding to the de-recognition part in the accumulated change amount of fair value originally and directly included in shareholders' equity (where the financial assets transferred are the financial assets (debt instruments) measured at fair value through the other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

3.9.4 Derecognition of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liabilities or any part thereof shall be derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognized, and at the same time, the new financial liabilities shall be recognized.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.4 Derecognition of financial liabilities (Continued)

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities shall be derecognized in whole or in part, and the financial liabilities of which terms have been modified shall be recognized as the new financial liabilities.

Where financial liabilities are derecognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in current profit or loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.

3.9.5 Recognition methods of the fair value of financial assets and financial liabilities

As for the financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the valuation techniques shall be adopted to determine its fair value. At the time of valuation, the Company shall adopt the valuation technique that is applicable to the current circumstance and is supported by sufficient available data and other information to select the input values consistent with the assets or liabilities characteristics that are taken into account by market participants in transactions of relevant assets and liabilities, and shall give priority in use of observable input values. And the unobservable input values may be used only when the observable input values are unable or unpractical to be obtained.

3.9.6 Test method and accounting treatment of depreciation of financial assets

The Company estimates the expected credit loss of financial assets measured at the amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income individually or in portfolio.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.6 Test method and accounting treatment of depreciation of financial assets (Continued)

The Company considers all reasonable and evidence-based information, including forward-looking information, and estimates the expected credit loss of financial assets measured at the amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income individually or in portfolio. The measurement of expected credit loss depends on whether there is obvious increase in credit risk following the initial recognition.

If there is obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss over the entire duration of such financial instrument; if there is no obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss within 12 months in the future of such financial instrument. Amount increased or reversed of loss provision arising therefrom will be included in the current profit or loss as impairment loss or reversal.

Generally, once the overdue period is more than 30 days, the Company may consider that there is obvious increase in credit risk of such financial instrument, unless there is unambiguous evidence that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If the credit risk of the financial instrument is low on the balance sheet date, the Company will immediately consider that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If there is objective evidence that any financial asset has had credit impairment, the Company will make the provision for impairment for such financial asset individually.

For accounts receivable, whether or not they contain significant financing components, the Company always measures the loss provision according to the amount equivalent to the expected credit loss over the whole duration.

For lease receivables and long-term receivables formed by the Company through the sale of goods or the rendering of services, the Company chooses to always measure its loss allowance at an amount equivalent to the expected credit loss throughout the duration.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.6 Test method and accounting treatment of depreciation of financial assets (Continued)

The Company combines the accounts receivable and contract assets according to similar credit risk characteristics and based on forward-looking information and all other reasonable and reliable information, estimates the proportion of provision for bad debts of accounts receivable as follows:

Determination basis of portfolio	Portfolio analysis method
Portfolio of receivables from related parties	For the accounts receivable from related parties (including the open accounts with the shareholder company, the open accounts between the parent company and the subsidiaries or between subsidiaries), in principle, no provision for bad debts shall be made. However, if there is conclusive evidence that the debt unit of the related party has been revoked, bankrupt, insolvent, and the cash flow is seriously insufficient, and the receivables will not be recovered by debt restructuring or other means, the corresponding provision for bad debts shall be accrued according to the estimated possible losses from bad debts, and the provision for bad debts may also be accrued for all the receivables from related parties that are estimated to be unrecoverable.
Portfolio of advances from third parties	Based on the experience of historical credit losses, the Group adopts a simplified method to calculate the expected credit losses by using the reserve matrix for the expected credit losses of the whole duration.
Individual identification	The Group recognizes the provision for the losses of its accounts receivable based on the expected credit losses of individual customers with significant risks or customers with long aging but not individual risks.
Portfolio of margin, deposit and reserve fund loans	For portfolio of margin, deposit and reserve fund loans, no provision for bad debts shall be made in principle. However, if there is conclusive evidence that bad debts have been formed, the corresponding provision for bad debts shall be accrued according to the estimated possible bad debt losses.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.6 Test method and accounting treatment of depreciation of financial assets (Continued)

Other receivables

The measurement of provision for impairment loss on other receivables is conducted in accordance with the measurement method of impairment loss on the aforesaid financial assets (excluding accounts receivables).

The balance of other receivables mainly includes: The payment by the Company's wholly-owned subsidiary, China Aviation Accounting Co., Ltd. paid on behalf of airlines for the settlement and clearing services provided to them, and the principal of the factoring of accounts receivable collected by Antu Jinxin Commercial Factoring Co., Ltd., a subsidiary of China Aviation Accounting Co., Ltd. As these accounts are within the normal collection period, and from past experience observations, no credit risk has occurred or the borrower has strong financial support to repay the funds in the short term. Hence, they are treated low credit risk and no expected credit loss is accrued.

3.10 Inventories

3.10.1 Classification and cost of inventories

Inventories are classified as raw materials, low-cost consumables, stock commodities, goods dispatched, contract performance cost, contract acquisition cost, etc.

Inventories are initially measured at cost, and the inventory cost includes the procurement cost, processing cost and other expenses arising from making the inventory at their present location and condition.

3.10.2 Measurement method of dispatched inventories

The Company's inventories are measured at the actual cost when acquired. The specific identification method is adopted to determine the actual costs when raw materials, goods in progress, stock commodities and goods dispatched are dispatched. The low-cost consumables are amortized at one-off write-off amortization method when fetched; the circulating packaging materials are included in the costs and expenses based on the estimated number of use. The perpetual inventory system is adopted for accounting.

3.10.3 Recognition basis of net realizable value of different types of inventories

On the balance sheet date, inventories shall be measured at the cost or the net realizable value, whichever is lower. Where the inventory cost is higher than its realizable value, the provision for inventory impairment shall be made. During routine activities, net realizable values of inventories refer to the amounts of the estimated selling prices of inventories minus the estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.10 Inventories (Continued)

3.10.3 Recognition basis of net realizable value of different types of inventories (Continued)

Net realizable values of merchandise inventories held directly for sale, such as finished goods, stock commodities, and available-for-sale materials, are measured at the estimated selling prices less estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realizable values of material inventories which need further processing are measured at the estimated selling prices less the estimated costs of completion, estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realizable values of inventories held for the purpose of fulfillment of sales contracts or service contracts are calculated on the basis of the contract prices; if the quantity of inventories held exceeds that stated in the contract, the net realizable values of the excessive part are calculated on the basis of normal selling prices.

When the provision for inventory impairment is made, where the previous factor rendering the write-down of the inventory value has been eliminated, for which the net realizable value of the inventory is higher than the book value of the same, the provision for inventory impairment shall be reversed from the amount of provision for inventory impairment originally made, and the reversed amount shall be included in the current profit or loss.

3.11 Contract assets

3.11.1 Recognition method and criteria for contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The right of the Company to the charge of consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) is presented as contract asset. Contractual assets and contractual liabilities under the same contract shall be presented at net amount. The unconditional (only depending on the time lapses) right to the charge of consideration from the customer, possessed by the Company, is presented as receivables.

3.11.2 Determination method and accounting treatment for the expected credit loss of contract assets

See "3.9 Test method and accounting treatment for the impairment of financial assets", for the determination method and accounting treatment for the expected credit loss of contract assets.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 Long-term equity investments

3.12.1 Judgment criteria for joint control and significant influence

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises common control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of the investee, but not the power to control or jointly control the formulation of such policies with other parties. Where the Company is able to exert significant influence over the investee, the investee is its associate.

3.12.2 Determination of initial investment costs

(1) Long-term equity investment acquired from business combination

For the long-term equity investments in subsidiaries formed by the business combination under common control, the share of book value of its shareholders' equity in the combinee in the consolidated financial statements of the ultimate controller shall be recognized, on the combination date, as the initial cost of the long-term equity investment. If there is a difference between the initial investment cost of the long-term equity investment and the book values of the paid consideration, the difference shall be used to adjust the share premium in the capital reserve; and if the share premium in the capital reserve is insufficient to be offset, retained earnings shall be adjusted.

For the long-term equity investments in subsidiaries formed by the business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial investment cost of long-term equity investments.

(2) Long-term equity investment acquired by means other than business combination

For long-term equity investments acquired through making payments in cash, its initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, its initial investment cost is the fair value of the issued equity securities.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 Long-term equity investments (Continued)

3.12.3 Subsequent measurements and recognition of profit or loss

(1) *Long-term equity investments accounted for under the cost method*

Long-term equity investments of the Company in its subsidiaries are accounted for under the cost method unless such investments meet the conditions of holding for sale. Under the cost method, except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income.

(2) *Long-term equity investments accounted for under equity method*

Long-term equity investments in associates and joint ventures are accounted for under the equity method. If the initial investment cost is in excess of the share of fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the initial investment cost is in short of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit or loss, and will be adjusted to the initial cost of long-term equity investment.

The Company shall, based on its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income, and simultaneously adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to other changes in shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter referred to as "Other Changes in shareholders' Equity"), the Company shall adjust the book value of the long-term equity investment and include such change in the shareholders' equity.

The Company shall, based on the fair value of net identifiable assets of the investee when the investment is made, recognize its attributable share of the net profits or losses, other comprehensive income and other changes in shareholders' equity of the investee after the adjustment made to the net profit and other comprehensive income of the investee according to the accounting policies and accounting period adopted by the Company.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 Long-term equity investments (Continued)

3.12.3 Subsequent measurements and recognition of profit or loss (Continued)

(2) Long-term equity investments accounted for under equity method (Continued)

The Company calculates its attributable but not realized profit or loss from internal transactions between the Company and its associates or joint ventures based on its attributable percentage and offset such profit or loss, and recognizes the investment income on that basis; however, businesses formed by assets invested or sold are excluded. Unrealized losses from internal transactions between the Company and any investee shall be recognized in full if they belong to the losses from asset impairment.

For net losses on joint ventures or associates, apart from the obligation of assuming the extra loss, the Company shall write down such losses with the book value of long-term equity investments and the long-term equity where net investments in joint ventures or associates have been formed substantially; and the maximum of such losses shall be the sum of the book value and long-term equity mentioned above. Where any joint venture or associate realize net profit in the future, the Company shall recognize the income sharing amount when the unrecognized loss sharing amount is offset with the income sharing amount.

(3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current investment income.

For long-term equity investments with partial disposal accounting by the equity method, where the remaining equity is still accounted for by the equity method, other comprehensive income recognized originally upon the accounting by the equity method shall be carried forward at the corresponding proportion on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity shall be carried forward to the current profit or loss in proportion.

Where the Company loses the common control over or significant influence on the investee on account of the disposal of equity investment and any other reason, when the accounting by the equity method is terminated, other comprehensive income recognized upon the accounting by the equity method from the original equity investment shall be subject to the accounting treatment which is made on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity shall be transferred to the current profit or loss in full.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 Long-term equity investments (Continued)

3.12.3 Subsequent measurements and recognition of profit or loss (Continued)

(3) Disposal of long-term equity investments (Continued)

Where the Company loses the control over the investee on account of the disposal of partial equity and any other reason, at the preparation of any single financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting shall be made by the equity method, and an adjustment shall be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognized before the control over the investee is obtained shall be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity recognized on account of the accounting by the equity method shall be carried forward to the current profit or loss in proportion; if the remaining equity has no common control over or significant influence on the investee, relevant financial assets shall be recognized, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same shall be included in the current profit or loss, and other comprehensive income and other changes in shareholders' equity which have been recognized before the control over the investee is obtained shall be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment shall be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed shall be firstly recognized as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment shall be made respectively for each transaction.

3.13 Investment properties

Investment properties refer to the properties held for earning rent or for capital appreciation, or for both, including rented land use right, land use right held for transfer after the capital appreciation, rented buildings (including self-built or developed buildings for renting, and building in the process of construction or development for renting in the future).

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.13 Investment properties (Continued)

The Company measures its existing investment property by using the cost model. Subsequent expenditures related to investment properties are included in the costs of investment properties when relevant economic benefits are likely to flow in the Company and their costs can be measured reliably; otherwise, such subsequent expenditures shall be included in the current profit or loss when occur. For investment properties measured using the cost method – a building used for rental is subject to Company’s depreciation policy for fixed assets, and the land use right used for rental is subject to the amortization policy for intangible assets.

3.14 Fixed assets

3.14.1 Recognition criteria of fixed assets

Fixed assets are tangible assets that are held for the purpose of producing goods, providing services, leasing or operating management, with useful life more than one fiscal year. Fixed assets are recognized when they simultaneously meet the following conditions:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) The costs of the fixed assets can be measured reliably.

The initial measurement of fixed assets is made at cost (and by taking the impact of expected disposal costs).

The subsequent expenditures relating to fixed assets are included in the costs of fixed assets when relevant economic benefits are likely to flow in the Company and their costs can be measured reliably; as for the party replaced, the book value thereof is derecognized; all other subsequent expenditures are included in the current profit or loss when they occur.

3.14.2 Depreciation method

Depreciation of the fixed assets is made on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. For fixed assets where the provision for impairment has been made, the depreciation amount in the future will be determined at the book value of the fixed assets where the provision for impairment has been deducted, based on the remaining useful life. Where various components of fixed assets are different in useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately provide for depreciation.

Notes to Financial Statements

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.14 Fixed assets (Continued)

3.14.2 Depreciation method (Continued)

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of fixed assets are presented by categories as follows:

Category	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and constructions	10-35	3.00	2.77-9.70
Transportation facilities	5-10	3.00	9.70-19.40
Motor vehicles	3-10	3.00	9.70-32.33
Electronic equipment	3-11	3.00	8.82-32.33
Office equipment	3-9	3.00	10.78-32.33
Others	2-9	3.00	10.78-48.50

3.14.3 Disposal of fixed assets

When the fixed assets are disposed, or they are expected not to bring any economic interest via use or disposal, such fixed assets will be derecognized. When the fixed asset is sold, transferred, scrapped or damaged, the Company will include such disposal revenue, deducting the book value and related taxes and surcharges thereof, in the current profit or loss.

3.15 Construction in progress

Construction in progress is measured at the actual cost incurred. The actual costs include building costs, installation costs, borrowing costs eligible for capitalization and other necessary expenditures to make the construction in progress achieve the working condition for its intended use. Constructions in progress are transferred to fixed assets when they reach the condition for its intended use, and the provision of depreciation will be provided since the next month.

3.16 Borrowing costs

3.16.1 Recognition criteria of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit or loss.

Assets eligible for capitalization refer to fixed assets, investment properties, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.16 Borrowing costs (Continued)

3.16.2 Capitalization period for borrowing costs

Capitalization period refers to the period from the beginning of capitalization to the cease of capitalization, excluding the period of capitalization suspension of borrowing costs.

Capitalization shall start when the following conditions are satisfied simultaneously:

- (1) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have already been incurred;
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale status.

3.16.3 Period of capitalization suspension

If the acquisition, construction or production activities of assets eligible for capitalization are abnormally interrupted and such interruption lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary for the acquired, constructed or produced assets eligible for capitalization to reach the working condition for their intended use or sale, the borrowing costs will continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit or loss and the borrowing cost shall continue to be capitalized until the acquisition, construction or production of the assets restarts.

3.16.4 Measurement method of capitalization rate and capitalized amounts of borrowing costs

As for special borrowings for acquiring, constructing or producing assets eligible for capitalization, borrowing costs actually incurred during the period for special borrowings less the interest income from the unused borrowings deposited in the bank or investment income from temporary investment with the unused borrowings should be recognized as the capitalization amount of borrowing costs.

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.16 Borrowing costs (Continued)

3.16.4 Measurement method of capitalization rate and capitalized amounts of borrowing costs (Continued)

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the amount of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate for the used general borrowings. The capitalization rate is determined based on the weighted and average effective interest rate for general borrowings.

During the period for capitalization, the balance of exchange forms the principal and interest of the special borrowings in foreign currency should be capitalized, and included in the cost of assets eligible for capitalization. The balance of exchange from the principal and interest of other borrowings in foreign currency than the special borrowings in foreign currency should be included in the current profit or loss.

3.17 Intangible assets

3.17.1 Measurement of intangible assets

(1) The Company initially measures intangible assets at cost on acquisition;

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other expenditures incurred to make the assets reach the working condition for their intended use.

(2) Subsequent measurement

The useful lives of the intangible assets are analyzed and determined on acquisition.

For intangible assets with definite useful lives, the Company makes the amortization thereof within the period during which they can bring economic benefits to the Company; if such period cannot be forecast, those intangible assets will be taken as intangible assets with indefinite useful lives and not be amortized.

3.17.2 Estimate of useful lives for intangible assets with definite useful lives

Item	Estimated useful life	Basis
Land use right	40 – 50 years	Useful life
Software	3 – 5 years	Period of benefit
Non-patented technology	5 years	Period of benefit

3.17.3 Determination basis of intangible assets with indefinite useful lives and procedures for reviewing the useful life thereof

As at the balance sheet date, the Group has no intangible assets with indefinite useful lives.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.17 Intangible assets (Continued)

3.17.4 Specific criteria for classifying research and development phases

The Company's internal research and development expenses include those incurred in the research phase and those in the development phase.

Research phase: Research phase is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

Development phase: Development phase is the phase when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

3.17.5 Criteria for capitalization of development expenditures

The research expenditure is included in the current profit or loss when it occurs. The development expenditure is recognized as intangible assets when it meets the following conditions at the same time, and is included in the current profit or loss when it fails to meet the following conditions:

- (1) It is feasible technically to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible assets;
- (3) The ways how the intangible assets generate economic benefits include the way where it is able to prove that the products made by using the intangible assets exist a market or that the intangible assets themselves have the market, and the way where the serviceability of the intangible assets can be proved in case they are used internally;
- (4) It is able to finish the development of the intangible assets and to use or sell the same with the support of sufficient technologies, financial resources and other resources; and
- (5) The expenditure attributable to the intangible assets during its development phase can be measured reliably.

If the research expenditure and development expenditure are indistinguishable, all research and development expenditures incurred will be included in the current profit or loss. The Company determines the time-point for capitalization at the time when the initial version of developed product is completed or when the Company gives relevant project approval, whichever is later.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.18 Goodwill

The initial cost of Goodwill arising on a business combination not under common control, is the difference between the combination cost and the fair value share of the acquiree's identifiable net assets obtained in the combination.

Goodwill is transferred out when its related asset group or portfolio of asset group is disposed, and recognized in the profit and loss.

The Company does not amortize goodwill, regardless of whether there are indication of impairment, goodwill is tested for impairment at least annually at each year end.

For the purpose of impairment test on goodwill, the Company allocate the book value of the goodwill arising on the business combination to the relevant asset group with a reasonable method at the date of acquisition; if it is difficult to allocate the goodwill to the relevant asset group, it shall be allocated to the relevant portfolio of asset group. The related asset group or portfolio of asset group is the asset group or portfolio of asset group that can benefit from the synergies of business combination.

When conducting an impairment test on a related asset group or portfolio of asset group that contains goodwill, if there are impairment indicators for the asset group or portfolio of asset group related to goodwill, the asset group or portfolio of asset group that does not contain goodwill should be tested for impairment first, by calculated their recoverable amount and compare the recoverable amount with the relevant book value, and recognize the impairment loss accordingly. For impairment test on the asset group or portfolio of asset group that contains goodwill, by comparing their recoverable amount with book value, if the recoverable amount is lesser than the book value, the impairment loss is allocated to reduce the book value of the asset group or portfolio of asset group that contain goodwill, and then allocate to other asset group or portfolio of asset group on a pro-rata basis based on their book value. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.19 Impairment of long-term assets

Where there are indicators of impairment on long-term assets, such as long-term equity investments, investment properties measured with cost model, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives, on the balance sheet date, the impairment test should be made. Where the result of the impairment test shows that the recoverable amount of the asset is lower than book value, the provision for impairment should be made and included in impairment loss. The recoverable amount of the asset is the higher of the net amount of its fair value less disposal expenses or the present value of its estimated future cash flows. Provision for asset impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company will estimate the recoverable amount of the asset portfolio where the individual asset belongs. Asset portfolio is the smallest one that can independently generate cash inflows.

Goodwill from business combination, intangible assets with indefinite useful lives and intangible assets that have not reached the usable condition should be subject to the impairment test at least once at the end of each year, no matter whether they have any impairment indication.

The Company has conducted an impairment test of goodwill. The book value of goodwill arising from business combination is amortized to related asset groups by the reasonable method as of the purchase date; if it is difficult do so, such value will be amortized to the relevant portfolio of asset groups. Relevant asset group or portfolio of asset groups refers to the asset group or portfolio of asset groups which is able to benefit from the synergistic effect of business combination.

At the time of making an impairment test on the relevant asset groups or portfolios of asset groups containing goodwill, if any indication shows that the goodwill-related asset group or portfolio of asset groups may have been impaired, the Company will firstly conduct an impairment test on the asset groups or portfolios of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value, to recognize the corresponding impairment loss. Thereafter, the Company pay make the impairment test on the asset group or portfolio of asset groups where the goodwill is included, and compare the book value of such group or portfolio with the recoverable amount of the same. If the recoverable amount is less than the book value, the amount of impairment loss should firstly be used to reduce the book value of the goodwill allotted to such group or portfolio, and then reduce book values of other assets than the goodwill in such group or portfolio based on proportions of these book values.

The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognized.

Notes to Financial Statements

For the year ended December 31, 2020
 (Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.20 Long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be borne in current and future reporting periods with an amortization period of over one year. Long-term deferred expenses incurred in the Company are measured by the actual cost and evenly amortized over the estimated period of benefit. For items of long-term deferred expenses that fails to benefit the Company during the subsequent accounting period, their amortized values are fully included in the current profit or loss when such failure is confirmed.

3.21 Contract liabilities

According to the relationship between the performance of obligations and the customer payment, the Company presents contract assets or contract liabilities in the balance sheet. The Company's obligations in transferring goods or rendering services to customers on the ground that it has received or will receive relevant considerations from these customers are presented as contract liabilities. Contractual assets and contractual liabilities under the same contract should be presented at net amount.

3.22 Employee compensation

3.22.1 Accounting treatment of short-term compensation

During the accounting period where employees serve the Company, the short-term compensation actually incurred is recognized as a liability and included in the current profit or loss or the assets-related cost.

The social insurance premiums and the housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education fund draw as required are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

The employee welfare expenses incurred in the Company are included in the current profit or loss or assets-related cost based on the actually incurred amount, in which the non-monetary benefits are measured at fair value.

3.22.2 Accounting treatment of post-employment benefits

(1) *Defined contribution plan*

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in the current profit or loss or assets-related cost.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.22 Employee compensation (Continued)

3.22.2 Accounting treatment of post-employment benefits (Continued)

(1) Defined contribution plan (Continued)

In addition to the basic endowment insurance, the Company has also established an enterprise annuity contribution system (supplementary endowment insurance)/ enterprise annuity plan in accordance with the policies regarding the national enterprise annuity contribution system. The Company pays to the local social insurance agencies at a certain proportion of the total amount of wages of employees, with the corresponding expenditures included in the current profit or loss or assets-related cost.

(2) Defined benefit plan

According to the formula determined based on expected cumulative unit method, the Company will set the period that the welfare obligations deriving from the defined benefit plan, which will be included in current profit or loss or assets-related cost.

A net liability or net asset in connection with the defined benefit plan is recognized at the present value of the obligation under the defined benefit plan less the deficit or surplus arising out of the fair value of the assets under the defined benefit plan. For a surplus of defined benefit plans, the Company should measure the net asset of such defined benefit plans at the lower of the surplus of such defined benefit plans and asset upper limit thereof.

Obligations under the defined benefit plan, including the payment obligation that is expected to be done within 12 months following the annual reporting period when the employees serve for the Company, are discounted at the market yield of the national debt matching with the obligatory term of the defined benefit plan and the currency on the balance sheet date or the bonds of the high-quality companies in the active market.

The service costs of the defined benefit plan and net interest on the net liabilities or net assets in respect of the defined benefit plan are included in the current profit or loss or assets-related costs; changes in the re-measurement of net liabilities or net assets under the defined benefit plans should be included in other comprehensive income and should not be reversed in subsequent accounting periods. When the original defined benefit plan terminates, the portion originally included in other comprehensive income will all be transferred to the undistributed profits.

For the settlement of the defined benefit plan, the balance between the present value and the settlement price in regard to the defined benefit plan confirmed on the settlement date is recognized and settled as gains or losses.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.22 Employee compensation (Continued)

3.22.3 Accounting treatment of dismissal benefits

Where the Company provides the dismissal benefit to its employees, the employee compensation liability arising from the dismissal benefit shall be recognized on the following date, whichever is earlier, and included in the current profit or loss: when the Company fails to unilaterally withdraw the dismissal benefit offered due to the termination of the labor relation plan or layoff proposal; when the Company confirms the costs or fees associated with the reorganization involving the payment of the dismissal benefits.

3.23 Estimated liabilities

When an obligation relating to a contingency meets all the following conditions at the same time, it will be recognized as an estimated liability by the Company:

- (1) Such obligation is a present obligation of the Company;
- (2) The performance of such obligation is likely to result in outflow of economic benefits from the Company;
- (3) The amount of the obligation can be measured reliably.

Estimated liabilities are initially measured at the best estimate of expenses required for the performance of relevant present obligations.

When determining the best estimates, the Company comprehensively considers the risks, uncertainties, time value of money and other factors relating to contingencies. If the time value of money is significant, the best estimates will be determined after discount of relevant future cash outflows.

If there is continuous range for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate will be determined at the intermediate value; in other cases, the best estimate is subject to the treatment for the following circumstances:

- If contingencies are involved with single project, the estimate will be determined based on the amount which is most likely to occur.
- If contingencies are involved with several projects, the estimate will be determined based on various possible results and relevant probabilities.

If all or part of the expenses necessary for liquidating estimated liabilities are expected to be compensated by a third party, the compensation will be separately recognized as assets when it is virtually certain that the compensation will be received. The compensation recognized should not exceed the book value of estimated liabilities.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.23 Estimated liabilities (Continued)

The Company reviews the book value of estimated liabilities on the balance sheet date. If there is unambiguous evidence indicating that such book value cannot reflect the current best estimate, such book value will be adjusted based on the current best estimate.

3.24 Share-based payment

The Company's share-based payment refers to the transaction where it grants the equity instrument or assumes the liability determined based on the equity instrument for the purpose of acquiring services rendered by employees or other parties. The Company's share-based payment is divided into the equity-settled share-based payment and the cash-settled share-based payment.

3.24.1 Equity-settled share-based payment and equity instrument

Where the Company acquires services rendered by employees via the equity-settled share-based payment, such payment should be calculated at the fair value of equity instruments granted to employees. The Company includes the share-based payment for which relevant right can be exercised subsequent to the grant of equity instruments in relevant costs or expenses on the grant date at the fair value of equity instruments, and increases capital reserves accordingly. For the share-based payment for which relevant right can be exercised after the grant of equity instruments only when the services during the waiting period are completed or the specified performance conditions are met, on each balance sheet date within the waiting period, the Company, based on the best estimate of the quantity of equity instruments where relevant rights can be exercised, includes the services acquired during that period in relevant costs or expenses at the fair value on the grant date, and increases capital reserves accordingly.

In case any clause on the equity-settled share-based payment has been modified, services acquired should be recognized as if such clause has not been modified. In addition, the increase in services acquired should be recognized in case of any increase to the fair value of equity instruments granted or any change favorable to employees on the date of increasing such fair value.

During the waiting period, if any equity instrument granted is canceled, the Company will accelerate the right exercise relevant to the equity instrument canceled, immediately include the amount which should be recognized during the remaining waiting period in the current profit or loss, and recognize capital reserves at the same time. However, if any new equity instrument is granted and on the date of granting such new equity instrument, it is affirmed that such new equity instrument can replace the canceled one, the treatment for such new equity instrument will be made in the way for modifying terms and conditions of the original equity instrument.

Notes to Financial Statements

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.24 Share-based payment (Continued)

3.24.2 Cash-settled share-based payment and equity instrument

Cash-settled share-based payment is measured at the fair value of the liability which is assumed by the Company and calculated based on share or other equity instrument. The Company includes the share-based payment for which relevant right can be exercised subsequent to the grant of equity instruments in relevant costs or expenses on the grant date at the fair value of the liability it assumes, and increase liabilities accordingly. For the share-based payment for which relevant right can be exercised after the grant of equity instruments only when the services during the waiting period are completed or the specified performance conditions are met, on each balance sheet date within the waiting period, the Company, based on the best estimate on the situation of exercising relevant right, includes the services acquired during that period in relevant costs or expenses and in liabilities according, at the fair value of the liability the Company assumes. On each balance sheet date and settlement date prior to the settlement of relevant liabilities, the fair value of liability should be remeasured through the current profit or loss.

3.25 Revenue

3.25.1 Accounting policies adopted for revenue recognition and measurement

If the Company fulfills its performance obligations in a contract, it will recognize revenue when relevant customer obtains right of control over relevant goods. If two or more performance obligations are covered in the contract, on the contract commencement date, the transaction price will be amortized to individual performance obligation based on the relative proportion of the individual selling price of goods involved in the individual performance obligation, and the revenue will be measured at the amortized transaction price.

The transaction price refers to the amount of consideration the Company is expected to have the right to take on account of the transfer of goods the customer. At the determination of transaction price, if the consideration is variable, the Company will determine the best estimate of the variable consideration based on the expected value or the amount which is most likely to occur, and include such estimate in the transaction price at the amount not exceeding the amount of accumulatively recognized revenue that is highly unlikely to have a major reversal when relevant uncertainty is eliminated. In case the significant financing component is contained in the contract, the Company will adjust the transaction price according to the financial component in the contract; if the interval between the time when the control is transferred and the time when the customer pays the contract price is less than one year, the Company will not consider the financing component in such contract.

If the Company meets one of the following conditions, its obligation performance will belong to a certain period; otherwise, it will belong to a certain time-point:

- (1) The customer obtains and consumes the economic benefits brought by the performance of the Company while the Company is performing the obligation.
- (2) Customers are able to control the goods under construction in the course of performing obligations by the Company.

Notes to Financial Statements

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.25 Revenue (Continued)

3.25.1 Accounting policies adopted for revenue recognition and measurement (Continued)

- (3) The goods produced in the course of performing obligations by the Company have irreplaceable uses, and over the entire contract period, the Company has the right to receive payments for the portion of the performance that has been completed to date.

If the obligation performance belongs to a certain period, the Company will recognize revenue based on the performance progress. Otherwise, the revenue will be recognized at the certain time-point when the customer obtains the right of control over relevant goods.

The revenue from obligation performance belonging to certain time-point is recognized by the Company when the customer has acquired the right of control over relevant goods or services. The Company will consider the following indicators when judging whether the customer has acquired the right of control over relevant goods or services:

- The customer has the current payment obligation for such goods or service, i.e., the Company enjoys the current right to collect the payment for such goods or service.
- The Company has transferred the legal ownership of such goods to the customer, i.e., the customer possesses the legal ownership of such goods.
- The Company has transferred goods to the customer in kind, i.e., the customer has possessed such goods in kind.
- The substantial risks and rewards of the ownership of such goods have been transferred by the Company to the customer, i.e., the customer has acquired the substantial risks and rewards of the ownership of such goods.
- The customer has accepted such goods or services.

Operating revenues of the Company mainly come from information technology services for civil aviation, settlement and clearing service, data network service and system integration service. In which, revenues from rendering information technology services for civil aviation, settlement and clearing service and data network service are recognized monthly in the course of rendering these services; the revenue from system integration service is recognized upon the acceptance inspection by the customer as the project work time is generally short. In the system integration project, if the commitment that the installation service will be rendered after the equipment delivery is given to the customer, and the installation service does not have significant impact on the equipment, the revenue recognition will be made by stages based on two obligation performance, i.e., sales of equipment and rendering of installation service. The revenue recognition for sales of equipment is made after the equipment delivery and acceptance inspection, and that for installation service is made after the customer fully completes the acceptance inspection.

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.26 Contract costs

Contract costs include the contract performance cost and the contract acquisition cost.

The Company's cost on contract performance does not belong to scope of standards for inventories, fixed assets or intangible assets, and is recognized as an asset when it meets the following conditions:

- Such cost is directly relevant to the contract which has been or is expected to be acquired.
- Such cost increases the resource which will be used by the Company for obligation performance.
- Such cost is expected to be recoverable.

If the incremental cost incurred in the Company on account of contract acquisition is expected to be recoverable, it, as the contract acquisition cost, will be recognized as an asset.

Assets related to contract cost are amortized on the basis for the recognition of revenue from goods or services relevant to such assets; however, if the amortization period of contract acquisition cost is less than one year, the Company will include such cost in the current profit or loss when it occurs.

If the book value of the assets related to contract cost is higher than the difference between the following two items, the Company will make the provision for impairment of the exceeding part, and recognize it as the loss from impairment of assets.

1. The remaining consideration expected to be obtained on account of the transfer of goods or services related to the assets;
2. The cost that is expected to be incurred for the purpose of transferring relevant goods or services.

If the factors causing the impairment in the previous period change, resulting that the above-mentioned difference is higher than the book value of such assets, the Company will reverse the provision for impairment which has been made originally, and include it in the current profit or loss. However, the book value of assets reversed should not exceed the book value of such assets on the reversal date as if no provision for impairment has been made.

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Government grants

3.27.1 Type

Government grants are monetary assets and non-monetary assets freely obtained by the Company from the government, and are divided into asset-related government grants and income-related government grants.

Asset-related government grants are government grants that the Company acquires for acquisition, construction or otherwise form long-term assets. Income-related government grants refer to government grants other than asset-related government grants.

3.27.2 Timing of recognition

Government grants are recognized when the Company can meet all conditions attached thereto and is able to obtain such grants.

3.27.3 Accounting treatment

Asset-related government grants are used to offset the book value of relevant assets or recognized as deferred income. If such grants are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (if such grants are relevant to routine activities of the Company, they will be included in other income; if such grants are irrelevant to routine activities of the Company, they will be included in non-operating revenue);

Income-related government grants used to compensate for relevant costs or losses which will occur in the following period in the Company are recognized as the deferred income, and, during the period when relevant costs or losses are recognized, are included in the current profit or loss (if income-related government grants are relevant to routine activities of the Company, they will be included in other income; if income-related government grants are irrelevant to routine activities of the Company, they will be included in the non-operating revenue) or used to offset relevant costs or losses; income-related government grants used to compensate for relevant costs or losses incurred in the Company are included in the current profit or loss (if income-related government grants are relevant to routine activities of the Company, they will be included in the other income; if income-related government grants are irrelevant to routine activities of the Company, they will be included in the non-operating revenue) or used to offset relevant costs or losses.

Notes to Financial Statements

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 Government grants (Continued)

3.27.3 Accounting treatment (Continued)

The interest subsidies for policy-based preferential loans obtained by the Company shall be subject to the following accounting treatments based on two kinds of situations:

- (1) Where the finance department appropriates the interest subsidies to the lending bank, and the lending bank provides the loan at the policy-based preferential interest rate to the Company, the Company will take the book-entry value at the loan amount actually received, and relevant loan expenses are calculated based on the principal of the loan and the policy-based preferential interest rate.
- (2) Where the finance department directly appropriates the interest subsidies to the Company, the Company will use the corresponding interest subsidies to offset related borrowing costs.

3.28 Deferred income tax assets and deferred income tax liabilities

Income tax includes the current income tax and deferred income tax. Except for the income tax in the transactions or matters of business combination and directly including relevant items in the shareholders' equity (including other comprehensive income), the Company includes the current income tax and deferred income tax in the current profit or loss.

The deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the differences (temporary differences) between the tax bases of assets and liabilities and the book values of the same.

Deferred income tax assets are recognized at deductible temporary differences to the extent that it shall not exceed the taxable income probably obtained in future period and used to deduct the deductible temporary differences. For deductible losses and tax credits that can be carried forward to subsequent periods, deferred income tax assets arising therefrom are recognized to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible losses and tax credits.

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.28 Deferred income tax assets and deferred income tax liabilities (Continued)

Special situations where the deferred income tax assets or deferred income tax liabilities are not recognized include:

- Initial recognition of goodwill;
- Transactions or matters that neither belong to the business combination nor affect the accounting profit and taxable income (or deductible loss) when they occur.

Taxable temporary differences related to investments in subsidiaries, associates and joint ventures are recognized as deferred income tax liabilities; unless the Company is able to control the time for reversing such temporary differences and such temporary differences are unlikely to be reversed in the foreseeable future. For the deductible temporary differences related to investments in subsidiaries, associates and joint ventures, the deferred income tax assets are recognized when the temporary differences may be reversed in the foreseeable future and they are likely to be obtained to offset the taxable income of deductible temporary differences in the future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the tax rates applicable to the period where relevant assets are expected to be recovered or relevant liabilities are expected to be discharged, according to the tax law.

On the balance sheet date, the Company reviews the book value of deferred income tax assets. If it is unlikely to obtain sufficient taxable income in the future to offset against the benefit of deferred income tax assets, the book value of deferred income tax assets will be written down. If it is likely to obtain sufficient taxable income, the book value of deferred tax assets written down will be recovered.

If the Company has the legal right to settle in net amounts and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the current tax assets and current tax liabilities of the Company shall be presented based on the net amount after offset.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities simultaneously meeting the following conditions are presented by net amount after offset:

- The taxpayer has the legal right to settle the current income tax assets and current income tax liabilities by net amount;
- Deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or to different taxpayers, but, in each important future period in connection with the reversal of deferred income tax assets and liabilities, the involved taxpayers intend to settle the current income tax assets and current income tax liabilities with net amount or to obtain assets and discharge liabilities simultaneously.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 Lease

Lease represents a contract in which a lessor transfers a right to use of an identified asset for a period of time in exchange for consideration. At the commencement date of the contract, the company assesses whether the contract is a lease or includes a lease. If a party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, then the contract is a lease or includes a lease.

If the contract contains multiple separate leases at the same time, the Company will split the contract and recognize the accounting treatments by each separate leases basis. If the contract contains a lease component and non-lease components, the lessee and lessor shall separate the lease component and non-lease components.

3.29.1 The Company as lessee

3.29.1.1 Right-of-use assets

At the commencement date, the Company recognize the right-of-use asset for leases other than short-term leases and low-value asset leases. Right-of-use assets are initially measured at cost. This cost includes:

- Initial measurement amount of the corresponding lease liability;
- Lease payments made at or before the commencement date and any initial direct costs less lease incentives received;
- Initial direct costs incurred;
- The Company is expected to incur the cost for dismantling and removing leased assets, restoring the site where leased assets are located, or restoring the site where leased assets to the state agreed upon in the lease terms, but does not include the costs incurred for producing inventory.

The right-of-use assets are depreciated with reference to the relevant depreciate policies stated in (Note 3.14 Fixed assets). If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, the Company will depreciate the leased assets over the remaining useful life; otherwise, the leased assets will be depreciated over the shorter period of the lease term and the remaining useful life of the leased assets.

The Company determines whether the right-of-use asset has been impaired in according with the principles stated in (Note 3.19. Impairment of long-term assets), and account for any identified impairment loss.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 Lease (Continued)

3.29.1 The Company as lessee (Continued)

3.29.1.2 Lease liabilities

At the commencement date, the Company recognize lease liabilities for leases other than short-term leases and low-value asset leases. Lease liabilities are initially measured base on the present value of the lease payments that are not paid. Lease payments includes:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease;

The company uses the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the Company's incremental borrowing interest rate is used as the discount rate.

The company calculates the interest expense of the lease liability during each period of the lease term according to a fixed periodic interest rate, and includes it in the profit and loss or as cost of related assets.

Variable lease payments that are not included in the measurement of lease liabilities are included in the profit and loss or as cost of related assets when they actually incurred.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 Lease (Continued)

3.29.1 The Company as lessee (Continued)

3.29.1.2 Lease liabilities (Continued)

After the commencement date, if the following situation occur, the Company will remeasure the lease liability and adjusts with the related right-of-use assets. If the book value of right-of-use asset has reduced to zero, but the lease liability still required to be further reduced, the difference will be recognize in the profit and loss:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;

When the actual fixed lease payments change, expected payment under a guaranteed residual value change or changes in an index or rate used to determine the lease payment, the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, a revised discount rate is used to calculate the present value.

3.29.1.3 Short-term leases and leases of low-value assets

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low value assets, and recognizes the lease payments as an operating expense on a straight line basis, in profit or loss or as cost of the related assets. Short-term leases are defined as leases with a lease term of 12 months or less at the commencement date and not included lease with purchase options. Leases of low value assets refer to leases of single asset of low value when it is a brand new asset. If the company subleases or expects to sublease the leased assets, the original lease is not a low-value asset lease.

3.29.1.4 Lease modification

If the lease changes with the below conditions are met at the same time, the Company shall treat the lease modification as a separate lease for accounting treatment:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 Lease (Continued)

3.29.1 The Company as lessee (Continued)

3.29.1.4 Lease modification (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If the lease change causes the scope of the lease to be reduced or the lease term is shortened, the Company will correspondingly reduce the book value of the right-of-use asset, and the relevant gains or losses from the partial or complete termination of the lease are included in the profit and loss. If other lease changes cause the lease liability to be remeasured, the company adjusts the book value of the right-of-use asset accordingly.

3.29.2 The Company as lessor

At the commencement date of the lease, the Company classify the lease into financial lease and operating lease. Finance lease refers to a lease regardless of whether the ownership is ultimately transferred, but in actual almost all the risks and rewards related to the ownership of the leased asset are transferred. Operating leases refer to leases other than financial leases. When the company acts as a sublease lessor, it classifies subleases based on the right-of-use assets generated from the original lease.

3.29.2.1 Operating lease accounting

The lease receipts of operating leases are recognized as rental income in each period of the lease term according to the straight-line basis. The company capitalizes the initial direct cost incurred related to operating leases, and recognize depreciation to the profit or loss on the same basis as rental income during the lease term. For variable lease payments that are not included in the lease receipts are recognized in the profit or loss when they actually occur.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.30 Fair value measurement

The Company measures the relevant assets and liabilities at fair value based on the following assumptions:

- The sales of assets or transfer of liabilities by the market participant on the measurement date belongs to the orderly transaction under the current market conditions;
- Such orderly transaction is carried out in the major market of relevant assets or liabilities. If the major market does not exist, it is assumed that such transaction is carried out in the market most beneficial to relevant assets or liabilities.
- The assumption used by the market participant in order to maximize the benefits at the time of pricing such assets or liabilities.

According to the property of the said transaction and the characteristic of the said assets or liabilities, the Company recognizes the transaction value as the fair value of initial recognition.

If other relevant accounting standards require or permit the Company to conduct initial measurement on the relevant assets or liabilities at the said fair value, and the transaction value is different from the fair value, the Company will include relevant gains or losses in the current profit or loss, unless otherwise specified in other relevant accounting standards.

For the measurement of non-financial assets at fair value, the capability of the market participant in bringing about economic interest via the best use of such assets, or the capability in selling such assets to the other market participant for bringing about economic interest with the best use of such assets should be taken into account.

The valuation techniques which are applicable to the current situation and have sufficient usable data and other information support are taken into account by the Company for the adoption of valuation technique. Relevant observable input values are preferentially adopted for valuation techniques, and the unobservable input values can be used only when the observable input values are unable or unpractical to be obtained.

Input values used in the fair value measurement are divided into three levels:

- Level 1 input values are unadjusted quoted prices in the active market of identical assets or liabilities accessible on the measurement date.
- Level 2 input values refer to input values that are directly or indirectly observable for relevant assets or liabilities, other than Level 1 input values.
- Level 3 input values are unobservable input values for relevant assets or liabilities.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.30 Fair value measurement (Continued)

The fair value measurement is categorized in its entirety based on the lowest level where the input values that are significant to the entire measurement stand.

Assets and liabilities measured by the Company at fair value mainly include: Financial assets held for trading and investment in other equity instruments.

3.31 General risk reserves

Antu Jinxin Commercial Factoring Limited, a subsidiary of the Company, withholds the general risk reserves from the net profit at 1% of risk assets in accordance with the *Circular of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Supervision and Administration of Commercial Factoring Enterprises* (YBJBF [2019] No. 205).

3.32 Changes in significant accounting policies and accounting estimates

3.32.1 Changes in significant accounting policies

(1) *Implement the Interpretation No.13 of Accounting Standards for Business Enterprises*

The Ministry of Finance issued the Interpretation No.13 of Accounting Standards for Business Enterprises (CK [2019] No. 21) (hereinafter referred to as "Interpretation No.13") on December 10, 2019 for the implementation as of January 1, 2020, not requiring the retroactive adjustment.

① **Affirmation of related parties**

The Interpretation No.13 has specified the related-party relationship: between an enterprise and the joint ventures or associates of other member units (including the parent company and subsidiaries) of the enterprise group where the enterprise belongs; between the enterprise's joint venture and other joint venture or associate of the enterprise. In addition, the Interpretation No.13 has pointed out that two or more enterprises under the significant impact of the same party are not related parties, and that associates include associates and their subsidiaries and joint ventures include joint ventures and their subsidiaries.

② **Definition of business**

The Interpretation No.13 has perfected three elements for business composition, refined the judging conditions on business composition, and introduced the option of "concentration test", so as to simplify to some extent the judgment on whether the business combination not under common control constitutes business, and other questions.

The Group has implemented the Interpretation No.13 as of January 1, 2020, for which the comparative financial statements are not adjusted. The implementation of Interpretation No.13 does not have the significant impact on the Company's financial position and operating results.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.32 Changes in significant accounting policies and accounting estimates (Continued)

3.32.1 Changes in significant accounting policies (Continued)

(2) *Implement the Provision on the Accounting Treatment of Relevant Rent Reduction due to the Outbreak of COVID-19*

The Ministry of Finance issued the Provisions on Accounting Treatment of Relevant Rent Reduction due to the Outbreak of COVID-19 [CK [2020] No. 10] on June 19, 2020 for implementation as of June 19, 2020, allowing enterprises to make adjustment to the reduction of relevant rents incurred during the period from January 1, 2020 to the date of implementing such provisions. According to the above-mentioned provisions, enterprises may choose the simplified method to make the accounting treatment for such qualified rent reduction as rent remission and deferred rent payment which are directly caused by the Outbreak of COVID-19.

The Group has made accounting treatment by the simplified method for rent reduction in the scope applicable to the above-mentioned provisions and accordingly made adjustment to the reduction of relevant rents incurred during the period from January 1, 2020 to the date of implementing such provisions according to such provisions.

The Group, as the leaser, disposed of relevant rentals by a simplified method, offsetting the operating costs, general and administrative expenses and selling and distribution expenses in 2020, totaling RMB17,657.53.

3.32.2 Changes in significant accounting estimates

The Group had no change in significant accounting estimates in 2020.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

4 TAXATION

4.1 Major tax types and tax rates

Tax type	Basis of tax assessment	Applicable tax rate (%)
VAT	Levied based on the difference between the output tax (calculated based on the revenue from sales of goods and rendering of services according to tax law) and the deductible input tax for the period	See Table 2 as below
Urban maintenance and construction tax	Levied based on the VAT and consumption tax actually paid	7.00, 5.00
Enterprise income tax	Levied based on taxable income	See Table 1 as below

4.1.1 During the reporting period, enterprise income tax rates adopted by the Company and its subsidiaries are as below:

Taxpayer	Income tax rate
TravelSky Technology Limited (Remark 1)	15%
Chongqing Civil Aviation Cares Information Technology Co., Ltd. (Remark 2)	15%
Hunan TravelSky Technology Limited	25%
Xi'an Civil Aviation Cares Technology Co., Ltd. (Remark 1)	15%
Hubei Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Civil Aviation Cares Technology of Xinjiang Co., Ltd. (Remark 1)	15%
Shenzhen Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Shanghai TravelSky Technology Limited (Remark 3)	20%
Shanghai Jiexing Electronic Commerce Co., Ltd.	25%
Xiamen Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Qingdao Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Yunnan Civil Aviation Cares Information Co., Ltd. (Remark 1)	15%
Hainan Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Guangzhou TravelSky Technology Limited (Remark 1)	15%
China Aviation Accounting Co., Ltd. (Remark 1)	15%
Beijing Yake Technology Development Co., Ltd. (Remark 1)	15%
Infosky Information Technology Co., Ltd. (Remark 1)	15%
TravelSky Cares (Beijing) Real Estate Co., Ltd. (Remark 3)	20%
Beijing TravelSky Travel Agency Co., Ltd.	25%
TravelSky Southeast Data Center Co., Ltd.	25%
Inner Mongolia TravelSky Technology Limited	25%
Zhejiang TravelSky Technology Limited	25%
Henan TravelSky Technology Limited	25%
Beijing TravelSky Technology Limited (Remark 1)	15%
Guangzhou Skyecho Information Technology Co., Ltd. (Remark 3)	20%
Beijing Hangju Credit Management Co., Ltd. (Remark 3)	20%
TravelSky Technology International Limited	16.50%
TravelSky Technology Singapore Pte. Ltd.	17%
TravelSky Technology Korea Limited (Remark 4)	10%, 20% and 22%
TravelSky Technology (Japan) Limited (Remark 5)	27.9%, and 36.3%
TravelSky Technology (Europe) GMBH	15%
TravelSky Technology USA Limited (Remark 6)	8.84%, and 34%
TravelSky Technology (Taiwan) Limited (Remark 7)	17%
TravelSky Technology (Australia) Pty. Ltd.	30%
OpenJaw Technologies Limited	12.50%

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

4 TAXATION (CONTINUED)**4.1 Major tax types and tax rates (Continued)****4.1.1 During the reporting period, enterprise income tax rates adopted by the Company and its subsidiaries are as below: (Continued)**

- Remark 1: TravelSky Technology Limited, Xi'an Civil Aviation Cares Technology Co., Ltd., Hubei Civil Aviation Cares Co., Ltd., Shenzhen Civil Aviation Cares Co., Ltd., Xiamen Civil Aviation Cares Co., Ltd., Qingdao Civil Aviation Cares Co., Ltd., Hainan Civil Aviation Cares Co., Ltd., Guangzhou TravelSky Technology Limited, China Aviation Accounting Co., Ltd., Beijing Yake Technology Development Co., Ltd., Infosky Information Technology Co., Ltd., Civil Aviation Cares Technology of Xinjiang Co., Ltd., Yunnan Civil Aviation Cares Information Co., Ltd. and Beijing TravelSky Technology Limited have been assessed as high-tech enterprises, enjoying the preferential income tax rate of 15%.
- Remark 2: The main business of Chongqing Civil Aviation Cares Information Technology Co., Ltd. conforms to Paragraph 5, Article 26 of the Encouraged Section in the *Guiding Catalog for Industrial Restructuring* (2011 Edition), stating that "aviation computer management and its network system development and construction"; thus, such company enjoys the preferential policy for income tax under the Great Western Development Strategy, paying tax at 15%.
- Remark 3: Basis: According to the *Circular on Implementing the Policy on Inclusive Tax Reliefs for Small and Micro Enterprises* (CS [2019] No.13), stating that, from January 1, 2019 to December 31, 2021, for small low-profit enterprises, the portion of less than RMB1 million, and the portion of more than RMB1 million but less than RMB3 million, of the annual taxable income, shall be included in the actual taxable income at 25% and 50% respectively, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20%. In 2020, as the taxable income of Shanghai TravelSky Technology Limited, TravelSky Cares (Beijing) Real Estate Co., Ltd., Guangzhou Skyecho Information Technology Co., Ltd. and Beijing Hangju Credit Management Co., Ltd. did not exceed RMB1 million, 25% of such taxable income was reduced, and enterprise income tax was paid at 20%, by which the actual tax burden was 5%;
- Remark 4: For TravelSky Technology Korea Limited, if its net profit is less than KRW200 million, the income tax will be levied based on 10% of the net profit; if the net profit is not less than KRW 200 million and not more than KRW20 billion, the income tax will be levied based on 20% of such net profit; if the net profit is more than KRW20 billion, the income tax will be levied based on 22% of such net profit.
- Remark 5: TravelSky Technology (Japan) Limited pays the corporate income tax based on 27.9% of the taxable income if such taxable income is less than JPY 8 million, and based on 36.3% of such taxable income if it is more than JPY8 million.
- Remark 6: TravelSky Technology USD Ltd., pays the federal tax based on 34% of the total profits and the state tax based on 8.84% of the total profits.
- Remark 7: TravelSky Technology (Taiwan) Limited will be exempted from enterprise income tax if the taxable income is less than TWD120,000, and will pay the enterprise income tax at 17% if the taxable income is more than TWD120,000.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

4 TAXATION (CONTINUED)**4.1 Major tax types and tax rates (Continued)**

4.1.2 During the reporting period, VAT rates adopted by the Company and its subsidiaries are as below:

Company	Tax rate
TravelSky Technology Limited	13%, 9%, and 6%
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	13%, and 6%
Hunan TravelSky Technology Limited	13%, and 6%
Xi'an Civil Aviation Cares Technology Co., Ltd.	13%, 6%, and 3%
Hubei Civil Aviation Cares Co., Ltd.	13%, and 6%
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	13%, 6%, and 3%
Shenzhen Civil Aviation Cares Co., Ltd.	13%, and 6%
Shanghai TravelSky Technology Limited	6%
Shanghai Jiexing Electronic Commerce Co., Ltd.	6%
Xiamen Civil Aviation Cares Co., Ltd.	13%, and 6%
Qingdao Civil Aviation Cares Co., Ltd.	13%, and 6%
Yunnan Civil Aviation Cares Information Co., Ltd.	13%, and 6%
Hainan Civil Aviation Cares Co., Ltd.	13%, and 6%
Guangzhou TravelSky Technology Limited	13%, 6%, and 5%
China Aviation Accounting Co., Ltd.	6%
Beijing Yake Technology Development Co., Ltd.	6%
Infosky Information Technology Co., Ltd.	13%, and 6%
TravelSky Cares (Beijing) Real Estate Co., Ltd.	13%, and 6%
Beijing TravelSky Travel Agency Co., Ltd.	13%, and 6%
TravelSky Southeast Data Center Co., Ltd.	13%, and 6%
Inner Mongolia TravelSky Technology Limited	13%, and 6%
Zhejiang TravelSky Technology Limited	13%, and 6%
Henan TravelSky Technology Limited	13%, and 6%
Beijing TravelSky Technology Limited	13%, and 6%
Guangzhou Skyecho Information Technology Co., Ltd.	13%, and 6%
TravelSky Mobile Technology Co., Ltd.	13%, and 6%
Beijing Hangju Credit Management Co., Ltd.	6%
TravelSky Technology International Limited	Not Applicable
TravelSky Technology Singapore Pte. Ltd.	Not Applicable
TravelSky Technology Korea Limited	Not Applicable
TravelSky Technology (Japan) Limited	8%
TravelSky Technology (Europe) GMBH	19%
TravelSky Technology USA Limited	Not Applicable
TravelSky Technology (Taiwan) Limited	Not Applicable
TravelSky Technology (Australia) Pty. Ltd.	Not Applicable
OpenJaw Technologies Limited	23%

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

4 TAXATION (CONTINUED)

4.2 Tax preference

Additional deduction of input tax

According to the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform* [2019] No. 39, from April 1, 2019 to December 31, 2021, taxpayers of manufacturing and living service industries shall be allowed to add an extra 10% based on the deductible input tax for the current period for deduction of the tax payable. The policy of additional deduction of input tax applies to the Company.

Key software enterprises

Except that enterprises that have been assessed as “high-tech enterprises” may enjoy the preferential income tax rate of 15%, enterprises assessed as “key software enterprises” within the national planning layout by relevant authorities under the government of China may further enjoy the preferential tax rate of 10%. According to relevant provisions, the difference between the tax paid at the tax rate of 15% and that paid at tax rate of 10% will be refunded to relevant enterprises subsequently, and such tax refund will be reflected in the income statement for the period when it occurs.

As the Company will apply for the preferential tax rate of 10% for 2020 “key software enterprises” in 2021, it should calculate the enterprise income tax for 2020 at the preferential tax rate of 15%. As at December 31, 2020, the Company was applying for the preferential tax rate of 10% for “key software enterprises” in 2020 to relevant authority.

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and cash equivalents

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Cash on hand	99,362.26	93,372.23
Bank deposits	4,391,683,483.75	5,215,222,441.87
Other cash and cash equivalents	65,472,830.50	54,232,133.35
Total	4,457,255,676.51	5,269,547,947.45
Including: the total amount deposited abroad	294,449,055.25	295,184,451.10

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.1 Cash and cash equivalents (Continued)

Details of restricted Cash and cash equivalents as follows:

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Deposit for bank acceptance bills		
L/C deposits	240,750.00	
Performance bond	92,079,444.82	42,618,450.89
Time deposit or call deposit used for guarantee		
Payment deposited overseas with restrictions on fund repatriation		
Total	92,320,194.82	42,618,450.89

5.2 Financial assets held for trading

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Financial assets measured at fair value through the current profit or loss	800,028,493.15	
Including: debt instrument investments	800,028,493.15	
Equity instrument investments		
Derivative financial assets		
Others		
Financial asset designated to be measured by fair value through current profit or loss		
Including: debt instrument investments		
Others		
Total	800,028,493.15	

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.3 Notes receivable

5.3.1 Presentation of classification of notes receivable

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Bank acceptance bills		503,800.00
Commercial acceptance bills	121,322,898.07	390,101,287.90
Sub-total	121,322,898.07	390,605,087.90
Less: provision for bad debts	12,653,978.27	
Total	108,668,919.80	390,605,087.90

5.3.2 Presentation of notes receivable disclosure under the methods of provision for bad debts by category:

Item	Balance as at December 31, 2020				
	Book balance		Provision for bad debts		Book value
	Amount	proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts accrued on a portfolio basis	121,322,898.07	100	12,653,978.27	10.43	108,668,919.80
Total	121,322,898.07	100	12,653,978.27		108,668,919.80

5.3.3 Pledged notes receivable of the Company as at December 31, 2020

The Group has no the above-mentioned situation.

5.3.4 Notes receivable endorsed or discounted by the Company as at December 31, 2020 and not matured on the balance sheet date

The Group has no the above-mentioned situation.

5.3.5 Notes transferred to accounts receivable due to the failure of the drawer to perform the contract as at December 31, 2020

The Group has no the above-mentioned situation.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 Accounts receivable

5.4.1 Disclosure of accounts receivable by aging (based on invoice dates)

Aging	Balance as at December 31, 2020	Balance as at December 31, 2019
Within 1 year	2,857,477,688.99	3,285,133,596.25
Including: subitem within 1 year		
Within 6 months	2,031,666,632.52	2,342,332,056.91
7 – 12 months	825,811,056.47	942,801,539.34
1 – 2 years	1,872,244,616.22	994,698,834.47
2 – 3 years	511,268,280.13	125,407,414.24
3 – 4 years	90,609,453.92	42,043,886.27
4 – 5 years	35,015,728.27	55,128,213.22
Over 5 years	75,184,966.48	44,476,057.75
Sub-total	5,441,800,734.01	4,546,888,002.20
Less: provision for bad debts	996,485,116.86	315,000,564.37
Total	4,445,315,617.15	4,231,887,437.83

Notes to Financial Statements

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 Accounts receivable (Continued)

5.4.2 Disclosure under the methods of provision for bad debts by category

Type	Balance as at December 31, 2020					Balance as at December 31, 2019				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts accrued on an individual basis	816,250,713.30	15.00	624,918,022.47	76.56	191,332,690.83	146,937,662.27	3.23	67,420,395.34	45.88	79,517,266.93
Provision for bad debts accrued on a portfolio basis	4,625,550,020.71	85.00	371,567,094.39	8.03	4,253,982,926.32	4,399,950,339.93	96.77	247,580,169.03	5.63	4,152,370,170.90
Total	5,441,800,734.01	100.00	996,485,116.86		4,445,315,617.15	4,546,888,002.20	100.00	315,000,564.37		4,231,887,437.83

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 Accounts receivable (Continued)

5.4.2 Disclosure under the methods of provision for bad debts by category (Continued)

Provision for bad debts accrued on an individual basis:

	Book balance	Balance as at December 31, 2020		
		Provision for bad debts	Proportion of provision (%)	
Customer 1 and its 5 subsidiaries	656,464,310.79	473,116,900.18	72.07	Declare bankruptcy and restructuring
Customer 2	10,264,913.79	10,264,913.79	100.00	Operation difficulty
Customer 3	4,719,479.63	4,719,479.63	100.00	Operation difficulty
Customer 4	18,618,642.68	18,618,642.68	100.00	Operation difficulty
Customer 5	126,183,366.41	118,198,086.19	93.67	Operation difficulty
Total	816,250,713.30	624,918,022.47		

Explanation of provision for bad debts on individual basis:

- (1) Customer 1 and its 5 subsidiaries: As the court ruled to accept the application for bankruptcy and reorganization from the creditors of these customers, the future operations of these customer are material uncertain. The Group calculated the default rates of these customers based on the debts overdue situation, and based on past experience and estimates on future situation, on this basis, calculated the discount factor of these debts, after considering the above factors, provision for bad debts is made on an individual basis.
- (2) For Customer 2, Customer 3, Customer 4: the cash flow is tight for these customers, impairment loss has been made in full in the previous year, during the year continues to carry out the individual assessment and made full provision for impairment loss of these customers.
- (3) Customer 5: Due to operating difficulties, tight cash flow, and poor historical payment, customer 5 are assessed individually for bad debts impairment in previous years, during the year continues to carry out individual bad debts impairment assessment.

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 Accounts receivable (Continued)

5.4.2 Disclosure under the methods of provision for bad debts by category (Continued)

Provision for bad debts accrued on a portfolio basis:

Name	Balance as at December 31, 2020		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from third-parties	1,353,666,486.06	360,954,818.63	26.66
Accounts receivable from related parties	3,271,883,534.65	10,612,275.76	0.32
Total	4,625,550,020.71	371,567,094.39	

5.4.3 Top five of accounts receivable as at December 31, 2020, presented by debtors.

The sum amount of top five of accounts receivable as at December 31, 2020, presented by debtors is RMB3,720,714,687.87, accounting for 68.37% of the ending balance of accounts receivable, and the corresponding ending balance of provision for bad debts is RMB482,132,085.04.

5.5 Advances to suppliers

5.5.1 Presentation of advances to suppliers by aging

Aging	Balance as at December 31, 2020		Balance as at December 31, 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	93,672,934.21	53.09	142,456,177.99	78.03
1 - 2 years	58,945,687.10	33.41	23,868,749.44	13.07
2 - 3 years	9,459,920.00	5.36	4,998,347.66	2.74
Over 3 year	14,361,615.71	8.14	11,238,650.71	6.16
Total	176,440,157.02	100.00	182,561,925.80	100.00

5.5.2 Top five of advances to suppliers as at December 31, 2020, presented by prepaid objects

The sum amount of top five advances to suppliers as at December 31, 2020 presented based on the concentration ratio of prepaid objects amounted to RMB51,764,269.92, accounting for 29.33% of total ending balance of advances to suppliers.

Notes to Financial Statements

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Other receivables

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Interest receivable		56,891,715.70
Dividends receivable	4,368,000.00	4,080,000.00
Other receivables	918,380,962.53	1,499,955,508.33
Total	922,748,962.53	1,560,927,224.03

5.6.1 Interest receivable

(1) Classification of interest receivable

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Time deposits		5,232,040.40
Entrusted loans		
Bond investment		51,659,675.30
Sub-total		56,891,715.70
Less: provision for bad debts		
Total		56,891,715.70

(2) Significant overdue interest

The Group has no overdue interest.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Other receivables (Continued)

5.6.2 Dividends receivable

(1) Breakdowns of dividends receivable

Item (or Investee)	Balance as at December 31, 2020	Balance as at December 31, 2019
Beijing TravelSky Birun Technology Co., Ltd.	4,080,000.00	4,080,000.00
Yantai TravelSky Airport Network Co., Ltd.	288,000.00	
Sub-total	4,368,000.00	4,080,000.00
Less: provision for bad debts		
Total	4,368,000.00	4,080,000.00

(2) Significant dividends receivable with aging over one year

Item (or the investee)	Balance as at December 31, 2020	Aging	Whether the dividends are impaired or not, and the judgment basis
Beijing TravelSky Birun Technology Co., Ltd.	4,080,000.00	1-2 years	The company is operating normally, so the payment is expected to recover later.
Total	4,080,000.00		

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Other receivables (Continued)

5.6.3 Other receivables

(1) Disclosure by aging

Aging	Balance as at December 31, 2020	Balance as at December 31, 2019
Within 1 year	841,068,135.86	1,449,860,247.39
Including: subitem within 1 year		
Within 6 months	778,660,481.13	1,427,202,034.58
7 – 12 months	62,407,654.73	22,658,212.81
1 – 2 years	29,508,985.57	26,129,783.26
2 – 3 years	20,560,824.23	17,231,496.11
3 – 4 years	14,712,971.37	3,551,711.81
4 – 5 years	8,438,187.40	707,292.11
Over 5 years	5,235,402.63	3,158,526.20
Sub-total	919,524,507.06	1,500,639,056.88
Less: provision for bad debts	1,143,544.53	683,548.55
Total	918,380,962.53	1,499,955,508.33

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Other receivables (Continued)

5.6.3 Other receivables (Continued)

(2) Classified disclosure by provision of bad debts

Type	Balance as at December 31, 2020					Balance as at December 31, 2019				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts accrued on an individual basis	775,837.80	0.08	775,837.80	100.00	0.00					
Provision for bad debts accrued on a portfolio basis	918,748,669.26	99.92	367,706.73	0.04	918,380,962.53	1,500,639,056.88	100.00	683,548.55	0.05	1,499,955,508.33
Total	919,524,507.06	100.00	1,143,544.53		918,380,962.53	1,500,639,056.88	100.00	683,548.55		1,499,955,508.33

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Other receivables (Continued)

5.6.3 Other receivables (Continued)

(2) Classified disclosure by provision of bad debts (Continued)

Provision for bad debts accrued on an individual basis:

Name	Balance as at December 31, 2020			Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)	
Company 1	775,837.80	775,837.80	100.00	Liquidation of associates
Total	775,837.80	775,837.80		

Notes to provision for bad debts accrued on an individual basis: Company 1 is an associate of Hubei Civil Aviation Cares Co., Ltd., a subsidiary of the Group, is currently in liquidation and there is significant uncertainty about the recoverability of the outstanding amount, therefore, full provision for impairment has been made.

Provision for bad debts accrued on a portfolio basis:

Name	Balance as at December 31, 2020		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Group 1, third parties	568,142,540.58	367,706.73	0.06
Group 2, related parties	350,606,128.68		
Total	918,748,669.26	367,706.73	

Notes to Financial Statements

For the year ended December 31, 2020
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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Other receivables (Continued)

5.6.3 Other receivables (Continued)

(3) Provision for bad debts

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (no credit impairment)	Expected credit losses for the entire duration (credit impairment)	
Balance as at				
December 31, 2019		683,548.55		683,548.55
In 2020, balance as at				
December 31, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in 2020		-315,841.82	775,837.80	459,995.98
Reversal in 2020				
Write-off in 2020				
Charge-off in 2020				
Other changes				
Balance as at				
December 31, 2020		367,706.73	775,837.80	1,143,544.53

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Other receivables (Continued)

5.6.3 Other receivables (Continued)

(3) Provision for bad debts (Continued)

Changes in the book balance of other receivables are as follows:

Book balance	Phase 1 Expected credit losses in the next 12 months	Phase 2 Expected credit loss for the entire duration (no credit impairment)	Phase 3 Expected credit losses for the entire duration (credit impairment)	Total
Balance as at				
December 31, 2019		1,500,639,056.88		1,500,639,056.88
In 2020, balance as at				
December 31, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3			775,837.80	775,837.80
- Reversal from Phase 2				
- Reversal from Phase 1				
Increase in 2020				
Derecognition in 2020		581,890,387.62		581,890,387.62
Other changes				
Balance as at				
December 31, 2020		918,748,669.26	775,837.80	919,524,507.06

(4) Classification by nature of payment

Nature	Book balance as at December 31, 2020	Book balance as at December 31, 2019
Various margin, deposit and loan of reserve fund	89,564,717.16	349,064,592.44
Current loan	30,822,328.77	150,000,000.00
Settlement and clearing payments	578,169,221.99	956,587,340.20
Factoring receivables	220,968,239.14	44,987,124.24
Total	919,524,507.06	1,500,639,056.88

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 Other receivables (Continued)

5.6.3 Other receivables (Continued)

(5) Top five of other receivables as at December 31, 2020, presented by debtors

The summary amount of top five of other receivables as at December 31, 2020, presented by the concentration of other receivables objects is RMB329,635,415.44, accounting for 35.85% of the total ending balances of advances.

(6) Other receivables involving government grants

The Group has no other receivables involving government grants.

5.7 Inventories

5.7.1 Classification of inventories

Item	Balance as at December 31, 2020			Balance as at December 31, 2019		
	Book balance	Inventory falling price reserves/and provision for impairment of contract performance costs	Book value	Book balance	Inventory falling price reserves/and provision for impairment of contract performance costs	Book value
Finished goods	57,753,411.02	105,889.34	57,647,521.68	48,337,640.32	105,889.34	48,231,750.98
Contract performance cost	19,950,021.85		19,950,021.85			
Total	77,703,432.87	105,889.34	77,597,543.53	48,337,640.32	105,889.34	48,231,750.98

5.7.2 Provision for inventory falling price reserves and provision for impairment of contract performance costs

Item	Balance as at December 31, 2019	Increase in 2020		Decrease in 2020		Balance as at December 31, 2020
		Provision	Others	Reversal or resale	Others	
Work in progress						
Finished goods	105,889.34					105,889.34
Contract performance cost						
Total	105,889.34					105,889.34

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.7 Inventories (Continued)

5.7.3 Notes to ending balance of inventory containing amount of capitalization of borrowing costs

The Group has no the above-mentioned situation.

5.8 Contract assets

5.8.1 Contract assets

Item	Balance as at December 31, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
System integration service contracts	147,736,720.33	14,221,115.02	133,515,605.31	11,194,924.81	1,248,195.51	9,946,729.30
Total	147,736,720.33	14,221,115.02	133,515,605.31	11,194,924.81	1,248,195.51	9,946,729.30

5.8.2 Amount from significant change in book value and reason therefor during the reporting period

Item	Changed amount	Reason for change
System integration Contract	136,541,795.52	Arrival of system integration business equipment increased during the year
Total	136,541,795.52	

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.8 Contract assets (Continued)

5.8.3 Classification disclosure of contract assets under method of provision for impairment

Type	Balance as at December 31, 2020					Balance as at December 31, 2019				
	Book balance		Provision for impairment			Book balance		Provision for impairment		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for impairment accrued on an individual basis	-	-	-	-	-	-	-	-	-	-
Provision for impairment accrued on a portfolio basis	147,736,720.33	100.00	14,221,115.02	9.63	133,515,605.31	11,194,924.81	100.00	1,248,195.51	11.15	9,946,729.30
Total	147,736,720.33	100.00	14,221,115.02	9.63	133,515,605.31	11,194,924.81	100.00	1,248,195.51	11.15	9,946,729.30

Notes to Financial Statements

For the year ended December 31, 2020

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.8 Contract assets (Continued)

5.8.3 Classification disclosure of contract assets under method of provision for impairment

Provision for impairment accrued on an individual basis:

The Group has no the above-mentioned situation.

Provision for impairment accrued on a portfolio basis:

Item accrued on a portfolio basis:

Name	Balance as at December 31, 2020		
	Contract assets	Provision for impairment	Proportion of provision (%)
System integration contracts	147,736,720.33	14,221,115.02	9.63
Total	147,736,720.33	14,221,115.02	9.63

5.8.4 Provision for impairment of contract assets in 2020

Item	Balance as at	Provision in	Reversal in	Write-off/ charge-off in	Balance as at
	December 31, 2019				2020
System integration service contracts	1,248,195.51	12,972,919.51			14,221,115.02
Total	1,248,195.51	12,972,919.51			14,221,115.02

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.9 Non-current assets maturing within one year

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Long-term receivables due within one year		
Debt investment due within one year		
Other creditors' investment maturing within one year	922,750,037.84	1,100,000,000.00
Total	922,750,037.84	1,100,000,000.00

Significant creditor's right investments and other creditor's right investments as at December 31, 2020:

Item	Balance as at December 31, 2020			Balance as at December 31, 2019		
	Face value	Coupon rate	Maturity date	Face value	Coupon rate	Maturity date
China Minsheng Bank	900,000,000.00	3.55%	2021/1/27			
China CITIC Bank				200,000,000.00	3.95%	2020/1/28
Ping'an Bank				900,000,000.00	3.95%	2020/1/23
Total	900,000,000.00			1,100,000,000.00		

5.10 Other current assets

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Prepaid enterprise income tax	19,512,172.06	18,501,688.92
Creditor's right investment	1,528,927,182.95	1,400,000,000.00
Other debt investments		
Contract acquisition cost		
Receivable on return goods cost		
Carbon emission rights assets		
Retained for VAT	97,624,766.76	95,082,057.55
Other taxes and surcharges	706,112.11	882,362.03
Total	1,646,770,233.88	1,514,466,108.50

Notes to Financial Statements

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**5.11 Creditor's right investment****5.11.1 Details of creditor's right investment**

Item	Balance as at December 31, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Bank financing				900,000,000.00		900,000,000.00
Total				900,000,000.00		900,000,000.00

Note: The above-mentioned creditor's right investment was reclassified to "non-current assets maturing within one year" in the current year based on the maturity date.

5.11.2 Impairment loss on creditor's right investment

There is no provision for impairment of creditor's right investment for the Group.

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.12 Long-term equity investment

Investee	Balance as at December 31, 2019	Additional investment	Reduced investment	Increase or decrease in 2020				Balance as at December 31, 2020	Balance of provision for impairment as at December 31, 2020
				Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Cash dividends or profits declared to be distributed	Changes in other equity		
1. Joint venture									
Heilongjiang TravelSky Airport Network Co., Ltd.	17,504,352.69			1,719,644.11		750,000.00		18,473,996.80	
Dalian TravelSky Airport Network Co., Ltd.	20,439,026.47			2,326,112.52				22,765,138.99	
Shanghai Dongmei Online Travel Agency Co., Ltd.	8,319,730.57			-3,526,847.92				4,792,882.65	
Hebei TravelSky Airport Network Co., Ltd.	5,441,511.31			1,088,357.33				6,529,868.64	
Sub-total	51,704,621.04			1,607,266.04		750,000.00		52,561,887.08	
2. Associate									
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	125,347,414.00			5,116,476.32				130,463,890.32	
Shenyang Civil Aviation Northeast Cares Co., Ltd.	83,377,142.18			22,647,778.80				106,024,920.98	
Guangzhou Airport Hangyi Information Technology Co., Ltd.	10,000,922.52			1,445,532.90		4,800,000.00		6,646,455.42	
Yunnan TravelSky Airport Network Co., Ltd.	31,733,074.96			4,725,279.40				36,458,354.36	
Yantai TravelSky Airport Network Co., Ltd.	6,734,241.81			386,771.61		288,000.00		6,833,013.42	
Chengdu Civil Aviation Southwest Cares Co., Ltd.	61,750,985.12			5,969,262.18				67,720,247.30	
Beijing TravelSky Birun Technology Co., Ltd.	15,706,474.50			3,439,041.43				19,145,515.93	
TravelSky Mobile Technology Limited		105,821,300.11		-10,885,825.40			149,334,620.17	244,270,094.88	
Voyage Cruise (Wuhan) Information Technology Services Co., Ltd.	1,832,679.97		1,766,476.74	-66,203.23					
Sub-total	336,482,935.06	105,821,300.11	1,766,476.74	32,778,114.01		5,088,000.00	149,334,620.17	617,562,492.61	
Total	388,187,556.10	105,821,300.11	1,766,476.74	34,385,380.05		5,838,000.00	149,334,620.17	670,124,379.69	

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.13 Investments in other equity instruments

5.13.1 Details of other equity instrument investments

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
China Merchants RenHe Life Insurance Company Limited	893,202,600.00	883,750,000.00
Total	893,202,600.00	883,750,000.00

The Company holds 13.26% (Year 2019: 17.5%) of all the equity of an unlisted company China Merchants RenHe Life Insurance Company Limited, which has a fair value of RMB893,202,600.00 (Year 2019: RMB883,750,000.00) as of December 31, 2020. As the Company does not intend to hold the investment for trading purposes, the Company designated the investment as financial assets measured at fair value through other comprehensive income, and the Company has determined the fair value of the investment as at December 31, 2020 by reference to the valuation report issued by an independent professional valuer with China Alliance Appraisal Co., Ltd. professional qualifications and relevant experience. The change in fair value of RMB9,452,600.00 (Year 2019: RMB8,750,000.00) in 2020 is included in other comprehensive income of the Company.

5.13.2 Details of non-trading equity instrument investments

Item	Dividend income			Amount of other comprehensive income transferred to retained earnings	Reasons for financial assets designated to be measured at fair value through other comprehensive income
	recognized in 2020	Accumulated gains	Accumulated losses		
China Merchants RenHe Life Insurance Company Limited	0.00	18,202,600.00	0.00	0.00	Investment held by the Company for non-trading purposes

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.14 Other non-current financial assets

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Financial assets measured at fair value through the current profit or loss	82,315,300.00	
Including: debt instrument investments		
Equity instrument investments	82,315,300.00	
Derivative financial assets		
Others		
Financial asset designated to be measured by fair value through current profit or loss		
Including: debt instrument investments		
Others		
Total	82,315,300.00	

The above-mentioned other non-current financial assets are investment on China Mobile Equity Fund details are as follows:

As stated in the Company's announcement on April 16, 2020, the Company has entered into a limited partnership agreement (the "Agreement") with China Mobile Capital Holding Co., Ltd., other investors (together with the Company and China Mobile Capital Holding Co., Ltd., as limited partners) and China Mobile Equity Fund Management Co., Ltd. (as general partner) for the establishment of China Mobile Equity Fund (Hebei Xiong'an) Partnership (Limited Partnership) (the "China Mobile Equity Fund"), pursuant to which the Company agreed to contribute a total of RMB1 billion in cash to the China Mobile Equity Fund during the term of the Agreement. China Mobile Equity Fund primarily invests in companies related to the 5G and information and communications industry chain, ecosystem and enabling industries.

As of December 31, 2020, the Company has made actual contributions (including fund management fees) of RMB89.4 million under the agreement, which is measured at fair value with a book value of RMB82.3 million.

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.15 Investment properties

5.15.1 Investment properties measured at cost

Item	Buildings and constructions	Land use right	Total
1. Original book value			
(1) Balance as at December 31, 2019	128,892,622.00	92,427,128.90	221,319,750.90
(2) Increase in 2020			
- Outsourcing			
- Transfer of inventory, fixed assets and construction in progress			
(3) Decrease in 2020			
- Disposal			
(4) Balance as at December 31, 2020	128,892,622.00	92,427,128.90	221,319,750.90
2. Accumulated depreciation and accumulated amortization			
(1) Balance as at December 31, 2019	77,799,670.75	24,978,998.78	102,778,669.53
(2) Increase in 2020	6,251,292.16	2,286,856.80	8,538,148.96
- Provision or amortization	6,251,292.16	2,286,856.80	8,538,148.96
(3) Decrease in 2020			
- Disposal			
(4) Balance as at December 31, 2020	84,050,962.91	27,265,855.58	111,316,818.49
3. Provision for impairment			
(1) Balance as at December 31, 2019			
(2) Increase in 2020			
- Provision			
(3) Decrease in 2020			
- Disposal			
(4) Balance as at December 31, 2020			
4. Book value			
(1) Book value as at December 31, 2020	44,841,659.09	65,161,273.32	110,002,932.41
(2) Book value as at December 31, 2019	51,092,951.25	67,448,130.12	118,541,081.37

5.15.2 Investment properties with pending certificate of title

The Group has no investment properties with uncompleted certificate of title.

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For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.16 Fixed assets

5.16.1 Fixed assets and disposal of fixed assets

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Fixed assets	4,242,354,671.35	4,417,401,961.34
Disposal of fixed assets	24,995.06	24,995.06
Total	4,242,379,666.41	4,417,426,956.40

5.16.2 Details of fixed assets

Item	Buildings and constructions	Machinery equipment	Motor vehicles	Electronic equipment	Office equipment	Others	Total
1. Original book value							
(1) Balance as at December 31, 2019	3,318,176,315.08	1,267,215,202.11	71,349,984.95	2,466,869,658.32	269,927,061.21	29,759,095.85	7,423,297,317.52
(2) Increase in 2020	-181,879,380.71	409,002,548.83	2,141,527.23	81,005,568.70	21,349,382.57	2,389,191.03	334,008,837.65
-Purchase			2,141,527.23	80,817,920.70	21,349,382.57	2,389,191.03	106,698,021.53
-Transfer from construction in progress	-181,879,380.71	409,002,548.83					227,123,168.12
-Other transfer-in				187,648.00			187,648.00
(3) Decrease in 2020	232.09	5,221,348.46	2,348,276.64	91,315,059.91	9,376,067.26	66,956.89	108,327,941.25
-Disposal or scrapping		5,221,348.46	2,345,143.00	86,268,761.06	7,774,983.07	2,299.00	101,612,534.59
-Disposal of subsidiaries				616,684.61	15,513.89		632,198.50
-Others	232.09		3,133.64	4,429,614.24	1,585,570.30	64,657.89	6,083,208.16
(4) Balance as at December 31, 2020	3,136,296,702.28	1,670,996,402.48	71,143,235.54	2,456,560,167.11	281,900,376.52	32,081,329.99	7,648,978,213.92

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.16 Fixed assets (Continued)

5.16.2 Details of fixed assets (Continued)

Item	Buildings and constructions	Machinery equipment	Motor vehicles	Electronic equipment	Office equipment	Others	Total
2. Accumulated depreciation							
(1) Balance as at December 31,							
2019	455,866,182.67	784,400,971.18	60,739,181.78	1,519,809,485.27	145,890,434.60	22,719,513.38	2,989,425,768.88
(2) Increase in 2020	115,220,579.37	66,737,769.64	2,654,063.85	277,947,897.19	38,129,415.83	2,960,371.93	503,650,097.81
-Provision	115,220,579.37	66,737,769.64	2,654,063.85	277,947,897.19	38,129,415.83	2,960,371.93	503,650,097.81
(3) Decrease in 2020	177.92	5,064,708.00	2,277,922.32	86,992,225.48	8,248,430.89	102,932.44	102,686,397.05
-Disposal or scrapping		5,064,708.00	2,274,788.71	83,595,859.10	7,604,620.54	2,230.03	98,542,206.38
-Disposal of subsidiaries				568,432.68	10,208.27	100,702.41	679,343.36
- Others	177.92		3,133.61	2,827,933.70	633,602.08		3,464,847.31
(4) Balance as at December 31,							
2020	571,086,584.12	846,074,032.82	61,115,323.31	1,710,765,156.98	175,771,419.54	25,576,952.87	3,390,389,469.64
3. Provision for impairment							
(1) Balance as at December 31,							
2019		5,978,163.86		10,491,423.44			16,469,587.30
(2) Increase in 2020							
-Provision							
(3) Decrease in 2020		156,640.46		78,873.91			235,514.37
-Disposal or scrapping		156,640.46		78,873.91			235,514.37
(4) Balance as at December 31,							
2020		5,821,523.40		10,412,549.53			16,234,072.93
4. Book value							
(1) Book value as at December 31,							
2020	2,565,210,118.16	819,100,846.26	10,027,912.23	735,382,460.60	106,128,956.98	6,504,377.12	4,242,354,671.35
(2) Book value as at December 31,							
2019	2,862,310,132.41	476,836,067.07	10,610,803.17	936,568,749.61	124,036,626.61	7,039,582.47	4,417,401,961.34

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.16 Fixed assets (Continued)

5.16.3 Temporarily idle fixed assets

The Group has no idle fixed assets.

5.16.4 Details of fixed assets leased under operating lease

Item	Buildings and constructions	Machinery equipment	Total
1. Original book value			
(1) Balance as at December 31, 2019	110,349,269.61		110,349,269.61
(2) Increase in 2020			
-Purchase			
- Transfer-in of construction in progress			
- Increase due to business combination			
(3) Decrease in 2020			
- Disposal or scrapping			
(4) Balance as at December 31, 2020	110,349,269.61		110,349,269.61
2. Accumulated depreciation			
(1) Balance as at December 31, 2019	13,379,848.94		13,379,848.94
(2) Increase in 2020	2,675,969.79		2,675,969.79
-Provision	2,675,969.79		2,675,969.79
(3) Decrease in 2020			
- Disposal or scrapping			
(4) Balance as at December 31, 2020	16,055,818.73		16,055,818.73
3. Provision for impairment			
(1) Balance as at December 31, 2019			
(2) Increase in 2020			
-Provision			
(3) Decrease in 2020			
- Disposal or scrapping			
(4) Balance as at December 31, 2020			
4. Book value			
(1) Book value as at December 31, 2020	94,293,450.88		94,293,450.88
(2) Book value as at December 31, 2019	96,969,420.67		96,969,420.67

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For the year ended December 31, 2020
 (Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.16 Fixed assets (Continued)

5.16.5 Fixed assets without certificate of title

Item	Book value	Reason for failure to complete the formalities for the certificate of title
Houses and constructions in TravelSky Industrial Park	2,035,173,666.90	The part of houses and constructions has been completed, and the completion settlement formalities have not been completed
Office of Hunan Civil Aviation Information Technology Co., Ltd.	28,576,128.36	The relevant documents are in processing.

5.16.6 Disposal of fixed assets

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
To scrap transportation facilities	24,995.06	24,995.06
Total	24,995.06	24,995.06

5.17 Construction in progress

5.17.1 Construction in progress and project materials

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Construction in progress	23,733,542.62	49,019,244.92
Project materials		
Total	23,733,542.62	49,019,244.92

Notes to Financial Statements

For the year ended December 31, 2020
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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.17 Construction in progress (Continued)

5.17.2 Construction in progress

Item	Balance as at December 31, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Information product item 1	37,895,335.75	37,895,335.75		37,895,335.75		37,895,335.75
Information product item 2	11,046,078.98	11,046,078.98		11,046,078.98		11,046,078.98
Construction projects in TravelSky						
Industrial Park	20,412,051.23		20,412,051.23			
Decoration project of Xiamen Civil Aviation Cares	3,321,491.39		3,321,491.39	77,830.19		77,830.19
Total	72,674,957.35	48,941,414.73	23,733,542.62	49,019,244.92		49,019,244.92

5.17.3 Changes of significant construction in progress in 2020

Name of item	Budget	Balance as at		Amount transferred into fixed assets in the current period		Other decreases in 2020	Balance as at December 31, 2020	Proportion of accumulated investment in project budget (%)	Progress of construction	Accumulated capitalization amount of interest	Including: amount of interest in the current period	Capitalization rate of the interest in 2020 (%)	Capital source
		December 31, 2019	Increase in 2020	the current period	decreases in 2020								
Construction projects in TravelSky Industrial Park	2,593,024,800.00		20,412,051.23			20,412,051.23	0.79	Under construction					Own capital
Decoration project of Xiamen Civil Aviation Cares	4,280,000.00	77,830.19	3,243,661.20			3,321,491.39	77.60	Under construction					Own capital
Total		77,830.19	23,655,712.43			23,733,542.62							

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.17 Construction in progress (Continued)

5.17.4 Provision for impairment of construction in progress in 2020

Item	Amount of provisions in 2020	Reason for provision
Information product item 1	37,895,335.75	The item has been suspended and closed
Information product item 2	11,046,078.98	The item has been suspended and closed
Total	48,941,414.73	

Other description: due to changes in market conditions and the impact of the epidemic, the project was not continuously built and the provision for impairment was fully made for the above-mentioned construction in progress.

5.18 Right-of-use assets

Item	Buildings and constructions	Machinery equipment	Others	Total
1. Original book value				
(1) Balance as at December 31, 2019	220,615,350.11	3,120,521.97	14,095.25	223,749,967.33
(2) Increase in 2020	40,148,671.66	16,150.44	15,809.53	40,180,631.63
– New lease	40,148,671.66	16,150.44	15,809.53	40,180,631.63
(3) Decrease in 2020	26,877,474.98	139,663.05	14,095.25	27,031,233.28
– Expiration of lease	15,387,440.71	134,423.09	14,095.25	15,535,959.05
– Others	11,490,034.27	5,239.96		11,495,274.23
(4) Balance as at December 31, 2020	233,886,546.79	2,997,009.36	15,809.53	236,899,365.68
2. Accumulated depreciation				
(1) Balance as at December 31, 2019	71,118,380.25	1,068,934.25	5,214.27	72,192,528.77
(2) Increase in 2020	84,238,749.42	1,327,050.64	15,809.49	85,581,609.55
– Provision	84,215,062.99	1,327,050.64	15,809.49	85,557,923.12
– Others	23,686.43			23,686.43
(3) Decrease in 2020	21,382,968.31	138,789.75	14,095.25	21,535,853.31
– Expiration of lease	15,906,399.29	134,423.09	14,095.25	16,054,917.63
– Others	5,476,569.02	4,366.66		5,480,935.68

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.18 Right-of-use assets (Continued)

Item	Buildings and constructions	Machinery equipment	Others	Total
(4) Balance as at December 31, 2020	133,974,161.36	2,257,195.14	6,928.51	136,238,285.01
3. Provision for impairment				
(1) Balance as at December 31, 2019				
(2) Increase in 2020				
-Provision				
(3) Decrease in 2020				
-Transfer into fixed assets				
-Disposal				
(4) Balance as at December 31, 2020				
4. Book value				
(1) Book value as at December 31, 2020	99,912,385.43	739,814.22	8,881.02	100,661,080.67
(2) Book value as at December 31, 2019	149,496,969.86	2,051,587.72	8,880.98	151,557,438.56

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.19 Intangible assets

5.19.1 Details of intangible assets

Item	Land use right	Patent right	Non-patented technology	Software	Total
1. Original book value					
(1) Balance as at December 31, 2019	2,029,427,700.10	9,585.34	46,774,331.85	1,975,014,379.11	4,051,225,996.40
(2) Increase in 2020			4,532,049.53	192,771,847.24	197,303,896.77
-Purchase			4,532,049.53	117,449,134.40	121,981,183.93
-Internal research and development				70,092,706.27	70,092,706.27
-Others				5,230,006.57	5,230,006.57
(3) Decrease in 2020		19.37	1,025,859.11	99,800,144.56	100,826,023.04
-Disposal				70,424,702.74	70,424,702.74
-Others		19.37	1,025,859.11	29,375,441.82	30,401,320.30
(4) Balance as at December 31, 2020	2,029,427,700.10	9,565.97	50,280,522.27	2,067,986,081.79	4,147,703,870.13
2. Accumulated amortization					
(1) Balance as at December 31, 2019	499,311,414.66	5,839.01	40,345,290.37	1,589,383,455.59	2,129,045,999.63
(2) Increase in 2020	50,445,600.50	815.56	2,564,114.30	285,921,427.05	338,931,957.41
-Provision	50,445,600.50	815.56	2,564,114.30	285,921,427.05	338,931,957.41
(3) Decrease in 2020			1,025,859.08	99,785,212.18	100,811,071.26
-Disposal				99,785,212.18	99,785,212.18
-Others			1,025,859.08		1,025,859.08
(4) Balance as at December 31, 2020	549,757,015.16	6,654.57	41,883,545.59	1,775,519,670.46	2,367,166,885.78
3. Provision for impairment					
(1) Balance as at December 31, 2019					
(2) Increase in 2020				20,823,029.13	20,823,029.13
-Provision				20,823,029.13	20,823,029.13
(3) Decrease in 2020					
-Disposal					
(4) Balance as at December 31, 2020				20,823,029.13	20,823,029.13
4. Book value					
(1) Book value as at December 31, 2020	1,479,670,684.94	2,911.40	8,396,976.68	271,643,382.20	1,759,713,955.22
(2) Book value as at December 31, 2019	1,530,116,285.44	3,746.33	6,429,041.48	385,630,923.52	1,922,179,996.77

Among the intangible assets as at December 31, 2020, the intangible assets arising from the internal research and development of the Group were 70,092,706.27, accounting for 1.69% of the balance of intangible assets.

5.19.2 Intellectual properties with indefinite useful life

As at December 31, 2020, the Group has no the above-mentioned situation.

5.19.3 Individual intellectual properties with significant impact

As at December 31, 2020, the Group has no the above-mentioned situation.

Notes to Financial Statements

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.19 Intangible assets (Continued)

5.19.4 Assets with restrictions on the ownership or right of use

As at December 31, 2020, the Group has no the above-mentioned situation.

5.19.5 Land use right with pending certificates of title

As at December 31, 2020, the Group has no right to land use with pending certificate of title.

5.20 Development expenses

Item	Balance as at December 31, 2019	Increase in 2020 Internal R&D expenses	Decrease in 2020		Balance as at December 31, 2020	Capitalization start point	Detailed basis for capitalization	R&D progress as at December 31, 2020
			Recognized as intangible assets	Included in current profit or loss				
Item 1	64,603,098.19		64,603,098.19			2019/7/1	The item was approved in July 2019 the capitalization started	Amortization of intangible assets carried forward start
Item 2	1,233,727.11	5,219,007.25			6,452,734.36	2019/8/1	The item was approved in August 2019, the capitalization started	Applying for the Group's acceptance.
Item 3	3,781,909.36	8,868,429.02		135,823.38	12,514,515.00	2019/8/1	The item has passed the approval of the Company in August 2019, the capitalization started	Applying for the Group's acceptance.
Item 4	19,893,387.44	39,575,233.96		3,477,976.87	55,990,644.53	2019/8/1	The item has passed the approval of the Company in August 2019, the capitalization started	Applying for the Group's acceptance.
Item 5	31,209,557.49	19,913,430.80		3,818,850.45	47,304,137.84	2019/1/1	The item passed the Company's approval in May 2018, the capitalization started	Applying for the Group's acceptance.
Item 6	1,261,167.98		1,261,167.98			2019/8/1	The item has passed the approval in August 2019, the capitalization started	Amortization of intangible assets carried forward start.
Item 7	961,567.00	13,153,342.84			14,114,909.84	2019/10/1	The item has passed the approval of the Company in October 2019, the capitalization started	Applying for the Group's acceptance.

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.20 Development expenses (Continued)

Item	Balance as at December 31, 2019	Increase in 2020		Decrease in 2020		Balance as at December 31, 2020	Capitalization start point	Detailed basis for capitalization	R&D progress as at December 31, 2020
		Internal R&D expenses	Recognized as intangible assets	Included in current profit or loss					
Item 8	1,992,403.69	9,241,741.66				11,234,145.35	2019/8/1	The item has passed the approval of the Company in August 2019, the capitalization started	Applying for the Group's acceptance.
Item 9	8,472,201.81	15,297,316.43				23,769,518.24	2019/3/1	The item has passed the approval of the Company in March 2019, the capitalization started	Applying for the Group's acceptance.
Item 10	2,066,010.05	2,162,430.05	4,228,440.10				2019/1/1	The item has passed the approval of the Company in January 2019, the capitalization started	Amortization of intangible assets carried forward start
Item 11		21,236,268.25				21,236,268.25	2020/4/1	The item has passed the approval of the Company in April 2020, the capitalization started	Applying for the Group's acceptance.
Item 12		9,518,829.15		2,465,274.96		7,053,554.19	2020/4/1	The item has passed the approval of the Company in April 2020, the capitalization started	Applying for the Group's acceptance.
Item 13		4,636,723.83		1,271,700.26		3,365,023.57	2020/4/1	The item has passed the approval of the Company in April 2020, the capitalization started	Applying for the Group's acceptance.
Item 14		9,702,270.09		3,400,257.41		6,302,012.68	2020/4/1	The item has passed the approval of the Company in April 2020, the capitalization started	Applying for the Group's acceptance.
Item 15		145,475,421.18		44,720,373.15		100,755,048.03	2020/4/2	The item has passed the approval of the Company in April 2020, the capitalization started	Applying for the Group's acceptance.
Total	135,475,030.12	304,000,444.51	70,092,706.27	59,290,256.48		310,092,511.88			

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.21 Goodwill

5.21.1 Changes in goodwill

Name of the investee or matters forming goodwill	Balance as at December 31, 2019	Increase in 2020		Decrease in 2020		Balance as at December 31, 2020
		Formed from the business combination	Others	Disposal	Others	
Original book value						
OpenJaw Technologies Limited	155,989,972.17			3,655,614.55		152,334,357.62
Guangzhou Skyecho Information Technology Limited	260,400.76					260,400.76
Sub-total	156,250,372.93			3,655,614.55		152,594,758.38
Provision for impairment						
OpenJaw Technologies Limited		152,334,357.62				152,334,357.62
Sub-total		152,334,357.62				152,334,357.62
Book value	156,250,372.93	-152,334,357.62		3,655,614.55		260,400.76

Other explanation: The goodwill of OpenJaw Technologies Limited ("OpenJaw") decreased by RMB3.66 million for the period, the decrease was the exchange translation differences between the beginning and ending exchange rate changes.

5.21.2 Relevant information of asset group or combination of asset groups related to the goodwill

The Company's goodwill was primarily formed from the business combination of the acquisition of OpenJaw and its subsidiaries in 2016. OpenJaw is a company incorporated under the laws of Ireland, and it is mainly engaged in the provision of services in relation to the travel technologies and products, whose principal business is related to the principal business of the Company.

The Group's goodwill of Guangzhou Skyecho Information Technology Limited ("Skyecho") is mainly derived from the acquisition of 51% equity of Skyecho in 2014 at premium. Skyecho is located in Guangzhou City, its main business including: software development; network technology research and development; computer technology development and technical services; information system integration services; computer wholesale; software wholesale; computer accessories wholesale; commodity wholesale, etc.

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.21 Goodwill (Continued)

5.21.3 Explain the goodwill impairment test process and key parameters, as well as the confirmation method of goodwill impairment loss

The Company's goodwill impairment test, related to OpenJaw, is determined on the basis of the recoverable amount of the cash generating units based on the use value, which is calculated based on cash flow predicted from the approved five-year budget. Cash flows over the five-year period are extrapolated at an estimated average growth rate of 2.6% (2019: 2%)

Item	Year 2020	Year 2019
Growth rate	-5.37%-26.31%	7%-24%
Discount rate	14.86%	14.84%

The discount rate used is a pre-tax rate and reflects the specific risks associated with OpenJaw. The budgeted gross profit is determined based on the entity's historical performance and the Management's expectations of market developments.

Regarding the impairment test of the goodwill – Skyecho, the Company base used the value in use in assessing the recoverable amount of the cash-generating unit, and concluded there is no obvious indication for impairment.

5.22 Long-term deferred expenses

Item	Balance as at December 31, 2019	Increase in 2020	Amortization in 2020	Other decreases	Balance as at December 31, 2020
Various types of renovation and transformation works in the joint-stock company park area	5,188,191.71		3,153,508.53	20,707.10	2,013,976.08
Various types of renovation and transformation works in subordinate companies	3,102,098.92	1,020,272.37	2,120,738.92	58,733.36	1,942,899.01
Total	8,290,290.63	1,020,272.37	5,274,247.45	79,440.46	3,956,875.09

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.23 Deferred income tax assets and deferred income tax liabilities

5.23.1 Deferred income tax assets before offsetting

Item	Balance as at December 31, 2020		Balance as at December 31, 2019	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provisions for impairment of assets	1,004,101,960.15	151,981,113.26	320,186,713.84	48,323,062.61
Employee compensation payable accrued more than actually paid	147,193,501.51	22,079,025.23	121,587,055.58	18,238,058.34
Amortization of intangible assets	753,009,812.94	112,951,471.94	729,169,054.25	109,375,358.14
Accrued expenses	463,525,817.39	69,528,872.61	214,871,893.74	32,230,784.10
Changes in fair value of financial assets held for trading	7,005,845.66	1,050,876.85		
Fixed assets depreciation			12,346,286.33	1,554,297.05
Total	2,374,836,937.65	357,591,359.89	1,398,161,003.74	209,721,560.24

5.23.2 Deferred income tax liabilities without the offset

Item	Balance as at December 31, 2020		Balance as at December 31, 2019	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Taxable difference arising from asset evaluation increment	76,154,785.15	14,864,247.19	151,687,216.02	24,434,685.00
Temporary difference arising from accelerated depreciation of fixed assets	46,329,603.39	6,949,440.51	103,356,791.88	15,503,518.78
Others	64,080,395.39	8,010,049.42	172,782.10	21,597.76
Total	186,564,783.93	29,823,737.12	255,216,790.00	39,959,801.54

5.23.3 Deferred income tax assets or liabilities presented by net amount after offset

Item	As at December 31, 2020		As at December 31, 2019	
	Amount offset in deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after the offset	Amount offset in deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after the offset
Deferred tax assets		1,213,994.71		1,300,730.10
Deferred tax liabilities				

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**5.23 Deferred income tax assets and deferred income tax liabilities (Continued)****5.23.4 Unrecognized deferred income tax assets**

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Deductible temporary difference	253,968.08	253,968.08
Deductible losses	59,499,031.84	74,011,109.70
Total	59,752,999.92	74,265,077.78

5.23.5 Deductible losses from unrecognized deferred income tax assets will be expired in the following years

Year	Balance as at December 31, 2020	Balance as at December 31, 2019	Remark
Year 2020		8,733,187.87	
Year 2021	6,009,986.10	6,009,986.10	
Year 2022	3,588,791.73	3,588,791.73	
Year 2023	16,344,331.49	22,123,221.48	
Year 2024	13,560,021.46	13,560,021.46	
Year 2025	945,771.08	945,771.08	
Year 2026	8,901,294.12	8,901,294.12	
Year 2027	2,073,366.07	2,073,366.07	
Year 2028	4,931,070.14	4,931,070.14	
Year 2029	3,144,399.65	3,144,399.65	
Total	59,499,031.84	74,011,109.70	

According to the "Notice from the Ministry of Finance of the State Administration of Taxation on extending the loss carry-forward period of High-technology Enterprises and Small and Medium-sized Technology Enterprises" of the "Cai Shui [2018] No. 76" issued by the State Administration of Taxation, starting from January 1, 2018, companies that have the qualifications of high-tech enterprises or technology-based small and medium-sized enterprises (hereinafter collectively referred to as "qualifications"), the unrecovered losses that occurred in 5 years before the qualifications year, are allowed to be carried forward, and the longest carry-forward period is extended from 5 years to 10 years. Info sky Information Technology Co., Ltd., a subsidiary of the Group, applies the above-mentioned policies.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.24 Other non-current assets

Item	Balance as at December 31, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Bank deposits beyond one year	524,150,216.91		524,150,216.91			
Total	524,150,216.91		524,150,216.91			

5.25 Accounts payable

5.25.1 Presentation of accounts payable (based on invoice dates)

Aging	Balance as at December 31, 2020	Balance as at December 31, 2019
Within 1 year (including 1 year)	958,437,722.36	1,357,532,938.85
1 – 2 years (including 2 years)	598,298,458.98	152,913,458.50
2 – 3 years (including 3 years)	132,521,703.86	60,000,472.14
Over 3 years	110,271,288.42	114,915,846.46
Total	1,799,529,173.62	1,685,362,715.95

5.25.2 Significant account payables with aging over one year

Item	Balance as at December 31, 2020	Reason for no payment or carry-forward
Nantian Electronics Information Co., Ltd.	21,345,798.96	Business is conducted on a continuous rolling basis
Chengdu Airport	42,342,403.95	Business is conducted on a continuous rolling basis
Total	63,688,202.91	

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.26 Advances from customers

5.26.1 Presentation of advances from customers

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Rental	115,200.00	
Total	115,200.00	

5.26.2 Significant advances from customers with aging more than one year

The Group has no significant advances from customers with aging more than 1 year.

5.27 Contract liabilities

5.27.1 Details of contract liabilities

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
System integration service contract	155,713,280.20	181,421,301.08
Total	155,713,280.20	181,421,301.08

5.27.2 Amount from significant change in book value and reason therefor during the reporting period

Item	Changed amount	Reason for change
System integration service contract	-25,708,020.88	Revenue recognized in 2020
Total	-25,708,020.88	

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For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.28 Employee compensation payable

5.28.1 Presentation of employee compensation payable

Item	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
Short-term compensation	252,687,011.15	1,720,908,283.75	1,724,422,553.02	249,172,741.88
Post-employment benefits – defined contribution plans	12,139,955.55	163,946,641.05	157,531,689.93	18,554,906.67
Dismissal benefits		1,684,698.10	1,624,969.42	59,728.68
Other benefits due within one year				
Others	3,537,631.68	69,592,086.93	13,301,063.29	59,828,655.32
Total	268,364,598.38	1,956,131,709.83	1,896,880,275.66	327,616,032.55

5.28.2 Presentation of short-term compensation

Item	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
(1) Salaries, bonuses, allowances and subsidies	216,299,337.39	1,327,832,486.62	1,359,003,659.29	185,128,164.72
(2) Employee welfare	1,209,320.52	109,981,813.02	110,543,093.36	648,040.18
(3) Social insurance premiums Including: Medical insurance premiums	1,844,903.32	106,007,330.31	105,540,776.15	2,311,457.48
Work-related injury insurance premium	1,006,106.19	102,678,257.02	102,506,227.01	1,178,136.20
Maternity insurance premium	113,954.05	1,285,564.56	1,246,700.76	152,817.85
(4) Housing provident funds	724,843.08	2,043,508.73	1,787,848.38	980,503.43
(5) Labor union funds and employee education funds	2,631,774.21	124,374,879.61	124,053,905.25	2,952,748.57
(6) Short-term compensated absences	30,701,675.71	52,711,774.19	25,281,118.97	58,132,330.93
(7) Short-term profit sharing plan				
Total	252,687,011.15	1,720,908,283.75	1,724,422,553.02	249,172,741.88

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.28 Employee compensation payable (Continued)

5.28.3 Presentation of defined contribution plans (Continued)

Item	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
Basic endowment insurance premium	1,480,829.75	93,305,704.09	89,523,193.45	5,263,340.39
Unemployment insurance premium	85,595.27	3,838,416.12	3,885,840.99	38,170.40
Enterprise annuity payment	10,573,530.53	66,802,520.84	64,122,655.49	13,253,395.88
Total	12,139,955.55	163,946,641.05	157,531,689.93	18,554,906.67

5.29 Taxes and surcharges payable

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Value-added tax	14,394,088.26	15,007,736.77
Consumption tax		192,078.56
Enterprise income tax	107,590,474.40	51,154,641.67
Individual income tax	13,640,833.28	15,821,628.24
Urban maintenance and construction tax	2,688,469.99	2,626,368.59
House property tax	1,259,963.82	863,871.84
Land value-added tax		
Educational surcharges	1,751,916.67	1,840,109.49
Resource tax		
Land use tax	140,072.08	108,716.67
Compensation fees of mineral resources		
Other taxes and surcharges	500,706.15	896,326.77
Total	141,966,524.65	88,511,478.60

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For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.30 Other payables

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Interest payable		
Dividends payable	67,324,585.34	23,360,585.34
Other payables	1,281,686,526.86	1,867,889,507.34
Total	1,349,011,112.20	1,891,250,092.68

5.30.1 Dividends payable

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Common stock dividends	67,324,585.34	23,360,585.34
Preference shares/perpetual bonds classified as equity instruments Including : Item 1 Item 2		
Total	67,324,585.34	23,360,585.34

5.30.2 Other payables

(1) *Presentation in terms of nature*

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
E-commerce payment business	785,774,278.92	1,181,399,531.49
Settlement and clearing business payment	307,282,719.31	579,058,188.49
Current amounts	146,158,628.34	74,920,341.79
Social insurance and provident funds	18,698,613.08	7,155,735.58
Guaranteed deposits and deposits, etc.	23,772,287.21	25,355,709.99
Total	1,281,686,526.86	1,867,889,507.34

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For the year ended December 31, 2020
 (Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.31 Non-current liabilities maturing within one year

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Lease liabilities maturing within one year	76,146,476.84	72,765,245.39
Total	76,146,476.84	72,765,245.39

5.32 Other current liabilities

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Output tax to be carried forward	8,675,292.95	13,257,153.78
Total	8,675,292.95	13,257,153.78

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.33 Lease liabilities

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Lease payments	28,204,005.03	87,230,271.37
Less: financing charges unrecognized	856,511.70	7,139,185.20
Total	27,347,493.33	80,091,086.17

5.34 Long-term payables

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Long-term payables		
Special payables	420,237.65	495,709.35
Total	420,237.65	495,709.35

5.34.1 Long-term payables

The Group has no long-term payables.

5.34.2 Special payables

Item	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
Item 1	395,709.35			395,709.35
Item 2	100,000.00		75,471.70	24,528.30
Total	495,709.35		75,471.70	420,237.65

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.35 Estimated liabilities

Item	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020	Forming reason
External guarantees provided					
Pending litigation					
Product quality guarantee					
Restructuring obligations					
Onerous contract to be executed					
Refund payable					
Expected contract loss					
Others		5,000.00	512.00	4,488.00	
Total		5,000.00	512.00	4,488.00	

The aforementioned estimated liabilities represent the provision for payment business risks made by Beijing Yake Technology Development Co., Ltd., a subsidiary of the Group, in accordance with its internally issued "Management Measures for Risk Provisions of Payment Business" "YKF (2020) No.21". According to the policy, the Company shall accrual a risk reserve of RMB5,000 every six months, the policy is promulgate on July 2020, thus during the year the Company had accrued a risk reserve of RMB5,000, and recognized RMB 512 compensation payment.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.36 Deferred income

Item	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020	Forming reason
Government grants	91,390,000.00	1,360,000.00	8,001,111.11	84,748,888.89	
Total	91,390,000.00	1,360,000.00	8,001,111.11	84,748,888.89	

Items involving government grants:

Item	Balance as at December 31, 2019	New grants in 2020	Amount included in the current profit or loss in 2020	Balance as at December 31, 2020	Related to assets/income
Item 1	2,500,000.00		2,500,000.00		Related to income
Item 2	100,000.00	100,000.00	200,000.00		Related to income
Item 3	88,400,000.00		4,911,111.11	83,488,888.89	Related to assets
Item 4	240,000.00		240,000.00		Related to income
Item 5	150,000.00		150,000.00		Income project
Item 6		860,000.00		860,000.00	Related to income
Item 7		100,000.00		100,000.00	Related to income
Item 8		300,000.00		300,000.00	Related to income
Total	91,390,000.00	1,360,000.00	8,001,111.11	84,748,888.89	

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.37 Share capital

Item	Balance as at December 31, 2019	New shares issued	Changes in 2020 ("+" for increase and "-" for decrease)				Sub-total	Balance as at December 31, 2020
			Share donation	Conversion of reserves into share	Others			
Total shares	2,926,209,589.00						2,926,209,589.00	

5.38 Capital reserves

Item	Balance as at December 31,		Increase in 2020	Decrease in 2020	Balance as at December 31, 2020
	2019				
Capital (share capital) premium	843,445,719.28				843,445,719.28
Other capital reserves	315,964,905.78				315,964,905.78
Total	1,159,410,625.06				1,159,410,625.06

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.39 Other comprehensive income

Item	Balance as at December 31, 2019	Amount before income tax in the current period	Less: amount previously included in the other comprehensive income and currently transferred to the profit or loss	Year 2020		Balance as at December 31, 2020
				Less: amount previously included in the other comprehensive income and currently transferred to the retained earnings	Amount after tax attributable to the parent company	
1. Other comprehensive income that cannot be reclassified into profit or loss	8,750,000.00	9,452,600.00			9,452,600.00	18,202,600.00
Including: changes in re-measurement of the defined benefit plan						
Other comprehensive income that cannot be transferred to profit or loss under the equity method						
Changes in fair value of other equity instrument investments	8,750,000.00	9,452,600.00			9,452,600.00	18,202,600.00
Changes in the fair value of the company's own credit risk						
2. Other comprehensive income that will be reclassified into profit or loss	9,810,932.11	-9,167,938.47			-9,167,938.47	642,993.64
Including: other comprehensive income that can be transferred to profit or loss under the equity method						
Changes in fair value of other creditor's right investment						
Amount of financial assets reclassified into other comprehensive income						
Provision for credit impairment of other creditor's right investment						
Cash flow hedging reserve						
Translation differences of foreign currency financial statements	9,810,932.11	-9,167,938.47			-9,167,938.47	642,993.64
Total of other comprehensive income	18,560,932.11	284,661.53			284,661.53	18,845,593.64

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.40 Surplus reserves

Item	Balance as at		Decrease in 2020	Balance as at
	December 31, 2019	Increase in 2020		
Statutory surplus reserves	2,119,705,860.23	11,931,416.04		2,131,637,276.27
Discretionary surplus reserves	1,592,046,569.64	211,338,259.75		1,803,384,829.39
Reserve funds				
Enterprise expansion funds				
Others				
Total	3,711,752,429.87	223,269,675.79		3,935,022,105.66

Description: the legal surplus reserves are withdrawn based on 10% of net income.

5.41 General risk reserves

Item	Balance as at		Decrease in 2020	Balance as at
	December 31, 2019	Increase in 2020		
General risk reserves	5,224,825.65	1,759,823.95		6,984,649.60
Total	5,224,825.65	1,759,823.95		6,984,649.60

Remark: The general risk reserves are accrued by the subsidiary of the Company Antu Jinxin Commercial Factoring Co., Ltd. from net profit at 1% of the risk assets in accordance with *the Circular of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Supervision and Administration of Commercial Factoring Enterprises* (YBJBF [2019] No.205).

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.42 Undistributed profits

Item	Year 2020	Year 2019
Undistributed profits at the end of the previous year before adjustment	10,957,232,941.03	9,626,649,660.57
Total adjustment to undistributed profits at the beginning of the year ("+" for increase and "-" for decrease)		
Undistributed profits at the beginning of the period after adjustment	10,957,232,941.03	9,626,649,660.57
Plus: net profit attributable to shareholders of parent company for the current period	362,799,787.58	2,526,005,844.73
Less: withdrawal of statutory surplus reserves	11,931,416.04	211,338,259.75
Withdrawal of discretionary surplus reserves	211,338,259.75	196,484,066.64
Withdrawal of general risk reserves	1,759,823.95	449,858.44
Common stock dividends payable	845,674,571.22	787,150,379.44
Common stock dividends transferred to share capital		
Undistributed profits at the end of the year	10,249,328,657.65	10,957,232,941.03

5.43 Operating revenue and operating costs

5.43.1 Operating revenue and operating costs

Item	Year 2020		Year 2019	
	Revenue	Cost	Revenue	Cost
Main business	5,439,483,629.68	3,072,277,630.79	8,093,393,825.65	3,616,176,299.06
Other business	46,093,106.07	13,640,595.23	28,279,048.29	9,576,837.13
Total	5,485,576,735.75	3,085,918,226.02	8,121,672,873.94	3,625,753,136.19

Details of main operating revenue:

Item	Year 2020	Year 2019
Aviation information technology service	2,495,512,772.09	4,517,198,823.72
Settlement and clearing service	359,597,735.87	596,977,219.62
System integration service	1,178,003,077.04	1,168,024,046.83
Data network service	489,353,221.57	485,097,995.65
Other income	963,109,929.18	1,354,374,788.12
Total	5,485,576,735.75	8,121,672,873.94

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.44 Taxes and surcharges

Item	Year 2020	Year 2019
Urban construction tax	11,708,647.60	11,932,406.44
Resource tax	470,960.60	475,684.00
Educational surcharges	6,115,203.30	6,728,211.41
Local educational surcharges	4,117,801.86	4,348,211.38
House property tax	44,940,149.14	43,568,806.60
Land use tax	606,777.65	571,321.79
Vehicle and vessel tax	186,603.33	178,491.67
Disabled employment security fund	11,147,608.73	12,524,213.37
Stamp tax	3,422,921.56	4,050,482.65
Others	106,625.29	121,505.76
Total	82,823,299.06	84,499,335.07

5.45 Selling and distribution expenses

Item	Year 2020	Year 2019
Depreciation expenses of fixed assets	2,121,729.80	2,382,630.79
Amortization of intangible assets	94,806.87	160,590.38
Amortization of renovation costs	186,545.57	315,598.16
Depreciation of right-of-use assets	2,901,171.39	5,067,238.25
Low-cost consumables	966,301.35	721,448.15
Line rental fee	2,172,684.46	2,345,168.24
Integration project	11,645.04	9,155,726.05
Labor costs	83,241,280.14	86,374,554.77
Maintenance cost	72,929.25	141,853.59
Technical support and maintenance fee	7,783,156.84	8,157,803.86
Advertising production fees	698,479.57	1,542,508.19
Aviation membership fees	1,552,500.00	107,802.35
Utility bills	133,358.42	204,615.78
Conference fees	556,766.97	2,417,382.54
Business entertainment fees	2,248,568.87	2,716,730.14
Vehicle fees	845,240.61	1,180,224.02
Office fees	216,840.62	248,030.64
Telephone fees	1,072,461.70	1,072,854.26
Expenses for business trips	3,985,253.11	8,755,580.82
Expenses for going abroad		454,519.52
Property management fee of office building	429,408.75	510,151.58
Payment of business cost	3,316,142.79	9,512,000.67
Other cost	2,743,131.26	3,929,937.97
Total	117,350,403.38	147,474,950.72

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For the year ended December 31, 2020

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.46 General and administrative expenses

Item	Year 2020	Year 2019
Depreciation expenses of fixed assets	102,355,329.97	100,475,232.02
Amortization of intangible assets	104,813,415.09	102,560,659.27
Amortization of renovation costs	2,961,392.93	3,406,336.91
Depreciation of right-of-use assets	66,634,943.53	66,098,877.57
Low-cost consumables	4,383,171.46	4,648,963.32
Line rental fee	2,533,693.20	14,240,308.42
Integration project expenses	148,245.28	145,175.87
Labor costs	473,891,479.15	474,047,143.34
Maintenance costs	11,465,592.93	9,431,123.94
Technical support and maintenance fee	31,478,631.88	63,058,341.54
Advertising production fee	3,272,297.82	7,720,474.65
Aviation membership fees	3,017,174.29	10,642,378.10
Utility bills	13,799,035.67	17,276,801.05
Conference fees		4,677,497.39
Business entertainment expenses	3,603,684.68	6,050,064.09
Vehicle expenses	5,152,296.67	6,218,484.20
Office fees	3,299,271.09	3,791,917.90
Telephone fees	12,992,676.43	12,734,991.99
Expenses for business trips	8,177,041.23	30,184,637.98
Expenses for going abroad	299,212.91	5,888,248.80
Property management fee of office building	15,531,782.02	16,899,795.99
Consulting fees	15,276,448.15	17,641,448.69
Audit fees	4,389,036.15	6,941,432.30
Other fees	40,610,400.93	51,400,756.85
Total	930,086,253.46	1,036,181,092.18

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.47 Research and development expenses

Item	Year 2020	Year 2019
Depreciation expenses of fixed assets	24,561,986.61	17,284,122.63
Amortization of intangible assets	6,607,250.13	2,687,091.78
Amortization of renovation costs	239,937.12	327,719.50
Depreciation of right-of-use assets	1,343,225.50	1,502,620.03
Line rental fees	64,169.84	250,128.71
Labor costs	563,445,578.73	531,795,953.67
Technical support fees	91,593,167.73	194,355,146.36
Other costs	3,760,898.31	9,530,580.40
Total	691,616,213.97	757,733,363.08

5.48 Financial expenses

Item	Year 2020	Year 2019
Interest expenses	5,820,988.65	7,440,660.44
Including: lease liability interest expenses	5,706,062.16	7,372,060.93
Less: interest income	117,450,311.49	91,655,403.37
Gains or losses on exchange	19,430,532.22	-28,047,697.11
Others	1,798,402.76	1,865,859.18
Total	-90,400,387.86	-110,396,580.86

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For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.49 Other income

Item	Year 2020	Year 2019
Government grants	32,859,138.86	24,705,164.46
Additional deduction of input tax	16,035,502.58	13,725,863.79
Charges for withholding and remitting taxes	3,154,380.59	2,446,734.90
Income from debt restructuring		
VAT refunded upon collection	3,615,329.19	
Tax returns of Openjaw Technologies Limited		18,874,019.95
Others	136,651.80	
Total	55,801,003.02	59,751,783.10

Government grants included in other income

Subsidy item	Year 2020	Year 2019	Related to assets/income
Item 1	4,235,187.97	3,675,095.03	Related to income
Item 2		8,600,000.00	Related to income
Item 3		50,000,000.00	Related to income
Item 4		2,520,000.00	Related to income
Item 5		150,000.00	Related to income
Item 6		50,000.00	Related to income
Item 7		50,000.00	Related to income
Item 8		938,000.00	Related to income
Item 9		4,400.00	Related to income
Item 10		5,052,869.43	Related to income
Item 11	1,671,600.00	1,019,000.00	Related to income
Item 12		135,000.00	Related to income
Item 13		401,000.00	Related to income
Item 14		300,000.00	Related to income
Item 15		500,000.00	Related to income
Item 16		1,135,800.00	Related to income
Item 17		16,000.00	Related to income
Item 18		8,000.00	Related to income
Item 19		100,000.00	Related to income
Item 20	9,473,333.16		Related to income
Item 21	100,000.00		Related to income
Item 22	150,000.00		Related to income
Item 23	240,000.00		Related to income
Item 24	2,500,000.00		Related to income
Item 25	200,000.00		Related to income
Item 26	72,800.00		Related to income
Item 27	1,231,670.00		Related to income
Item 28	4,911,111.11		Related to assets

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.49 Other income (Continued)

Subsidy item	Year 2020	Year 2019	Related to assets/income
Item 29	1,005,000.00		Related to income
Item 30	59,700.00		Related to income
Item 31	300,000.00		Related to income
Item 32	71,861.82		Related to income
Item 33	4,900.00		Related to income
Item 34	50,000.00		Related to income
Item 35	10,000.00		Related to income
Item 36	1,311,300.00		Related to income
Item 37	680,000.00		Related to income
Item 38	687,000.00		Related to income
Item 39	50,000.00		Related to income
Item 40	3,800.00		Related to income
Item 41	150,000.00		Related to income
Item 42	200,000.00		Related to income
Item 43	299,200.00		Related to income
Item 44	20,000.00		Related to income
Item 45	5,000.00		Related to income
Item 46	12,000.00		Related to income
Item 47	13,500.00		Related to income
Item 48	100,000.00		Related to income
Item 49	48,000.00		Related to income
Item 50	120,000.00		Related to income
Item 51	18,900.00		Related to income
Item 52	12,320.00		Related to income
Item 53	234,000.00		Related to income
Item 54	300,000.00		Related to income
Item 55	400,000.00		Related to income
Item 56	8,174.80		Related to income
Item 57	100,000.00		Related to income
Item 58	40,000.00		Related to income
Item 59	272,000.00		Related to income
Item 60	408,000.00		Related to income
Item 61	60,000.00		Related to income
Item 62	200,000.00		Related to income
Item 63	3,500.00		Related to income
Item 64	595,000.00		Related to income
Item 65	120,000.00		Related to income
Item 66	60,000.00		Related to income
Item 67	40,000.00		Related to income
Item 68	280.00		Related to income
Total	32,859,138.86	24,705,164.46	

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.50 Investment income

Item	Year 2020	Year 2019
Long-term equity investment income calculated under the equity method	34,385,380.05	62,936,904.33
Investment income from disposal of long-term equity investment		12,457,072.37
Investment income from financial assets held for trading during the holding period	695,045.49	
Investment income from disposal of the financial assets held for trading		9,867,805.41
Interest revenue from creditor's right investment during the holding period	53,209,323.80	51,794,246.58
Investment income from disposal of creditor's right investment		64,026,278.43
Interest income from other creditors' investment during the holding period		
Investment income from the disposal of other creditor's right investment		
Dividend revenue from other equity instrument investment during the holding period		
Investment income from other non-current financial assets during the holding period		
Investment income from disposal of other non-current financial assets		
Gains from the remeasurement of the remaining equity at fair value after the loss of control	450,643,518.39	
Investment income from disposal of disposed portfolio constituting the business		
Investment income from debt restructuring		
Total	538,933,267.73	201,082,307.12

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.50 Investment income (Continued)

Notes: the above-mentioned gain of RMB450,643,518.39 arising from the remeasurement of the remaining equity at the fair value after the loss of control is 100% of the Company's former wholly-owned subsidiary, TravelSky Mobile Technology Limited which is no longer included in the scope of consolidation since September 30, 2020 due to the transfer of control. According to Article 50 of the Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statements (Revised in 2014), "when the enterprise loses the control over the original subsidiary due to disposal of partial equity investment or other reasons, the remaining equity will be remeasured at its fair value on the date of loss of the control when preparing the consolidated financial statements. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets of the original subsidiary which are continuously calculated as of the acquisition date or combination date is included in the investment income of the period at the loss of control." Difference between the remaining equity of 31.61% held in TravelSky Mobile Technology Limited at its fair value and shares calculated at the original shareholding ratio in net assets of the original subsidiary which are continuously calculated as of the establishment.

5.51 Gains from changes in fair value

Sources of income from changes in fair value	Year 2020	Year 2019
Financial assets held for trading	28,493.15	-9,668,077.83
Including: Income from changes in fair value of derivative financial instruments		
Other non-current financial assets	-7,034,338.81	
Financial liabilities held for trading		
Total	-7,005,845.66	-9,668,077.83

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.52 Losses from credit impairment

Item	Year 2020	Year 2019
Losses from bad debts of notes receivable	12,653,978.27	
Losses from bad debts of accounts receivable	682,896,168.22	43,413,358.54
Losses from impairment of receivables financing		
Losses from bad debts of other receivables	459,995.98	
Losses from impairment of creditor's right investment		
Losses from impairment of other creditor's right investment		
Losses from bad debts of long-term receivables		
Total	696,010,142.47	43,413,358.54

5.53 Losses from impairment of assets

Item	Year 2020	Year 2019
Loss from inventory impairment and losses from impairment of contract performance cost		
Losses from impairment of contract assets	12,975,259.81	1,248,195.51
Losses from impairment of assets held for sale		
Losses from impairment of long-term equity investments		
Losses from impairment of investment properties		
Losses from impairment of fixed assets		
Losses from impairment of project materials		
Losses from impairment of construction in progress	48,941,414.73	
Losses from impairment of right-of-use assets		
Losses from impairment of intangible assets	20,823,029.13	
Losses from impairment of goodwill	152,334,357.62	
Losses from impairment of contract acquisition cost		
Total	235,074,061.29	1,248,195.51

Notes to Financial Statements

For the year ended December 31, 2020
 (Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.53 Losses from impairment of assets (Continued)

Note:

- (1) In 2020, the operating results of OpenJaw, a subsidiary of the Company, declined significantly. The Company conducted an impairment test based on the recoverable amount of cash-generating units through comparing the value in use with the value of goodwill, and had indicators of significant impairment of goodwill in the Company's consolidation of OpenJaw. Based on the impairment test, the Company impaired this part of goodwill by RMB152,334,357.62.
- (2) In 2020, the operating results of OpenJaw, a subsidiary of the Company, declined significantly and there were obvious indicators of impairment of intangible assets owned by the Group. The Company conducted impairment tests based on the recoverable amount of its cash-generating units and made a provision for impairment of RMB20,823,029.13.
- (3) In 2020, a subsidiary of the Company had two construction projects in progress. Due to the epidemic and changes in the market environment, the Company decided to terminate the continued construction of these two construction projects in progress. As there were obvious indicators of impairment of the value of construction in progress that had occurred, the Company made a provision for impairment of RMB48,941,414.73.

5.54 Income from asset disposal

Item	Year 2020	Year 2019	Amount included in non-recurring profit or loss in the current period
Disposal of fixed assets	11,839.37	330,883.40	11,839.37
Total	11,839.37	330,883.40	11,839.37

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.55 Non-operating revenue

Item	Year 2020	Year 2019	Amount included in non-recurring profit or loss in the current period
Gains from disposal of non-current assets	7,415.97	85,694.11	7,415.97
Accept donations			
Government grants irrelevant to the routine activities of the enterprise	118,712.26	89,519.26	118,712.26
Others	3,993,851.16	33,091,183.31	3,993,851.16
Total	4,119,979.39	33,266,396.68	4,119,979.39

Government grants included in the non-operating revenue:

Grant item	Year 2020	Year 2019	Related to assets/ income
Item 1		5,000.00	Related to income
Item 2		84,519.26	Related to income
Item 3	118,712.26		Related to income
Total	118,712.26	89,519.26	

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.56 Non-operating expenses

Item	Year 2020	Year 2019	Amount included in non-recurring profit or loss in the current period
Donations made	12,107,339.94	11,187,588.00	12,107,339.94
Abnormal losses			
Inventory losses	54,778.67		54,778.67
Losses from the damage and scrapping of non-current assets	471,972.04	5,995,799.20	471,972.04
Others	2,163,300.98	524,496.78	2,163,300.98
Total	14,797,391.63	17,707,883.98	14,797,391.63

5.57 Income tax expenses

5.57.1 Table of income tax expenses

Item	Year 2020	Year 2019
Current income tax expenses	159,482,057.71	403,118,221.05
Deferred income tax expenses	-159,216,478.26	-39,681,816.62
Others	-98,040,933.96	-146,127,176.66
Total	-97,775,354.51	217,309,227.77

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.57 Income tax expenses (Continued)

5.57.2 Adjustment process of accounting profit and income tax expenses

Item	Amount after consolidated offset
Total profits	314,161,376.18
Income tax expenses calculated at statutory/applicable tax rate	47,124,206.43
Effect of different tax rates applicable to subsidiaries	-49,673,583.73
Influence of adjustments to the income tax for the prior years	-96,924,955.02
Effect of non-taxable income	-19,975,629.56
Effect of non-deductible costs, expenses and losses	207,013,660.72
Effect of using the deductible losses related to deferred income tax assets unrecognized in prior periods	-979,669.69
Influence of unrecognized deferred income tax assets and deductible temporary differences or losses in current period	14,050,988.29
Others	-198,410,371.95
Income tax expenses	-97,775,354.51

5.58 Earning per share

5.58.1 Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the Company by the weighted average of the Company's ordinary shares.

Item	Year 2020	Year 2019
Consolidated net profit attributable to the common stockholder of the parent company	362,799,787.58	2,526,005,844.73
Weighted average of the Company's outstanding common stock	2,926,209,589.00	2,926,209,589.00
Basic earnings per share	0.12	0.87
Including: basic earnings per share from continued operation	0.12	0.87
Basic earnings per share from discontinued operation		

As of December 31, 2020 and December 31, 2019, the Company has no diluted potential common stocks.

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.59 Supplementary information to the income statement with expenses classified by nature

The operating costs, selling expenses and administrative expenses in income statement are presented by nature as follows:

Item	Year 2020	Year 2019
Labor costs	1,775,239,365.64	1,861,541,497.98
Depreciation and amortization expenses	925,882,735.97	863,252,131.71
Cost of sales of software and hardware	601,171,385.04	601,272,132.19
Technical support and maintenance fees	604,471,101.79	902,680,575.87
Commission and promotion expenses	478,080,836.06	799,363,090.29
Internet use fees	72,835,512.57	96,990,496.59
Other operating costs	367,290,159.76	442,042,617.54
Total	4,824,971,096.83	5,567,142,542.17

5.60 Cash flow statement items

5.60.1 Cash received from other operating activities

Item	Year 2020	Year 2019
Government grants received	25,792,265.67	36,028,385.10
Interest income received from bank deposits	77,162,844.34	64,344,091.72
Guarantee fund and quality guarantee deposit received	11,473,669.72	8,703,816.00
Current accounts received	908,190,567.90	579,327,953.75
Other non-operating revenue received	2,532,299.39	22,160,290.23
Collection and payment received	24,594,330.57	41,123,990.79
Others	61,234,130,726.09	129,748,958,131.06
Total	62,283,876,703.68	130,500,646,658.65

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.60 Cash flow statement items

5.60.2 Cash paid for other operating activities

Item	Year 2020	Year 2019
General and administrative expenses paid	184,260,256.84	235,690,452.44
Selling and distribution expenses paid	28,612,454.08	52,602,260.78
Research and development expenses paid	126,458,937.03	284,925,972.12
Bank charges paid	1,733,772.57	1,643,841.75
Non-operating expenses paid	1,165,939.04	2,575,413.09
Security deposit paid	21,095,422.23	9,137,758.22
Current accounts between entities paid	510,842,547.15	822,317,369.20
Others	62,263,489,518.16	129,497,629,555.32
Total	63,137,658,847.10	130,906,522,622.92

5.60.3 Cash received from other investing activities

The Group had no cash received from other investing activities in 2019 and 2020.

5.60.4 Cash paid for other investing activities

Item	Year 2020	Year 2019
Decrease in year end cash and cash equivalents from disposal of subsidiary	8,404,155.22	
Defer expense on capital construction expenditure		
Others		
Total	8,404,155.22	

5.60.5 Cash received from other financing activities

The Group had no cash received from other financing activities in 2019 and 2020.

5.60.6 Cash paid for other financing activities

Item	Year 2020	Year 2019
Lease liabilities paid	85,777,768.88	79,776,572.14
Borrowing margin		
Others	12,000,000.00	11,000,000.00
Total	97,777,768.88	90,776,572.14

Notes to cash paid for other financing activities: The expenses in the above item of "others" were RMB12,000,000.00 in 2020 and RMB11,000,000.00 in 2019, which were for the Company's poverty alleviation funds in 2019 and 2020.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.61 Supplementary information to the statement of cash flows

5.61.1 Supplementary information to the statement of cash flows

Supplementary information	Year 2020	Year 2019
1. Net profit adjusted to cash flows from operating activities		
Net profit	411,936,730.69	2,585,512,204.23
Plus: losses from credit impairment	696,010,142.47	43,413,358.54
Provisions for impairment of assets	235,074,061.29	1,248,195.51
Depreciation of fixed assets	514,944,941.96	533,435,420.96
Amortization of right-of-use assets	83,774,305.00	85,905,699.88
Amortization of intangible assets	343,035,090.89	344,176,373.18
Amortization of long-term deferred expenses	5,031,245.28	6,174,042.12
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-180,246.61	-330,883.40
Losses from scrapping of fixed assets ("-" for gains)	2,523,737.12	5,800,135.52
Losses from changes in fair value ("-" for gains)	7,005,845.66	9,668,077.83
Financial expenses ("-" for gains)	-7,689,471.85	-15,246,948.67
Investment losses ("-" for gains)	-538,933,267.73	-201,082,307.12
Decreases in deferred income tax assets ("-" for increases)	-147,869,799.65	-32,094,645.03
Increases in deferred income tax liabilities ("-" for decreases)	-10,136,064.42	-7,680,844.99
Decreases in inventories ("-" for increases)	-32,271,881.05	-668,557.00
Decreases in operating receivables ("-" for increases)	2,595,318,075.52	-592,669,262.45
Increases in operating payables ("-" for decreases)	-3,993,358,839.38	-652,157,351.44
Others		
Net cash flow from operating activities	164,214,605.19	2,113,402,707.67
2. Significant investing and financing activities not involving cash inflow and outflow		
Debt transferred into capital		
Convertible corporate bonds maturing within 1 year		
Fixed assets acquired under financial lease		
3. Net change in cash and cash equivalents		
Ending balance of cash	4,364,935,481.69	5,226,929,496.55
Less: beginning balance of cash	5,226,929,496.55	4,814,232,359.40
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-861,994,014.86	412,697,137.15

Notes to Financial Statements

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.61 Supplementary information to the statement of cash flows (Continued)

5.61.2 Net cash received for disposal of subsidiaries in 2020

Item	Amount
Cash or cash equivalents received in 2020 from disposal of subsidiaries for current period	
Including: TravelSky Mobile Technology Limited	
Less: cash and cash equivalents held by subsidiaries on the date of losing the control right	8,404,155.22
Including: TravelSky Mobile Technology Limited	8,404,155.22
Plus: cash or cash equivalents received in 2020 from disposal of subsidiaries in prior periods	
Net cash received for disposal of subsidiaries	-8,404,155.22

5.61.3 Composition of cash and cash equivalents

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
I. Cash	4,364,935,481.69	5,226,929,496.55
Including: cash on hand	99,362.26	93,372.23
Unrestricted bank deposits	4,363,035,159.01	5,215,222,441.87
Other unrestricted monetary funds	1,800,960.42	11,613,682.45
Unrestricted deposits in central bank		
Deposits in banks and other financial institutions		
Loans to banks and other financial institutions		
II. Cash equivalents		
Including: bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	4,364,935,481.69	5,226,929,496.55
Including: cash and cash equivalents with restricted use right by parent company or subsidiaries of the Group		

Notes to Financial Statements

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.62 Assets with restricted ownership or right of use

Item	Book value as at December 31, 2020	Reason for restriction
Cash and cash equivalents	92,320,194.82	Performance bonds and L/C deposits
Total	92,320,194.82	

5.63 Foreign currency monetary items

5.63.1 Monetary items in foreign currency

Item	Balance in foreign currency as at December 31, 2020	Conversion rate	RMB amount translated as at December 31, 2020
Cash and cash equivalents			402,093,876.46
Including: USD	57,989,231.26	6.5249	378,373,935.05
EUR	1,658,582.90	8.0250	13,310,127.77
HKD	12,369,075.14	0.8416	10,409,813.64
Accounts receivable			177,479,349.49
Including: USD	17,501,933.21	6.5249	114,198,364.00
EUR	440,357.68	8.0250	3,533,870.38
HKD	70,992,294.57	0.8416	59,747,115.11
Long-term borrowings			
Including: USD			
EUR			
HKD			

5.63.2 Description of the overseas operating entities, for instance, with regard to important overseas business entities, the main business location overseas, the functional currency and basis for selection should be disclosed; where the functional currency is changed, relevant reason should be disclosed.

The Group's significant overseas operating entities include China TravelSky International Limited and OpenJaw Technologies Limited, which principally operate in Hong Kong, China and Ireland, and are denominated in HKD and EUR, without change in 2020.

Notes to Financial Statements

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5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.64 Government grants

5.64.1 Asset-related government grants

Category	Amount	Items listed on the balance sheet	The amount that is included in the current profit or loss or used to offset the cost of related costs		The item that is included in the current profit or loss or used to offset the losses of related costs
			Year 2020	Year 2019	
Civil aviation safety engineering project	83,488,888.89	Deferred income	4,911,111.11		Other income

5.64.2 Income-related government grants

Category	Amount	Amount included in the current profit or loss or offsetting the loss in related cost expenses		The item that is included in the current profit or loss or used to offset the losses of related costs
		Year 2020	Year 2019	
Item 1	4,235,187.97	4,235,187.97	3,675,095.03	Other income
Item 2			8,600,000.00	Other income
Item 3			50,000.00	Other income
Item 4			2,520,000.00	Other income
Item 5			150,000.00	Other income
Item 6			50,000.00	Other income
Item 7			50,000.00	Other income
Item 8			938,000.00	Other income
Item 9			4,400.00	Other income
Item 10			5,052,869.43	Other income
Item 11	1,671,600.00	1,671,600.00	1,019,000.00	Other income
Item 12			135,000.00	Other income
Item 13			401,000.00	Other income
Item 14			300,000.00	Other income
Item 15			500,000.00	Other income
Item 16			1,135,800.00	Other income
Item 17			16,000.00	Other income
Item 18			8,000.00	Other income
Item 19			100,000.00	Other income
Item 20	9,473,333.16	9,473,333.16		Other income

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.64 Government grants (Continued)

5.64.2 Income-related government grants (Continued)

Category	Amount	Amount included in the current profit or loss or offsetting the loss in related cost expenses		The item that is included in the current profit or loss or used to offset the losses of related costs
		Year 2020	Year 2019	
Item 21	100,000.00	100,000.00		Other income
Item 22	150,000.00	150,000.00		Other income
Item 23	240,000.00	240,000.00		Other income
Item 24	2,500,000.00	2,500,000.00		Other income
Item 25	200,000.00	200,000.00		Other income
Item 26	72,800.00	72,800.00		Other income
Item 27	1,231,670.00	1,231,670.00		Other income
Item 28	1,005,000.00	1,005,000.00		Other income
Item 29	59,700.00	59,700.00		Other income
Item 30	300,000.00	300,000.00		Other income
Item 31	71,861.82	71,861.82		Other income
Item 32	4,900.00	4,900.00		Other income
Item 33	50,000.00	50,000.00		Other income
Item 34	10,000.00	10,000.00		Other income
Item 35	1,311,300.00	1,311,300.00		Other income
Item 36	680,000.00	680,000.00		Other income
Item 37	687,000.00	687,000.00		Other income
Item 38	50,000.00	50,000.00		Other income
Item 39	3,800.00	3,800.00		Other income
Item 40	150,000.00	150,000.00		Other income
Item 41	200,000.00	200,000.00		Other income
Item 42	299,200.00	299,200.00		Other income
Item 43	20,000.00	20,000.00		Other income
Item 44	5,000.00	5,000.00		Other income
Item 45	12,000.00	12,000.00		Other income
Item 46	13,500.00	13,500.00		Other income
Item 47	100,000.00	100,000.00		Other income
Item 48	48,000.00	48,000.00		Other income
Item 49	120,000.00	120,000.00		Other income
Item 50	18,900.00	18,900.00		Other income
Item 51	12,320.00	12,320.00		Other income
Item 52	234,000.00	234,000.00		Other income
Item 53	300,000.00	300,000.00		Other income

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.64 Government grants (Continued)

5.64.2 Income-related government grants (Continued)

Category	Amount	Amount included in the current profit or loss or offsetting the loss in related cost expenses		The item that is included in the current profit or loss or used to offset the losses of related costs
		Year 2020	Year 2019	
Item 54	400,000.00	400,000.00		Other income
Item 55	8,174.80	8,174.80		Other income
Item 56	100,000.00	100,000.00		Other income
Item 57	40,000.00	40,000.00		Other income
Item 58	272,000.00	272,000.00		Other income
Item 59	408,000.00	408,000.00		Other income
Item 60	60,000.00	60,000.00		Other income
Item 61	200,000.00	200,000.00		Other income
Item 62	3,500.00	3,500.00		Other income
Item 63	595,000.00	595,000.00		Other income
Item 64	120,000.00	120,000.00		Other income
Item 65	60,000.00	60,000.00		Other income
Item 66	40,000.00	40,000.00		Other income
Item 67	280.00	280.00		Other income
Item 68	118,712.26	118,712.26		non-operating revenue
Item 69			5,000.00	non-operating revenue
Item 70			84,519.26	non-operating revenue
Total	28,066,740.01	28,066,740.01	24,794,683.72	

5.64.3 Return of government grants

The Group had no refund of government grants in 2020.

6 CHANGE OF THE CONSOLIDATION SCOPE

6.1 Disposal of subsidiaries

6.1.1 Loss of control due to single disposal of investment in subsidiaries

Name of subsidiary	Price of equity disposal	Proportion of equity disposed (%)	Method of equity disposal	Timing of control loss	Basis to determine the timing of control loss	Difference between the disposal price and the share in net assets of the subsidiary in consolidated financial statements corresponding to the investment disposed	Proportion of the residual equity on the date of losing the control right (%)	Book value of the residual equity on the date of losing the control right	Fair value of the residual equity on the date of losing the control right	Gains or losses arising from the re-measurement of residual equity at fair value	Methods to determine and major assumptions of fair value of residual equity on the date of losing the control	Amount of other comprehensive income related to the original subsidiary's equity investment transferred to investment gains or losses
TravelSky Mobile Technology Co., Ltd.	0	68.39	Equity dilution	2020/9/30	Change of industrial and commercial registration, and base on agreement	450,643,518.39	31.61	195,487,598.11	255,155,920.28	450,643,518.39	Income approach	0.00

Note:

In June 2020, with the approval of the State-owned Assets Supervision and Administration Commission of the State Council, the Company's wholly-owned subsidiary – TravelSky Mobile Technology Co., Ltd. (hereinafter referred to as "TravelSky Mobile Technology") increased its capital through a non-disclosure agreement and introduced TravelSky Qihang Capital Management Co., Ltd., China Southern Group Capital Holding Co., Ltd., Eastern Airlines Industry Investment Co., Ltd., Civil Aviation Air Traffic Control Investment Management Co., Ltd. and Tianjin Yicheng Technology Partnership (Limited Partnership) as the shareholders of such company. As of September 30, 2020, TravelSky Mobile Technology has received the capital contributions paid by all investors in accordance with the capital increase agreement and has gone through the procedures for industrial and commercial changes. After the capital increase, the registered capital of TravelSky Mobile Technology has increased from the original RMB60 million to RMB190 million. The Company's shareholding ratio has been reduced to 31.61% from the original 100%. According to the capital increase agreement signed by the parties and the new "Articles of Association" of TravelSky Mobile Technology, the Company no longer controls TravelSky Mobile Technology and no longer incorporates it into the scope of consolidation.

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For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

6 CHANGE OF THE CONSOLIDATION SCOPE (CONTINUED)

6.2 Other reasons for the change of the consolidation scope

The Group has no changes in consolidation scope for other reasons in 2020.

7 EQUITY IN OTHER ENTITIES

7.1 Equity in the subsidiaries

7.1.1 Structure of the enterprise group

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Way of acquisition	Paid-in capital (in RMB ten thousand)
				Direct	Indirect		
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	Chongqing, China	Chongqing, China	Provision of electronic travel distribution, airport passenger processing and cargo management services; and sales and installation of related information systems	51		Investment	1,480.00
Hunan TravelSky Technology Limited	Changsha, China	Changsha, China	Planning and construction, operation management, technical support, product development and e-commerce of computer reservation, departure and freight transportation and other application systems	100		Investment	3,000.00
Xi'an Civil Aviation Cares Technology Co., Ltd.	Xi'an, China	Xi'an, China	Xi'an, China Computer software and hardware development and data network services	51		Investment	1,500.00
Hubei Civil Aviation Cares Co., Ltd.	Wuhan, China	Wuhan, China	Provision of electronic travel distribution, airport passenger processing and cargo management services; and sales and installation of related information systems	50		Investment	1,500.00
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	Urumqi, China	Urumqi, China	Computer software and hardware development and data network services	51		Investment	1,000.00

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)**7.1 Equity in the subsidiaries (Continued)****7.1.1 Structure of the enterprise group (Continued)**

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Way of acquisition	Paid-in capital (in RMB ten thousand)
				Direct	Indirect		
Shenzhen Civil Aviation Cares Co., Ltd.	Shenzhen, China	Shenzhen, China	Provision of e-tourism distribution and freight management services; and the sale and installation of relevant information systems	61.47		Investment	6,100.00
Shanghai TravelSky Technology Limited	Shanghai, China	Shanghai, China	Computer software and hardware development and data network services	100		Investment	400.00
Shanghai Jiexing Electronic Commerce Co., Ltd.	Shanghai, China	Shanghai, China	E-commerce, online service and ticketing agency	60		Investment	880.00
Xiamen Civil Aviation Cares Co., Ltd.	Xiamen, China	Xiamen, China	Computer software and hardware development and data network services	51		Investment	2,000.00
Qingdao Civil Aviation Cares Co., Ltd.	Qingdao, China	Qingdao, China	Computer software and hardware development and data network services	51		Investment	2,500.00
Yunnan Civil Aviation Cares Information Co., Ltd.	Kunming, China	Kunming, China	Computer software and hardware development and data network services	51		Investment	2,000.00
Hainan Civil Aviation Cares Co., Ltd.	Haikou, China	Haikou, China	Provision of e-tourism distribution and freight management services; and the sale and installation of relevant information systems	64.78		Investment	1,000.00
Guangzhou TravelSky Technology Limited	Guangzhou, China	Guangzhou, China	Computer software and hardware development and data network services	100		Investment	40,000.00
China Aviation Accounting Co., Ltd.	Beijing, China	Beijing, China	Settlement, liquidation services and related information system development and support services	100		Investment	75,978.52

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(Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 Equity in the subsidiaries (Continued)

7.1.1 Structure of the enterprise group (Continued)

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Way of acquisition	Paid-in capital (in RMB ten thousand)
				Direct	Indirect		
Beijing Yake Technology Development Co., Ltd.	Beijing, China	Beijing, China	Technology promotion service, computer software technology development, computer system engineering design and installation	100		Investment	11,612.16
Antu Jinxin Commercial Factoring Co., Ltd.	Tianjin, China	Beijing, China	Provision of trade financing in the form of transferring accounts receivable; receipt, payment, settlement, management and collection of accounts receivable; management of sales sub-account (ledger); customer credit investigation and evaluation; related consulting services; other businesses permitted by laws and regulations.	100		Investment	13,000.00
Infosky Information Technology Co., Ltd.	Beijing, China	Beijing, China	Provision of freight management services and related software and technology development; provision of technical support, training and information services	94.62	5.38	Investment	16,473.81
TravelSky Cares (Beijing) Real Estate Co., Ltd.	Beijing, China	Beijing, China	Real estate development and sales, self-developed commercial housing contracting, labor service subcontracting and investment management	100		Investment	1,000.00
Beijing TravelSky Travel Agency Co., Ltd.	Beijing, China	Beijing, China	Domestic travel business and inbound travel business	100		Investment	7,200.00

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)**7.1 Equity in the subsidiaries (Continued)****7.1.1 Structure of the enterprise group (Continued)**

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Way of acquisition	Paid-in capital (in RMB ten thousand)
				Direct	Indirect		
TravelSky Southeast Data Center Co., Ltd.	Jiaxing, China	Jiaxing, China	Computer system services, data processing, computer and communication equipment leasing, technical services and technical consulting	100		Investment	5,000.00
Inner Mongolia TravelSky Technology Limited	Hohhot, China	Hohhot, China	Computer and auxiliary equipment, sales, leasing, maintenance and technical consulting; computer system services and tourist information consulting	100		Investment	500.00
Zhejiang TravelSky Technology Limited	Hangzhou, China	Hangzhou, China	Contracting of computer software and hardware engineering, airport air traffic control engineering and building weak current system engineering, and computer software and hardware, sales, maintenance, leasing and technical consulting services	51		Business combination under common control	3,734.73
Henan TravelSky Technology Limited	Zhengzhou, China	Zhengzhou, China	Contracting of computer software and hardware engineering projects; technical consultation and service; system integration	100		Investment	1,000.00
Beijing TravelSky Technology Limited	Beijing, China	Beijing, China	Technology development, technology services, and technology transfer; sales of computers, software and auxiliary equipment	100		Investment	5,001.00

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 (Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 Equity in the subsidiaries (Continued)

7.1.1 Structure of the enterprise group (Continued)

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Way of acquisition	Paid-in capital (in RMB ten thousand)
				Direct	Indirect		
Guangzhou Skyecho Information Technology Co., Ltd.	Guangzhou, China	Guangzhou, China	Software and information technology services	51		Business combination not under common control	200.00
Beijing Hangju Credit Management Co., Ltd.	Beijing, China	Beijing, China	Technology development, technology consulting, technology services, technology transfer, technology promotion and software development	100		Investment	500.00
TravelSky Technology (Australia) Pty. Ltd.	Sydney, Australia	Sydney, Australia	IT services	100		Investment	615.8
China TravelSky International Limited	Hong Kong, China	Hong Kong, China	Commercial services	100		Investment	1,138.52
TravelSky Technology (Singapore) Pte. Ltd.	Singapore	Singapore	Hardware consulting and system consulting	100		Investment	35,359.49
TravelSky Technology Korea Limited	Seoul, Korea	Seoul, Korea	Software and information technology services	100		Investment	542.17
TravelSky Technology (Japan) Limited	Tokyo, Japan	Tokyo, Japan	Information hardware, software and network design, development and research related businesses; related businesses of airline information network support	100		Investment	393.95
TravelSky Technology (Europe) GMBH	Frankfurt, Germany	Frankfurt, Germany	Technology service and technology support	100		Investment	467.99

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 Equity in the subsidiaries (Continued)

7.1.1 Structure of the enterprise group (Continued)

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Way of acquisition	Paid-in capital (in RMB ten thousand)
				Direct	Indirect		
TravelSky Technology USA Limited	California, United States	California, United States	Technology service and technology support	100		Investment	973.85
TravelSky Technology (Taiwan) Limited	Taiwan, China	Taiwan, China	Technology service and technology support	100		Investment	1,245.68
OpenJaw Technologies Limited	Dublin, Ireland	Dublin, Ireland	Technology service and technology support	100		Business combination not under common control	184.21

Note: The form of business of the above-mentioned subsidiaries are all corporation.

Description of the differences between the shareholding ratios in subsidiaries and the corresponding voting ratios:

Not existed

Basis for holding half or less than half of the voting right but controlling the investee or holding more than half of the voting right but not controlling the investee:

Not existed

For the structured entities included in the scope of consolidation, the basis for control is:

Not existed

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 Equity in the subsidiaries (Continued)

7.1.2 Major non-wholly-owned subsidiaries

Name of subsidiaries	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders in 2020	Dividends declared to be distributed to minority shareholders in 2020	Balance of minority interest as at December 31, 2020
Shenzhen Civil Aviation Cares Co., Ltd.	38.53	6,769,134.68	2,697,044.00	135,702,199.06
Xiamen Civil Aviation Cares Co., Ltd.	49.00	7,486,710.64		74,261,678.29
Qingdao Civil Aviation Cares Co., Ltd.	49.00	6,910,988.33	980,000.00	40,089,675.37

7.1.3 Key financial information of major non-wholly-owned subsidiaries

Name of subsidiaries	Balance as at December 31, 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Civil Aviation Cares Co., Ltd.	360,843,772.56	58,641,151.32	419,484,923.88	66,776,884.93	509,235.27	67,286,120.20
Xiamen Civil Aviation Cares Co., Ltd.	141,556,000.66	70,644,063.35	212,200,064.01	60,589,077.02	56,541.51	60,645,618.53
Qingdao Civil Aviation Cares Co., Ltd.	250,774,252.60	8,367,830.26	259,142,082.86	174,507,809.21	2,818,609.64	177,326,418.85

Name of subsidiaries	Balance as at December 31, 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Civil Aviation Cares Co., Ltd.	324,358,582.59	63,105,016.37	387,463,598.96	45,750,327.82	82,945.74	45,833,273.56
Xiamen Civil Aviation Cares Co., Ltd.	131,179,469.23	70,945,394.90	202,124,864.13	65,844,416.29	5,003.66	65,849,419.95
Qingdao Civil Aviation Cares Co., Ltd.	292,900,901.81	9,357,059.88	302,257,961.69	228,185,145.47	4,361,210.02	232,546,355.49

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)**7.1 Equity in the subsidiaries (Continued)****7.1.4 Major limitation to the use of enterprise group assets and the liquidation of enterprise group debts**

The Group has no the above-mentioned situation.

7.1.5 Financial or other support provided to structured entities included in the scope of the consolidated financial statements

The Group has no the above-mentioned situation.

7.2 Equity in joint venture arrangements or associates**7.2.1 Major joint ventures or associates**

Name of joint ventures or associates	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Accounting treatment method of the investments in joint ventures or associates	Whether it is strategic for the Company's activities
				Directly	Indirectly		
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shanghai	Shanghai		41		Equity method	
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Shenyang	Shenyang		46		Equity method	
Heilongjiang TravelSky Airport Network Co., Ltd.	Harbin	Harbin		50		Equity method	
Dalian TravelSky Airport Network Co., Ltd.	Dalian	Dalian		50		Equity method	

Notes to the differences between the shareholding ratios in joint ventures or associates:
The Group has no the above-mentioned situation.

The basis, on which the Company holds less than 20% of the voting rights of other entities, but still has a significant influence on the entities, or holds no less than 20% of the voting rights, but does not have a significant influence:
The Group has no the above-mentioned situation.

Notes to Financial Statements

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 (Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.2 Equity in joint venture arrangements or associates (Continued)

7.2.2 Principal financial information of major joint ventures

Item name	Balance as at December 31, 2020/Year 2020		Balance as at December 31, 2019/Year 2019	
	Heilongjiang TravelSky Airport Network Co., Ltd.	Dalian TravelSky Airport Network Co., Ltd.	Heilongjiang TravelSky Airport Network Co., Ltd.	Dalian TravelSky Airport Network Co., Ltd.
Current assets	38,353,880.50	42,623,878.17	35,882,736.24	37,761,656.41
Including: cash and cash equivalents	17,007,945.55	15,277,800.14	12,966,463.82	17,603,319.09
Non-current assets	878,667.08	12,221,393.81	1,248,575.01	14,019,368.34
Total assets	39,232,547.58	54,845,271.98	37,131,311.25	51,781,024.75
Current liabilities	2,193,136.17	9,314,994.00	2,016,402.93	10,902,971.81
Non-current liabilities	91,417.81		106,202.94	
Total liabilities	2,284,553.98	9,314,994.00	2,122,605.87	10,902,971.81
Minority interest Equity attributable to the shareholders of parent company	36,947,993.60	45,530,277.98	35,008,705.38	40,878,052.94
Net asset share calculated according to the shareholding ratio	18,473,996.80	22,765,138.99	17,504,352.69	20,439,026.47
Adjustment matters – Goodwill Unrealized profits of internal transactions – Others				
Book value of the equity investment in joint ventures	18,473,996.80	22,765,138.99	17,504,352.69	20,439,026.47
Fair value of the equity investment of joint ventures with public offer				
Operating revenue	12,323,306.17	28,365,612.79	19,460,832.87	30,779,165.67
Financial expenses	-167,290.93	-48,752.56	-117,751.00	-50,576.39
Income tax expenses	966,613.30	773,452.43	1,559,291.24	1,928,106.67
Net profit	3,439,288.22	4,652,225.04	5,447,838.44	5,727,241.47
Net profit from discontinued operation				
Other comprehensive income				
Total comprehensive income	3,439,288.22	4,652,225.04	5,447,838.44	5,727,241.47
Dividends received from joint ventures in 2020	750,000.00		750,000.00	

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7 EQUITY IN OTHER ENTITIES (CONTINUED)**7.2 Equity in joint venture arrangements or associates (Continued)****7.2.3 Key financial information of major associates**

Item name	Balance as at December 31, 2020/ Year 2020		Balance as at December 31, 2019/Year 2019	
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shenyang Civil Aviation Northeast Cares Co., Ltd.	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shenyang Civil Aviation Northeast Cares Co., Ltd.
Current assets	317,931,384.49	145,226,926.78	296,829,891.18	111,980,911.69
Non-current assets	69,370,026.17	124,337,319.98	76,967,486.19	100,457,970.95
Total assets	387,301,410.66	269,564,246.76	373,797,377.37	212,438,882.64
Current liabilities	69,096,799.53	34,466,677.01	68,071,976.77	31,184,225.73
Non-current liabilities		4,608,611.11		
Total liabilities	69,096,799.53	39,075,288.12	68,071,976.77	31,184,225.73
Minority interest				
Equity attributable to the shareholders of parent company	318,204,611.13	230,488,958.64	305,725,400.60	181,254,656.91
Net asset share calculated according to the shareholding ratio	130,463,890.32	106,024,920.98	125,347,414.00	83,377,142.18
Adjustment matters				
– Goodwill				
– Unrealized profits of internal transactions				
– Others				
Book value of the equity investment in associates	130,463,890.32	106,024,920.98	125,347,414.00	83,377,142.18
Fair value of the equity investment in associates with public offer				
Operating revenue	232,760,758.21	295,800,454.59	262,574,340.41	246,786,528.09
Net profit	12,479,210.53	49,234,301.73	29,233,745.03	41,534,951.52
Net profit from discontinued operation				
Other comprehensive income				
Total comprehensive income	12,479,210.53	49,234,301.73	29,233,745.03	41,534,951.52
Dividends received from associates in the current period			5,933,354.36	

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For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.2 Equity in joint venture arrangements or associates (Continued)

7.2.4 Summary of financial information on insignificant joint ventures or associates

	Balance as at December 31, 2020/Year 2020	Balance as at December 31, 2019/Year 2019
Joint venture:		
Total investment book value	11,322,751.29	13,761,241.88
Total amount calculated based on the following shareholding proportions		
-Net profit	-2,438,490.60	-586,687.51
-Other comprehensive income		
-Total comprehensive income	-2,438,490.60	-586,687.51
Associates		
Total investment book value	151,938,549.83	125,925,698.92
Total amount calculated based on the following shareholding proportions		
-Net profit	6,039,180.67	27,275,441.05
-Other comprehensive income		
-Total comprehensive income	6,039,180.67	27,275,441.05

7.2.5 Notes to the significant restrictions on the joint ventures or associates' abilities to transfer capitals to the Company

Not existed

7.2.6 Excess losses incurred by joint ventures or associates

Not existed

7.2.7 Unconfirmed commitment related to the investment of joint ventures

Not existed

7.2.8 Contingent liabilities related to the investment of joint ventures and associates

Not existed

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8 RISKS RELATED TO FINANCIAL INSTRUMENTS

During its business operation, the Company faces various financial risks: credit risks, liquidity risks and market risks (including exchange rate risk, interest rate risk and other price risks). The financial risks and the risk management policies taken by the Company to mitigate these risks are set out as below:

The board of directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by it. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the changes in the market environment and the Company's business activities to decide whether to update the risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the board of directors. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The Company's internal audit department regularly reviews the risk management controls and procedures, and reports the audit results to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

8.1 Credit risk

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations.

The Company's credit risk mainly arises from cash and cash equivalents, notes receivable, accounts receivable, receivables financing, other receivables, creditor's right investment, other creditor's right investment, etc., as well as debt instruments investment not included in the scope of impairment assessment and measured at fair value through the current profit or loss. On the balance sheet date, the book value of financial assets of the Company presented its largest credit risk exposure.

The cash and cash equivalents of the Company mainly refer to the bank deposits with the state-owned banks and other large- and medium- scale listed banks with relatively high credit rating. The Company believed that there were no significant credit risks, and no significant loss would be caused by bank default.

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For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

8 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

8.1 Credit risk (Continued)

In addition, for notes receivable, accounts receivable, receivables financing and other receivables, the Company sets relevant policies to control credit risk exposure. The Company, based on the customers' financial positions, the possibility of obtaining guarantees from the third party, credit records and others factors such as the current market conditions, assess the credit qualifications of customers and set corresponding credit period. The Company would monitor the customers' credit records periodically; as for the customers with bad credit records, the Company would adopt the methods including requesting a payment in writing or shortening or canceling credit term so as to keep the Company's overall credit risks within controllable scope.

8.2 Liquidity risk

Liquidity risk refers to a risk that an enterprise suffers funds shortage in performing the obligations of settlement in cash or other financial assets.

The policy of the Company is to ensure that there are sufficient cash for the payment of the matured debts. Liquidity risk is under centralized control of the financial department of the Company. The financial department monitors cash balance and readily realizable and marketable securities and makes rolling forecast on cash flows of the next 12 months to ensure that the Company has sufficient funds to repay debts in all cases of reasonable prediction. Meanwhile, it monitors whether provisions of the borrowing agreement are satisfied, obtain commitments of main financial institutions for providing sufficient reserve funds to satisfy the demand for short-term and long-term funds.

Various financial liabilities of the Company should be presented at undiscounted contractual cash flows on the maturity date as follows:

Item	Balance as at December 31, 2020					Total
	Payment at sight	Within 1 year	1-2 years	2-5 years	Over 5 years	
Accounts payable		958,437,722.36	598,298,458.98	152,539,907.32	90,253,084.96	1,799,529,173.62
Other payables		1,118,744,425.96	49,140,899.23	31,301,371.41	82,499,830.26	1,281,686,526.86
Total		2,077,182,148.32	647,439,358.21	183,841,278.73	172,752,915.22	3,081,215,700.48

Item	Balance as at December 31, 2019					Total
	Payment at sight	1. Within 1 year	1-2 years	2-5 years	Over 5 years	
Accounts payable		1,357,532,938.85	152,913,458.50	105,723,455.01	69,192,863.59	1,685,362,715.95
Other payables		1,733,298,006.41	26,416,190.65	27,407,647.00	80,767,663.28	1,867,889,507.34
Total		3,090,830,945.26	179,329,649.15	133,131,102.01	149,960,526.87	3,553,252,223.26

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8 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**8.3 Market Risk**

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes exchange rate risk, interest rate risk and other price risks.

8.3.1 Interest rate risk

Interest rate risks refer to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate.

Fixed-rate and floating-rate interest-bearing financial instruments make the Company expose to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the ratio of fixed-rate instruments to floating-rate instruments based on market conditions and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular review and monitoring. When necessary, the Company uses interest rate swap instruments to hedge interest rate risk.

As of December 31, 2020, the Group has no interest-bearing financial liabilities. Therefore, the interest rate risk faced by the Group as a whole is within the controllable range.

8.3.2 Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate.

The Company continuously monitor the foreign currency transactions and foreign currency assets and liabilities to minimize the foreign exchange risks. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to achieve the purpose of avoiding exchange rate risk. In 2020 and 2019, the Company did not sign any forward foreign exchange contract or currency swap contract.

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(Amounts are expressed in RMB unless otherwise stated)

8 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

8.3 Market Risk

8.3.2 Exchange rate risk (Continued)

The exchange rate risk the Company is facing is mainly from the financial assets and liabilities denominated in US dollars, and the foreign currency assets and liabilities are equivalent to the amount denominated in RMB indicated as below:

Item	Balance as at December 31, 2020			Balance as at December 31, 2019		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Cash and cash equivalents	378,373,935.05	53,047,727.48	431,421,662.53	412,474,949.17	64,886,823.11	477,361,772.28
Accounts receivable	114,198,364.00	63,280,985.49	177,479,349.49	193,365,722.74	144,266,494.02	337,632,216.76
Total	492,572,299.05	116,328,712.97	608,901,012.02	605,840,671.91	209,153,317.13	814,993,989.04

On December 31, 2020, when all other variables remain unchanged, the net profits of the Company would decrease or increase by RMB5,265,815.92 (on December 31, 2019: RMB4,129,513.28) supposing that RMB to USD appreciates or depreciates by 1%. The management thinks that 1% reflect the reasonable range of the possible changes of RMB to USD in the next year.

8.3.3 Other price risks

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of the changes in market prices other than exchange rate risk and interest rate risk.

The Company's other price risks mainly arise from various financial assets and equity instrument investments measured at fair value through the current profit or loss, and there is a risk of fair value changes.

As of December 31, 2020 under the circumstance that all other variables remain unchanged, if the value of financial assets and equity instrument investments measured at fair value through the current profit or loss rises or falls by 1%, the Company will increase or reduce the profit by RMB823,153.00, and other comprehensive income by RMB8,932,026.00.

The management believes that rate of 1% has reasonably reflected the scope of potential changes in the equity instruments in the next year.

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9 DISCLOSURE OF FAIR VALUE

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date;

Level 2 inputs are 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 are unobservable inputs that have been applied in valuing the respective asset or liability.

The level of the measurement result of fair value shall subject to the lowest level which the input that is great significance to the entire measurement of fair value belongs to.

9.1 Fair value of assets and liabilities measured at fair value as at December 31, 2020

Item	Fair value as at December 31, 2020			Total
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	
I. Continuous measurement of fair value				
◆ Financial assets held for trading		800,028,493.15		800,028,493.15
1. Financial assets measured at fair value through the current profit or loss		800,028,493.15		800,028,493.15
(1) Investment in debt instruments		800,028,493.15		800,028,493.15
(2) Investment in equity instruments				
(3) Derivative financial assets				
(4) Others				
2. Financial assets designated to be measured at fair value through the current profit or loss				
(1) Investment in debt instruments				
(2) Others				
◆ Receivables financing				
◆ Other creditor's right investment				
◆ Investment in other equity instruments		893,202,600.00		893,202,600.00
◆ Other non-current financial assets		82,315,300.00		82,315,300.00
1. Financial assets measured at fair value through the current profit or loss		82,315,300.00		82,315,300.00
(1) Investment in debt instruments				
(2) Investment in equity instruments		82,315,300.00		82,315,300.00
(3) Derivative financial assets				
(4) Others				

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(Amounts are expressed in RMB unless otherwise stated)

9 DISCLOSURE OF FAIR VALUE (CONTINUED)

9.1 Fair value of assets and liabilities measured at fair value as at December 31, 2020 (Continued)

Item	Fair value as at December 31, 2020			Total
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	
2. Financial assets designated to be measured at fair value through the current profit or loss				
(1) Investment in debt instruments				
(2) Others				
Total assets with continuous measurement at fair value		1,775,546,393.15		1,775,546,393.15
◆ Financial liabilities held for trading				
1. Financial liabilities held for trading				
(1) Issued bonds held for trading				
(2) Derivative financial liabilities				
(3) Others				
2. Financial liabilities designated to be measured at fair value through the current profit or loss				
Total liabilities with continuous measurement at fair value				
II. Non-continuous measurement of fair value				
◆ Assets held for sale				
Total assets with non-continuous measurement at fair value				
◆ Liabilities held for sale				
Total liabilities with non-continuous measurement at fair value				

9.2 Basis of determination for market prices of continuous and non-continuous measurements of fair values at level 1

Not existed

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For the year ended December 31, 2020

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9 DISCLOSURE OF FAIR VALUE (CONTINUED)**9.3 Qualitative and quantitative information on the valuation techniques and important parameters adopted for continuous and non-continuous measurements of fair values at level 2**

Item	Fair value as at December 31, 2020	Valuation techniques	Important parameters	
			Qualitative information	Quantitative information
Structured deposit	800,028,493.15	Market approach	The applicable time deposit interest rate is determined based on the market exchange rate pricing issued as at December 31, 2020.	
China Merchants RenHe Life Insurance Company Limited (Investment in equity instruments)	893,202,600.00	Market approach	Calculate based on the market value of PING AN, NCI, and CPIC	The liquidity discount rate is 33.2%.
Investment in China Mobile Equity Fund (Hebei Xiong'an) Partnership (Limited Partnership)	82,315,300.00	Market approach	As the investment period is from September 2020 to December 2020 and close to the base date, and no matter causing fluctuations in price has happened, the investment cost is replaced by fair value.	

9.4 Qualitative and quantitative information on the valuation techniques and important parameters adopted for continuous and non-continuous measurements of fair values at level 3

Item	Fair value as at December 31, 2020	Valuation technique	Unobservable input value	Range interval/Weighted average
Long-term equity investment—TravelSky Mobile Technology Limited (Equity instrument investments)		Discount cash flow method	Weighted average capital cost	12.87%
			Growth rate of long-term revenue	0%
			Long-term operating profits before tax	271,600,345.45
			Liquidity discount	0%
			Premium price of controlling right	0%

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9 DISCLOSURE OF FAIR VALUE (CONTINUED)**9.5 Information on the adjustment to the book value as at December 31, 2019 and book value as at December 31, 2020 and sensitivity analysis of unobservable parameters, for the continuous measurements of fair values at level 3**

Not existed

9.6 The measurement project of fair value on a going concern, the conversion between the various levels during the period, the reason for conversion and the policy of determining the conversion time

Not existed

9.7 Changes in valuation technology and reasons for changes occurred in 2020

Not existed

9.8 Financial assets and financial liabilities that are not measured at fair value

The Group has no other financial assets and financial liabilities measured at fair value than the financial assets or financial liabilities where the difference between the book value and fair value is small (such as the short-term accounts receivable or accounts payable).

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS**10.1 Parent company of the Company**

Parent company	Registration place	Business nature	Registered capital	Shareholding ratio of the parent company in the Company (%)	Voting right ratio of the parent company in the Company (%)
China TravelSky Holding Company Limited	No. 7 Yumin Street, Houshayu Town, Shunyi District, Beijing, China	Manage all state-owned assets and state-own equity arising from the state investments in the group company and its investees.	3,000,000,000.00	29.29	29.29

The ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

10.2 Subsidiaries of the Company

See "Note 7 Equity in other entities" for details of subsidiaries of the Company.

10.3 Joint ventures and associates of the Company

See "Note 7 Equity in other entities" for the details of significant joint ventures or associates of the Company.

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For the year ended December 31, 2020

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.4 Other related parties

Name of other related party	Relationship with the Company
Air China Limited	Subsidiaries of shareholders of the Company
Shenzhen Airlines Company Limited	A shareholder of the Company
China Southern Airlines Company Limited	Subsidiaries of shareholders of the Company
Xiamen Airlines Company Limited	A shareholder of the Company
China Eastern Airlines Corporation Limited	A shareholder of the Company
Shanghai Airlines Company Limited	Subsidiaries of shareholders of the Company
China United Airlines Co., Ltd.	Subsidiaries of shareholders of the Company
Hainan Airlines Holding Co., Ltd.	A shareholder of the Company
Sichuan Airlines Co., Ltd.	Subsidiaries of shareholders of the Company
Shandong Airlines Co., Ltd.	A shareholder of the Company

10.5 Related-party transactions

10.5.1 Related-party transaction on purchase and sales of goods, and rendering and receipt of services

Purchase of goods and receipt of labor services

Related party	Content of related transaction	Year 2020	Year 2019
Heilongjiang TravelSky Airport Network Co., Ltd.	Technology support fee	4,247.79	20,322,149.69
Chengdu Civil Aviation Southwest Cares Co., Ltd.	Technology support fee	70,975,432.14	63,102,598.19
Yunnan TravelSky Airport Network Co., Ltd.	Technology support fee		24,821,521.25
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Technology support fee	167,605,100.06	157,748,677.30
Dalian TravelSky Airport Network Co., Ltd.	Technology support fee	1,189,380.53	8,709,836.95
Yantai TravelSky Airport Network Co., Ltd.	Technology support fee		2,680,915.72
Hebei TravelSky Airport Network Co., Ltd.	Technology support fee	1,079,910.67	3,948,168.34
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Technology support fee	26,172,865.72	67,671,614.91
TravelSky Mobile Technology Limited	Technology support fee	239,163.83	

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 Related-party transactions (Continued)

10.5.1 Related-party transaction on purchase and sales of goods, and rendering and receipt of services (Continued)

Sales of goods/rendering of services

Related party	Content of related transaction	Year 2020	Year 2019
Air China Limited and its subsidiaries	Aviation information technology service and settlement and clearing service	553,127,182.14	828,108,925.39
China Southern Airlines Company Limited and its subsidiaries	Aviation information technology service and settlement and clearing service	558,999,815.02	799,734,930.14
China Eastern Airlines Corporation Limited and its subsidiaries	Aviation information technology service and settlement and clearing service	558,712,276.70	935,121,855.34
Hainan Airlines Holding Co., Ltd. and its subsidiaries	Aviation information technology service and settlement and clearing service	398,161,140.40	640,236,411.89
Sichuan Airlines Co., Ltd. and its subsidiaries	Aviation information technology service and settlement and clearing service	173,346,595.90	248,558,413.24
Shandong Airlines Co., Ltd. and its subsidiaries	Aviation information technology service and settlement and clearing service	124,517,789.97	166,577,601.77
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Rendering of services	25,738,543.70	26,263,518.45
Yunnan TravelSky Airport Network Co., Ltd.	Rendering of services	5,945,260.57	9,527,688.63
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Rendering of services	2,242,912.84	2,536,192.19
Dalian TravelSky Airport Network Co., Ltd.	Rendering of services	880,692.68	6,213,209.19
Hebei TravelSky Airport Network Co., Ltd.	Rendering of services	564,086.81	449,840.36
Yantai TravelSky Airport Network Co., Ltd.	Rendering of services	461,451.85	81,509.45
Chengdu Civil Aviation Southwest Cares Co., Ltd.	Rendering of services	42,916,348.28	14,072,227.95
Heilongjiang TravelSky Airport Network Co., Ltd.	Rendering of services	7,924.56	12,641.54
Shanghai Dongmei Online Travel Agency Co., Ltd.	Rendering of services	129,509.03	89,918.15

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 Related-party transactions (Continued)

10.5.2 Management on commission/contract and commissioned management/sub-contract

The Group has no related commission/contract and commissioned management/sub-contract.

10.5.3 Related party lease

The Company as the lessee:

Name of lessor	Type of leased assets	Lease-related expenses recognized in 2020	Lease-related expenses recognized in 2019
China TravelSky Holding Company Limited	Houses	51,644,805.39	51,644,805.39
AVIC Cloud Data Co., Ltd.	Houses	10,508,433.14	9,053,451.82

10.5.4 Related-party guarantees

Guaranteed party	Guaranteed amount	Starting date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Beijing Yake Technology Development Co., Ltd.	1,200,000,000.00	2020/1/1	2020/12/31	Yes

Description of related-party guarantee: The Company's subsidiary, Accounting Centre of China Aviation Limited Company, provided a counter guarantee for the "irrevocable letter of guarantee" made by China BSP online payment platform project for IATA under the agreement concluded by Beijing Yake Technology Development Co., Ltd. and Zhonghang Xingang Guarantee Co., Ltd., with a period from January 1, 2020 to December 31, 2020.

10.5.5 Loans from and to related parties

Related party	Lending/borrowing amount	Starting date	Maturity date	Notes
Loan to related parties TravelSky Mobile Technology Limited	30,000,000.00	2020/5/15	2021/5/14	

10.5.6 Remuneration of key management personnel

Item	Year 2020	Year 2019
Remuneration of key management personnel	7,268,737.18	6,262,695.00

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 Related-party transactions (Continued)

10.5.7 Remuneration of directors and supervisors

As at December 31, 2020, details of the remuneration (including tax) of directors and supervisors were as below:

Item	Year 2020						Total (including tax)
	Directors (supervisors) Emoluments/Basic salary	Directors (supervisors) Bonus/Premium	Salaries, bonuses, allowances and subsidies of employees (including the medical insurance, unemployment insurance, work-related injury insurance and maternity insurance paid by the Company)	Housing provident funds (Payments by the Company)	Retired-related benefits (endowment insurance and supplementary enterprise annuity for the aged)	Stock appreciation right	
Executive directors							
Cui Zhixiong (President)			624,513.61	40,008.00	92,885.76		757,407.37
Xiao Yinhong			624,513.61	40,008.00	92,885.76		757,407.37
Non-executive directors							
Zhao Xiaohang*							
Xi Sheng*							
Luo Lajun *(i)							
Han Wensheng*(ii)							
Independent non-executive directors							
Cao Shiqing	60,000.00						60,000.00
Ngai Wai Fung	115,000.00						115,000.00
Liu Xiangqun	60,000.00						60,000.00
Supervisors							
Ding Wanzhi (Chairman), (Staff representative supervisor) (iii)			687,298.61	40,008.00	91,523.76		818,830.37
Zeng Yiwei*			-	-	-		-
Liang Shuang (Staff representative supervisor) (iii)			600,583.61	40,008.00	87,965.76		728,557.37
Zhu Yan (Independent supervisor) (i)	50,000.00		-	-	-		50,000.00
Huang Yuanchang (Chairman, and staff representative supervisor) # (iv)			16,827.24	860.00	2,136.01		19,823.25
Xiao Wei (Staff representative supervisor) (iv)			16,484.24	860.00	1,778.01		19,122.25
Rao Geping (Independent supervisor) (ii)	10,000.00						10,000.00
He Haiyan* (iii)							-
Total	295,000.00		2,570,220.92	161,752.00	369,175.06		3,396,147.98

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 Related-party transactions (Continued)

10.5.7 Remuneration of directors and supervisors (Continued)

- * These directors and supervisors are consisted of the Company's sponsors and shareholders or the full-time employees of the Company's subsidiaries. According to relevant regulatory requirements, they do not collect any remuneration from the Company or these subsidiaries.

- # The performance bonus for these executive directors is subject to the calculation standard determined by the superior supervisory authority, and consists of the part of performance bonus for the previous year and the advance performance bonus for the current year.
 - (i) Appointed on February 27, 2020.
 - (ii) Quitted on February 27, 2020.
 - (iii) Appointed on January 9, 2020.
 - (iv) Quitted on January 9, 2020. The remuneration data presented in the above table is only for the first 8 days in January 2020.

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 Related-party transactions (Continued)

10.5.7 Remuneration of directors and supervisors (Continued)

Item	Year 2019					
	Directors (supervisors) Emoluments/Basic salary	Directors (supervisors) Bonus/Premium	Salaries, bonuses, allowances and subsidies of employees (including the medical insurance, unemployment insurance, work-related injury insurance and maternity insurance paid by the Company)	Housing provident funds (Payments by the Company)	Retired-related benefits (endowment insurance and supplementary enterprise annuity for the aged)	Total (including tax)
Executive directors						
Cui Zhixiong (President) ##			1,024,855.56	38,292.00	106,923.48	1,170,071.04
Xiao Yinhong ##			1,024,855.56	38,292.00	105,813.48	1,168,961.04
Non-executive directors						
Han Wensheng*						
Zhao Xiaohang*(v)						
Xi Sheng*(vi)						
Cao Jianxiong*(vii)						
Tang Bing*(viii)						
Independent non-executive directors						
Cao Shiqing	60,000.00					60,000.00
Ngai Wai Fung	96,000.00					96,000.00
Liu Xiangqun	60,000.00					60,000.00
Supervisors						
Huang Yuanchang (Chairman, and staff representative supervisor) ##			1,107,909.56	38,292.00	94,659.48	1,240,861.04
Rao Geping (Independent supervisor)	60,000.00					60,000.00
Zeng Yiwei*						
Xiao Wei (Staff representative supervisor)			778,479.56	38,292.00	102,429.48	919,201.04
He Haiyan*						
Total	276,000.00	0.00	3,936,100.24	153,168.00	409,825.92	4,775,094.16

* These directors and supervisors are consisted of the Company's sponsors and shareholders or the full-time employees of the Company's subsidiaries. According to relevant regulatory requirements, they do not collect any remuneration from the Company or these subsidiaries.

The performance bonus for these executive directors is subject to the calculation standard determined by the superior supervisory authority, and consists of the part of performance bonus for the previous year and the advance performance bonus for the current year. In addition, the performance bonus for these directors and employee supervisors in 2019 also includes part of the performance bonus for the previous year.

(v) Appointed on June 27, 2019.

(vi) Appointed on September 25, 2019.

(vii) Quitted on June 27, 2019.

(viii) Quitted on September 25, 2019.

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 Related-party transactions (Continued)

10.5.8 Remuneration of directors and the highest-paid persons

Five highest-paid persons

Among the five highest-paid persons in the Group in 2020, there were 0 director (2 directors in 2019). The remuneration information of such director has been reflected in the above analysis table. The remuneration information of 5 highest-paid persons in 2020 (3 persons in 2019) is as follows:

Item (Five highest-paid non-director persons)	Year 2020	Year 2019
Salaries, bonuses, allowances and subsidies	4,065,807.05	2,405,551.68
Housing provident funds paid by the Company	200,040.00	114,876.00
Endowment insurance and enterprise annuity paid by the Company	497,746.80	316,297.44
Sub-total	4,763,593.85	2,836,725.12
Stock appreciation right (share)	496,886.00	-
Fair value of each share of stock appreciation right	4.49	-
Amount of stock appreciation right	2,230,833.78	-
Total	6,994,427.63	2,836,725.12

The remuneration falls within the following scope:

Item	2020 (Number of persons)	2019 (Number of persons)
HKD0 – HKD1,000,000 (equivalent to RMB895,780)	-	-
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,343,670)	5	3

As at December 31, 2020, the Group has not paid to directors, supervisors or five highest-paid persons for the purpose of attracting them to join in the Group or at the time when they joined the Group or for their dismissal (2019: None), and no director or supervisor has quitted or agreed to quite any payment (2019: None).

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 Related-party transactions (Continued)

10.5.8 Remuneration of directors and the highest-paid persons (Continued)

Senior management

Except that the remuneration for directors and supervisors has been disclosed in Note 10.5.7, the remuneration (excluding the stock appreciation right) groups for relevant senior management involved in resumes of directors, supervisors, senior executives and company secretary, reported in 2020 are as below:

Item (Excluding stock appreciation right)	Number of persons in 2020	Number of persons in 2019
HKD0 – HKD1,000,000 (equivalent to RMB841,600) (2019: RMB896,000)	7	1
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,262,400) (2019: RMB1,344,000)	2	4
Total number of people	9	5

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For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.6 Receivables from and payables to related parties

10.6.1 Receivables

Name of item	Related party	Balance as at December 31, 2020		Balance as at December 31, 2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Air China Limited and its subsidiaries	927,648,026.18	2,380,201.18	1,228,350,609.95	2,380,201.18
	China Southern Airlines Company Limited and its subsidiaries	460,027,036.98	371,892.01	221,469,753.95	371,892.01
	China Eastern Airlines Corporation Limited and its subsidiaries	1,227,761,660.51	2,821,947.98	737,637,123.51	2,821,947.98
	Hainan Airlines Holding Co., Ltd. and its subsidiaries	755,702,420.93	474,174,406.08	400,161,818.31	535,669.43
	Sichuan Airlines Co., Ltd.	66,011,964.44		38,650,130.63	
	Shandong Airlines Co., Ltd.	349,575,543.26	2,905,474.26	279,450,261.89	2,905,474.26
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	22,668,016.09		12,521,043.00	
	Yunnan TravelSky Airport Network Co., Ltd.	18,383,845.30		15,108,800.00	
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	2,089,050.00		1,888,600.00	
	Dalian TravelSky Airport Network Co., Ltd.	1,741,050.00		5,173,010.00	
	Hebei TravelSky Airport Network Co., Ltd.	88,300.00		112,250.00	
	Heilongjiang TravelSky Airport Network Co., Ltd.	700.00			
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	58,227,374.50			
	TravelSky Mobile Technology Limited	13,920,205.57			
Notes receivable					
	Hainan Airlines Holding Co., Ltd. and its subsidiaries			302,559,921.16	
Advances to suppliers					
	China Eastern Airlines Corporation Limited and its subsidiaries	15,364.00		15,364.00	
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	32,187,012.47		35,041,746.99	
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	10,644,492.72		7,991,106.30	
Other receivables					
	China Southern Airlines Company Limited and its subsidiaries	40,927,315.55		68,387,371.48	
	China Eastern Airlines Corporation Limited and its subsidiaries	52,428,400.62		159,832,244.67	
	Air China Limited and its subsidiaries	180,353,811.56		280,072,828.04	
	Sichuan Airlines Co., Ltd.	5,270,484.62		12,198,367.99	
	TravelSky Mobile Technology Limited	64,306,917.49		181,184,778.96	
Contract assets					
	China Eastern Airlines Corporation Limited and its subsidiaries	27,208.80		27,208.80	
	China Southern Airlines Company Limited and its subsidiaries			111,212.50	
	Shandong Airlines Co., Ltd. and its subsidiaries			69,000.00	

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 (Amounts are expressed in RMB unless otherwise stated)

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.6 Receivables from and payables to related parties

10.6.2 Payables

Name of item	Related party	Book balance as at December 31, 2020	Book balance as at December 31, 2019
Accounts payable			
	China TravelSky Holding Company Limited	10,775,531.16	16,304,684.93
	China Southern Airlines Company Limited and its subsidiaries	13,491.87	
	Air China Limited and its subsidiaries	21,461,704.57	20,482,000.00
	Shandong Airlines Co., Ltd.	114,000.00	114,000.00
	Sichuan Airlines Co., Ltd.	14,000.00	14,000.00
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	53,427,560.68	78,479,025.13
	Hebei TravelSky Airport Network Co., Ltd.	6,901,119.24	4,087,610.04
	Yunnan TravelSky Airport Network Co., Ltd.	53,186,484.70	59,024,480.18
	Dalian TravelSky Airport Network Co., Ltd.	19,899,776.37	22,708,514.12
	Heilongjiang TravelSky Airport Network Co., Ltd.	27,544,655.89	21,974,891.52
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	59,188,875.28	45,393,786.18
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	19,864,662.02	68,272,648.46
	Yantai TravelSky Airport Network Co., Ltd.	5,014,203.32	2,674,520.66
	Beijing TravelSky Birun Technology Co., Ltd.	2,999,790.27	1,020,833.33
	TravelSky Mobile Technology Limited	5,107,200.00	
Other payables			
	China Eastern Airlines Corporation Limited and its subsidiaries	406,872.79	
Contract liabilities			
	China Southern Airlines Company Limited and its subsidiaries	1,415.09	
	China Eastern Airlines Corporation Limited and its subsidiaries	169,551.13	
	Hainan Airlines Holding Co., Ltd. and its subsidiaries	120,149.50	943.40
	Sichuan Airlines Co., Ltd.	10,312,190.62	
	Shandong Airlines Co., Ltd.	630,544.15	

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10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.7 Related-party commitments

As at December 31, 2020, the Company had no related-party commitment required to be disclosed.

11 SHARE-BASED PAYMENT

11.1 General information of share-based payment

Pursuant to the announcement in relation to the approval of the proposed initial terms of H share appreciation rights scheme by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC on January 3, 2020 and the resolution passed at the extraordinary general meeting dated January 16, 2020, the proposed adoption of the H share appreciation rights scheme and the proposed initial grant have been approved at the extraordinary general meeting.

According to the H share appreciation rights scheme, the initial grant date is on January 16, 2020.

According to the Company's H Share appreciation rights scheme, the Company granted 35,958,950 units of cash settled H share appreciation rights to a total of 502 incentive recipients on January 16, 2020. The H Share appreciation rights are valid for 7 years from the date of grant. Subject to a lock-up period of two years following the date of grant, H share appreciation rights should be exercised from the second anniversary of the date of grant in 3 years on equal proportion.

As at December 31, 2020, the fair value of the above-mentioned stock appreciation right is calculated via the Black-Scholes option pricing model based on the following assumptions:

Main assumption indicators	First effective date	Second effective date	Third effective date
Current price of assets under right exercising (HKD)	18.70	18.70	18.70
Stock price fluctuation ratio	36.66%	35.68%	35.40%
Average exercise time (Year)	3.5411	4.0411	4.5411
Risk-free interest rate (%)	0.17%	0.21%	0.26%
Expected dividend rate (%)	0	0	0

At December 31, 2020, the Company has recorded accumulated liabilities arising from cash settled share based payment of RMB55,687,863.63, which RMB55,687,863.63 was included in 2020 staff costs.

11.2 Adjustment or termination of share-based payment

None

Notes to Financial Statements

For the year ended December 31, 2020
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12 COMMITMENTS AND CONTINGENCIES

12.1 Significant commitments

12.1.1 Significant commitments on the balance sheet date

On April 6, 2020, the Company, as a limited partner, signed the Agreement on China Mobile Equity Fund (Hebei Xiong'an) Partnership (Limited Partnership) with China Mobile Capital Holding Co., Ltd. and other companies, by which the Company subscribed for a capital contribution of RMB1 billion. As at December 31, 2020, the Company made the actual capital contribution of RMB89,349,638.81.

12.1.2 Notes should be given even though there were no commitments required to be disclosed by the Company

Except for the case mentioned above, the Group has no other commitment required to be disclosed.

12.2 Contingencies

12.2.1 Notes should be given even though there were no contingencies required to be disclosed by the Company:

As at December 31, 2020, the Group had no significant contingencies required to be disclosed.

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

13 POST BALANCE SHEET EVENTS

13.1 Significant non-adjusting events

As set out in the announcements dated December 15, 2020 and January 21, 2021 of the Company, China Eastern Air Holding Company Limited agreed to transfer, and China Mobile Capital Holding Co., Ltd. agreed to acquire 145,500,000 domestic shares of the Company. Immediately following the completion of the transaction, China Eastern Air Holding Company Limited directly and indirectly holds 211,798,500 domestic shares of the Company, representing approximately 7.24% of the total issued share capital of the Company (of which, directly holds 182,743,500 domestic shares of the Company, representing approximately 6.25% of the total issued share capital of the Company); China Mobile Capital Holding Co., Ltd. holds 292,100,000 domestic shares of the Company, representing approximately 9.98% of the total issued share capital of the Company.

13.2 Profit distribution

As at March 31, 2021, the 2020 final dividend recommended by the board of directors of the company to be paid in cash is RMB46,819,353.42, which is RMB0.016 per share (tax included), calculated based on the total number of 2,926,209,589 shares issued by the Company as at the date of this announcement.

13.3 Sales return

As at December 31, 2020, the Group had no sales return.

13.4 Assets and disposal group classified as held for sale

As at December 31, 2020, the Group had no assets and disposal group classified as held for sale.

13.5 Notes to other post-balance sheet events

By the reporting date of these financial statements, the Group had no other significant post balance sheet events required to be disclosed.

13.6 Deemed sales of subsidiaries

By the reporting date of these financial statements, the Group had no events deemed sales of subsidiaries required to be disclosed.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

14 OTHER SIGNIFICANT EVENTS

14.1 Annuity plan

In 2007, the Group implemented an enterprise annuity plan (or “supplementary pension insurance”) in accordance with the relevant policies of the State. Under this enterprise annuity plan, the Group needs to provide the enterprise annuity fund based on the actual total monthly salaries of the previous year and the ratio approved by the relevant authorities of the State, and make contributions to the enterprise pension fund custodian account opened by the enterprise pension custodian.

14.2 Lease

14.2.1 As the lessee

Item	Year 2020	Year 2019
Interest expenses on lease liabilities	5,706,062.16	7,440,660.44
Expense on short-term lease under simplified treatment and included in the current profit or loss	2,167,670.86	681,765.94
Expense on the lease of low-value assets under simplified treatment and included in the current profit or loss (except for the expense on short-term lease of low-value assets)	28,135.68	196,658.48
Variable lease payment not included in the lease liabilities for measurement		
Including: leaseback part		
Revenue from the sublease of right-of-use assets		
Total cash outflows relevant to lease	86,533,101.04	83,046,488.63
Leaseback-related profit or loss		
Cash inflows of leaseback		
Cash outflows of leaseback		

Notes to Financial Statements

For the year ended December 31, 2020
 (Amounts are expressed in RMB unless otherwise stated)

14 OTHER SIGNIFICANT EVENTS (CONTINUED)**14.2 Lease (Continued)****14.2.2 As the lessor****(1) Operating lease**

	Year 2020	Year 2019
Revenue from operating lease	45,866,984.45	34,392,444.29
Including: Revenue relevant to variable lease payment not included in lease receipts		

Undiscounted lease receipts that will be collected after the balance sheet date:

Remaining lease term	Undiscounted lease receipts
Within 1 year	33,438,592.46
1 – 2 years	33,438,592.46
2 – 3 years	33,438,592.46
3 – 4 years	33,438,592.46
4 – 5 years	33,438,592.46
Over 5 years	117,035,073.61
Total	284,228,035.91

(2) Financing lease

The Group has no the finance lease situation in 2020.

14.3 Segment information

The Group's business is mainly located in China. The Group operates business only in an industry, i.e., providing aviation information technology and relevant services in China. The Group's revenues mainly come from its related parties and customers in China, and the revenue division made by the Group based on major product or service has been presented in Note 5.43. The Group did not prepare any segment balance sheet and income statement for years ended December 31, 2019 and 2020.

Meanwhile, as the Group's revenues mainly come from China, and its assets are also in China, there is no regional segment information presented in the Group's financial statements.

Notes to Financial Statements

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14.4 Auditor's remuneration description

The aggregate service fees under the service contract between the Company and 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 2020 amounted to RMB2,304.9 thousand, comprising annual audit service fee of approximately RMB1,705.6 thousand and non-audit service fee of approximately RMB599.3 thousand for the review of interim financial statements and compliance review of preliminary results announcement, etc. As of December 31, 2020, pursuant to the contract, the Company has paid the non-audit service fee of approximately RMB599.3 thousand. As stated in the announcements of the Company dated December 29, 2020 and February 26, 2021, and the circular of the Company dated January 8, 2021, the Company will no longer prepare its results according to IFRSs since the Year 2020 and the Board of the Company will present audited financial statements prepared according to CASBE in the annual report. Regarding the related adjustment for the abovementioned change of accounting standard, the Company is negotiating with BDO and BDO China on the workload, and the aggregate service fees paid by the Company to BDO and BDO China for 2020 shall not exceed the amount under the service contract for Year 2020.

In light of the adoption of the CASBE, only one set of annual financial statements of the Company prepared under the CASBE for the year ended December 31, 2020 was published by the Company on March 31, 2021. On March 31, 2021, the Board proposed to cease the re-appointment of BDO as the international auditor of the Company and proposed to re-appoint BDO China as the PRC auditor of the Company for the year 2021, subject to the approval by the shareholders of the Company at the AGM.

BDO China is a firm of practicing accountants which has been approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission and eligible to provide auditing services by using the CASBE to the mainland incorporated issuers listed in Hong Kong. Upon approval by the shareholders of the Company at the AGM, BDO China will be appointed as the auditor auditing the Company's financial reports in accordance with the CASBE and discharge the duties as an international auditor under the Listing Rules, with a term of office until the conclusion of the 2021 annual general meeting of the Company

Notes to Financial Statements

For the year ended December 31, 2020
 (Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

15.1 Notes receivable

15.1.1 Presentation of classification of notes receivable

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Bank acceptance bills		
Commercial acceptance bills	121,322,898.07	390,101,287.90
Subtotal:	121,322,898.07	390,101,287.90
Less: provision for bad debts	12,653,978.27	
Total	108,668,919.80	390,101,287.90

15.1.2 Notes receivable disclosure under the methods of provision for bad debts by category

Type	Balance as at December 31, 2020				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts accrued on a portfolio basis	121,322,898.07	100	12,653,978.27	10.43	108,668,919.80
Total	121,322,898.07	100	12,653,978.27	10.43	108,668,919.80

15.1.3 Pledged notes receivable of the Company as at December 31, 2020

The Group has no the above-mentioned situation.

15.1.4 Notes receivable endorsed or discounted by the Company as at December 31, 2020 and not matured on the balance sheet date

The Group has no the above-mentioned situation.

15.1.5 Notes transferred to accounts receivable due to the failure of the issuer to perform the contract as at December 31, 2020

The Group has no the above-mentioned situation.

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.2 Accounts receivable:

15.2.1 Disclosure of accounts receivable by aging (based on invoice dates)

Aging	Balance as at December 31, 2020	Balance as at December 31, 2019
Within 1 year	2,588,592,538.51	3,005,871,015.31
Including: subitem within 1 year		
Within 6 months	1,790,091,890.68	2,103,177,118.50
7 – 12 months	798,500,647.83	902,693,896.81
1 – 2 years	1,837,285,609.36	1,005,676,543.06
2 – 3 years	534,647,272.64	133,997,625.00
3 – 4 years	94,776,105.32	34,501,590.37
4 – 5 years	26,834,395.13	49,970,590.69
Over 5 years	67,625,364.67	43,717,935.64
Sub-total	5,149,761,285.63	4,273,735,300.07
Less: provision for bad debts	943,116,003.00	289,361,964.92
Total	4,206,645,282.63	3,984,373,335.15

15.2.2 Disclosure under the methods of provision for bad debts by category

Type	Balance as at December 31, 2020					Balance as at December 31, 2019				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts										
accrued on an individual basis	774,681,434.02	15.04	584,249,813.77	75.42	190,431,620.25	113,920,253.25	2.67	56,960,126.62	50.00	56,960,126.63
Provision for bad debts accrued on a portfolio basis	4,375,079,851.61	84.96	358,866,189.23	8.20	4,016,213,662.39	4,159,815,046.82	97.33	232,401,838.30	5.59	3,927,413,208.52
Total	5,149,761,285.63	100.00	943,116,003.00		4,206,645,282.63	4,273,735,300.07	100.00	289,361,964.92		3,984,373,335.15

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**15.2 Accounts receivable: (Continued)****15.2.3 Provision for bad debts accrued on an individual basis:**

Name	Balance as at December 31, 2020			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Customer 1 and its 5 subsidiaries	656,464,310.79	473,116,900.18	72.07	Declare bankruptcy and restructuring
Customer 2	118,217,123.23	111,132,913.59	94.01	Operation difficulty
Total	774,681,434.02	584,249,813.77		

- (1) Customer 1 and its 5 subsidiaries: As the court ruled to accept the application for bankruptcy and reorganization of the creditors of these customers, the future operations of these customer are material uncertain. The Group calculated the default rates of these customers based on the debts overdue situation, and based on past experience and estimates on future situation, on this basis, calculated the discount factor of these debts, after considering the above factors, provision for bad debts is made on an individual basis.
- (2) Customer 2: Due to operating difficulties, tight cash flow, and poor historical payment, customer 5 are assessed individually for bad debts impairment in previous years, during the year continues to carry out individual bad debts impairment assessment.

15.2.4 Provision for bad debts accrued on a portfolio basis:

Name	Balance as at December 31, 2020		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Arrearages from third parties	1,000,667,895.78	348,072,746.77	34.78
Arrearages from related parties	3,374,411,955.85	10,793,442.46	0.32
Total	4,375,079,851.61	358,866,189.23	

15.2.5 Top five of accounts receivable as at December 31, 2020, presented by debtors

The sum amount of top five of accounts receivable as at December 31, 2020, presented by debtors is RMB2,759,476,747.12, accounting for 53.58% of the ending balance of accounts receivable, and the corresponding ending balance of allowance for bad debts is RMB424,856,022.20.

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15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 Other receivables

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Interest receivable		54,155,264.34
Dividends receivable	54,217,436.00	26,909,860.00
Other receivables	221,279,829.06	329,926,327.21
Total	275,497,265.06	410,991,451.55

15.3.1 Interest receivable

(1) Classification of interest receivable

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
Time Deposit		
Entrusted Loan		
Bond investment		51,659,675.30
Others		2,495,589.04
Subtotal		54,155,264.34
Less: provision for bad debts		
Total		54,155,264.34

(2) Significant overdue interest

The Group has no significant overdue interest in 2020.

15.3.2 Dividends receivable

(1) Breakdowns of dividends receivable

Item (or Investee)	Balance as at December 31, 2020	Balance as at December 31, 2019
Shenzhen Civil Aviation Cares Co., Ltd.	10,450,036.00	12,294,160.00
Yunnan Civil Aviation Cares Information Co., Ltd.		763,300.00
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	28,469,200.00	1,530,000.00
Hainan Civil Aviation Cares Co., Ltd.	5,830,200.00	5,182,400.00
Qingdao Civil Aviation Cares Co., Ltd.	4,080,000.00	3,060,000.00
Beijing TravelSky Birun Technology Co., Ltd.	4,080,000.00	4,080,000.00
Yantai TravelSky Airport Network Co., Ltd.	288,000.00	
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	1,020,000.00	
Sub-total	54,217,436.00	26,909,860.00
Less: provision for bad debts		
Total	54,217,436.00	26,909,860.00

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15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**15.3 Other receivables (Continued)****15.3.2 Dividends receivable (Continued)***(2) Significant dividends receivable with aging over one year*

Item (or investee)	Balance as at December 31, 2020	Aging
Hainan Civil Aviation Cares Co., Ltd.	3,886,800.00	1-2 years
Qingdao Civil Aviation Cares Co., Ltd.	3,060,000.00	1-2 years
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	510,000.00	1-2 years
Beijing TravelSky Birun Technology Co., Ltd.	2,417,560.41	1-2 years
Total	9,874,360.41	

15.3.3 Other receivables*(1) Disclosure by aging*

Aging	Balance as at December 31, 2020	Balance as at December 31, 2019
Within 1 year	49,016,897.00	189,017,523.47
Including: subitem within 1 year		
Within 6 months	9,766,369.46	154,401,003.52
7 – 12 months	39,250,527.54	34,616,519.95
1 – 2 years	35,018,244.06	102,775,712.84
2 – 3 years	102,460,200.83	16,331,341.98
3 – 4 years	16,326,841.98	8,696,197.17
4 – 5 years	8,262,705.88	4,839,488.29
Over 5 years	10,194,939.31	8,266,063.46
Sub-total	221,279,829.06	329,926,327.21
Less: provision for bad debts		
Total	221,279,829.06	329,926,327.21

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15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 Other receivables (Continued)

15.3.3 Other receivables (Continued)

(2) Classified disclosure by provision of bad debts

Type	Balance as at December 31, 2020					Balance as at December 31, 2019				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts accrued on an individual basis										
Provision for bad debts accrued on a portfolio basis	221,279,829.06	100.00			221,279,829.06	329,926,327.21	100.00			329,926,327.21
Total	221,279,829.06	100.00			221,279,829.06	329,926,327.21	100.00			329,926,327.21

Provision for bad debts accrued on an individual basis:

No individual provision for bad debts of other receivables of the Company in 2020:

Provision for bad debts accrued on a portfolio basis:

Item accrued on a portfolio basis:

Name	Balance as at December 31, 2020		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Related parties	213,905,707.05		
Various margin, deposit and loan of reserve fund	7,374,122.01		
Total	221,279,829.06		

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15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**15.3 Other receivables (Continued)****15.3.3 Other receivables (Continued)****(3) Provision for bad debts**

Changes in the book balance of other receivables are as follows:

	Phase 1 Expected credit losses in the next 12 months	Phase 2 Expected credit loss for the entire duration (no credit impairment)	Phase 3 Expected credit losses for the entire duration (credit impairment)	Total
Balance as at December 31, 2019		329,926,327.21	329,926,327.21	
In 2020, balance as at December 31, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Increase in 2020				
Derecognition in 2020		108,646,498.15	108,646,498.15	
Other changes				
Balance as at December 31, 2020		221,279,829.06	221,279,829.06	

(4) Classification by nature of payment

Nature	Book balance as at December 31, 2020	Book balance as at December 31, 2019
Reserve funds	2,945,741.72	4,328,531.52
Borrowings of subsidiaries	44,453,516.01	150,000,000.00
Insurance reserve funds of personnel stationed abroad	47,764,507.92	40,527,655.62
Advance payment	3,620,594.80	15,693,682.49
Deposit payment	641,757.50	2,529,700.10
Others	121,853,711.11	116,846,757.48
Total	221,279,829.06	329,926,327.21

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 Other receivables (Continued)

15.3.3 Other receivables (Continued)

(5) Top five of other receivables as at December 31, 2020, presented by debtors

The sum amount of top five of other receivables as at December 31, 2020, presented by debtors is RMB149,831,776.69, accounting for 67.71% of the balance of other receivables as at December 31, 2020, and the corresponding ending balance of provision for bad debts is RMB0.

(6) Other receivables involving government grants

The Group has no the above-mentioned situation in 2020

15.4 Long-term equity investments

Item	Balance as at December 31, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	2,102,151,476.34	3,495,488.48	2,098,655,987.86	2,162,151,476.34	3,495,488.48	2,158,655,987.86
Investments in associates and joint ventures	440,989,248.21		440,989,248.21	386,354,876.13		386,354,876.13
Total	2,543,140,724.55	3,495,488.48	2,539,645,236.07	2,548,506,352.47	3,495,488.48	2,545,010,863.99

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.4 Long-term equity investments (Continued)

15.4.1 Investment in subsidiaries

Investee	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020	Provision for impairment in 2020	Balance of provision for impairment as at December 31, 2020
China Aviation Accounting Co., Ltd.	853,519,487.07			853,519,487.07		
Xi'an Civil Aviation Cares Technology Co., Ltd.	1,020,000.00			1,020,000.00		
Hainan Civil Aviation Cares Co., Ltd.	4,746,180.00			4,746,180.00		
Shenzhen Civil Aviation Cares Co., Ltd.	4,302,941.18			4,302,941.18		
Hubei Civil Aviation Cares Co., Ltd.	2,500,000.00			2,500,000.00		
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	4,998,000.00			4,998,000.00		
Yunnan Civil Aviation Cares Information Co., Ltd.	1,020,000.00			1,020,000.00		
Xiamen Civil Aviation Cares Co., Ltd.	1,020,000.00			1,020,000.00		
Qingdao Civil Aviation Cares Co., Ltd.	1,020,000.00			1,020,000.00		
Infosky Information Technology Co., Ltd.	153,820,754.50			153,820,754.50		
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	1,530,000.00			1,530,000.00		
Guangzhou TravelSky Technology Limited	400,000,000.00			400,000,000.00		
Shanghai TravelSky Technology Limited	4,000,000.00			4,000,000.00		
TravelSky Cares (Beijing) Property Co., Ltd.	10,000,000.00			10,000,000.00		
Inner Mongolia Civil Aviation Information Technology Co., Ltd.	5,000,000.00			5,000,000.00		
Hunan TravelSky Technology Limited	30,000,000.00			30,000,000.00		
Beijing TravelSky Travel Service Co., Ltd.	72,000,000.00			72,000,000.00		

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.4 Long-term equity investments (Continued)

15.4.1 Investment in subsidiaries (Continued)

Investee	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at December 31, 2020	Provision for impairment in 2020	Balance of provision for impairment as at December 31, 2020
Shanghai Jiexing Electronic Commerce Co., Ltd.	3,495,488.48			3,495,488.48	3,495,488.48	
TravelSky Huadong Data Center Co., Ltd.	50,000,000.00			50,000,000.00		
Zhejiang Civil Aviation Information Technology Co., Ltd.	19,047,100.00			19,047,100.00		
Henan Civil Aviation Information Technology Co., Ltd.	10,000,000.00			10,000,000.00		
Beijing Civil Aviation Information Technology Co., Ltd.	50,010,000.00			50,010,000.00		
Guangzhou Skyecho Information Technology Co., Ltd.	4,000,000.00			4,000,000.00		
TravelSky Mobile Technology Limited	60,000,000.00		60,000,000.00	0.00		
Beijing HangJu Credit Management Co., Ltd.	5,000,000.00			5,000,000.00		
TravelSky Technology (Singapore) Limited	353,594,927.55			353,594,927.55		
TravelSky Technology (Hong Kong) Limited	11,364,427.02			11,364,427.02		
TravelSky Technology (Korea) Limited	5,694,956.65			5,694,956.65		
TravelSky Technology (Australia) Limited	6,158,000.00			6,158,000.00		
TravelSky Technology (Japan) Limited	6,414,028.62			6,414,028.62		
TravelSky Technology (Europe) Limited	4,679,918.76			4,679,918.76		
TravelSky Technology (America) Limited	9,738,500.00			9,738,500.00		
TravelSky Technology (Taiwan) Limited	12,456,766.51			12,456,766.51		
Total	2,162,151,476.74		60,000,000.00	2,102,151,476.34	3,495,488.48	

Notes to Financial Statements

For the year ended December 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.4 Long-term equity investments

15.4.2 Investments in associates and joint ventures

Investee	Balance as at December 31, 2019	Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Increase or decrease in 2020			Balance as at December 31, 2020	Balance of provision for impairment as at December 31, 2020
					Adjustment to other comprehensive income	Changes in other equity	Cash dividends or profits declared to be distributed		
1. Joint venture									
Heilongjiang TravelSky Airport Network Co., Ltd.	17,504,352.69	1,719,644.11		1,719,644.11		750,000.00		18,473,996.80	
Dalian TravelSky Airport Network Co., Ltd.	20,439,026.47	2,326,112.52		2,326,112.52				22,765,138.99	
Shanghai Dongmei Online Travel Agency Co., Ltd.	8,319,730.57	-3,526,847.92		-3,526,847.92				4,792,882.65	
Hebei TravelSky Airport Network Co., Ltd.	5,441,511.31	1,088,357.33		1,088,357.33		750,000.00		6,529,868.64	
Sub-total	51,704,621.04	1,607,266.04		1,607,266.04		750,000.00		52,561,887.08	
2. Associate									
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	125,347,414.00	5,116,476.32		5,116,476.32				130,463,890.32	
Shenyang Civil Aviation Northeast Cares Co., Ltd.	83,377,142.18	22,647,778.80		22,647,778.80				106,024,920.98	
Guangzhou Airport Hangyi Information Technology Co., Ltd.	10,000,922.52	1,445,532.90		1,445,532.90		4,800,000.00		6,646,455.42	
Yunnan TravelSky Airport Network Co., Ltd.	31,733,074.96	4,725,279.40		4,725,279.40				36,458,354.36	
Yantai TravelSky Airport Network Co., Ltd.	6,734,241.81	386,771.61		386,771.61		288,000.00		6,833,013.42	
Chengdu Civil Aviation Southwest Cares Co., Ltd.	61,750,985.12	5,369,262.18		5,369,262.18				67,720,247.30	
Beijing TravelSky Birun Technology Co., Ltd.	15,706,474.50	3,439,041.43		3,439,041.43				19,145,515.93	
TravelSky Mobile Technology Limited		23,061,684.22		23,061,684.22			-7,926,720.82	15,134,963.40	
Sub-total	334,650,255.09	66,791,826.86		66,791,826.86		5,088,000.00	-7,926,720.82	388,427,361.13	
Total	386,354,876.13	68,399,092.90		68,399,092.90		5,838,000.00	-7,926,720.82	440,989,248.21	

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**15.5 Operating revenue and operating costs****15.5.1 Operating revenue and operating costs**

Item	Year 2020		Year 2019	
	Revenue	Cost	Revenue	Cost
Main business	4,011,399,149.84	2,401,084,310.97	6,175,042,349.64	2,778,062,211.08
Other business	33,626,567.68	8,332,009.35	16,820,096.23	4,210,188.84
Total	4,045,025,717.52	2,409,416,320.32	6,191,862,445.87	2,782,272,399.92

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**15.6 Investment income**

Item	Year 2020	Year 2019
Long-term equity investment income calculated under the cost method		
Long-term equity investment income calculated under the equity method	68,399,092.90	63,131,067.67
Investment income from disposal of long-term equity investment		-3,375,751.21
Investment income from financial assets held for trading during the holding period	695,045.49	
Investment income from disposal of the financial assets held for trading		9,867,805.41
Interest revenue from creditor's right investment during the holding period	53,209,323.80	115,820,525.01
Investment income from disposal of creditor's right investment		
Interest income from other creditors' investment during the holding period		
Investment income from the disposal of other creditor's right investment		
Dividend revenue from other equity instrument investment during the holding period		
Investment income from other non-current financial assets during the holding period		
Investment income from disposal of other non-current financial assets		
Gains from the remeasurement of the remaining equity at fair value after the loss of control		
Investment income from disposal of disposed portfolio constituting the business		
Investment income from debt restructuring		
Others	37,371,712.86	14,550,980.00
Total	159,675,175.05	199,994,626.88

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

16 SUPPLEMENTARY INFORMATION**16.1 Breakdown of current non-recurring profits or losses**

Item	Amount	Description
Gains and Losses from disposal of non-current assets	11,839.37	Income from disposal of assets
Tax return or relief under unauthorized approval or without official approval document		
Government grants included in current profits or losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	32,977,851.12	Government grants
Expenses for using funds charged from non-financial enterprises and included in the current profit or loss		
Income from the fair value of net identifiable assets an enterprise may enjoy in the investee less the investment cost for which the enterprise may acquire any subsidiary, associate or joint venture		
Profit or loss from exchange of non-monetary assets		
Profit or loss from entrusting others to invest in or manage assets;		
Various provision of asset impairment made due to force majeure, such as natural disasters		
Profit or loss from debt restructuring		
Enterprise restructuring expenses, such as employee accommodation costs and integration expenses		
Profit or loss from transactions made at unfair transaction price in excess of the fair value		
Net profit or loss of the subsidiary from the business combination under common control for the period from the beginning of the period to the combination date		
Profit or loss from contingencies irrelevant to the company's normal business		

Notes to Financial Statements

For the year ended December 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

16 SUPPLEMENTARY INFORMATION (CONTINUED)**16.1 Breakdown of current non-recurring profits or losses (Continued)**

Item	Amount	Description
Profit or loss from changes in fair values of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities as well as the investment income obtained from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other creditor's right investment, except for effective hedging operations associated with the Company's normal operations	-7,005,845.66	Losses from changes in fair value
Reversal of provisions for impairment of receivables and contract assets with separate impairment test		
Profit or loss from outward entrusted loans		
Profit or loss from changes in fair value of investment property subsequently measured by adopting the fair value model		
Effect on current profit or loss due to one-off adjustment thereto in accordance with the requirements of laws and regulations regarding taxation or accounting		
Income from trustee fees charged for entrusted operation		
Non-operating revenue and expenses other than the above-mentioned items	-10,796,124.50	Net non-operating revenue or expenses
Other items of profit or loss subject to the definition of non-recurring profit or loss	450,643,518.39	After the loss of control, gains from the remaining equities re-measured at the fair value after the loss of control
Sub-total	465,831,238.72	
Affected amount of income tax	-2,278,158.05	
Affected amount of minority equity (after tax)		
Total	463,553,080.67	

Notes to Financial Statements

For the year ended December 31, 2020
 (Amounts are expressed in RMB unless otherwise stated)

16 SUPPLEMENTARY INFORMATION (CONTINUED)

16.1 Breakdown of current non-recurring profits or losses (Continued)

Notes to the items of non-recurring profit or loss:

Item	Amount involved	Reasons
After the loss of control, gains from the remaining equities re-measured at the fair value after the loss of control	450,643,518.39	In 2020, the Company's former wholly-owned subsidiary, TravelSky Mobile Technology Limited changed from a wholly-owned subsidiary to an associate due to equity dilution, and the remaining equity was measured at fair value, resulting in a gain.

TravelSky Technology Limited

March 31, 2021

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

DIRECTORS

Mr. Cui Zhixiong, aged 60, 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 the Strategy 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 the Strategy 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.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Xiao Yinhong, aged 58, 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 Strategy 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 59, 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 June 2011, he has been serving as the non-executive director of Cathay Pacific Airways Ltd. (Stock Exchange, Stock Code: 00293). 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,

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

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 Strategy 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 Strategy 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 58, 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). Mr. Xi previously served for National Audit Office in various positions: Deputy Director of Foreign Affairs Division of Foreign Investment Audit Department, Director of Liaison Reception Office of the Foreign Affairs Department, the deputy head of the PRC Audit Institute* (中國審計事務所), Deputy Director General and Director General of Fixed Asset Investment Audit Department, Party Secretary and Special Commissioner of Harbin Commissioner's Office and Director General of Personnel and Education Department. Mr. Xi was appointed as the Head of 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, 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)) from June 2012 to January 2021, and Chairman of Board of Supervisors of CEA from June 2016 to January 2021. He held a concurrent position of the Head of Audit Department of CEA Holding from December 2017 to November 2018. He was also the General Manager of Audit Department of CEA Holding and CEA from November 2018 to May 2020. Mr. Xi has been serving as Executive Vice President and member of the Party Committee of CEA Holding since January 2018, and Executive Vice President and member of Standing Committee of the Party Committee of CEA since January 2021. He also serves as Executive Director of China Institute of Internal Audit. 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 Strategy 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 Strategy 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 Lajun, 49, a non-executive director of the Company, 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 Strategy Committee. China Southern Air Holding Limited Company* (中國南方航空集團有限公司) 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. Luo is an employee of China Southern Air Holding Limited Company* (中國南方航空集團有限公司).

Mr. Cao Shiqing, aged 66, 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.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Dr. Ngai Wai Fung, aged 59, 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, 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 and the Chairman of Membership Services of Sub-Committees 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 Working Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013-2018) and a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants (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 The Chartered Governance Institute in the United Kingdom, 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 (the Stock Exchange, Stock Code: 01338), Bosideng International Holdings Limited (the Stock Exchange Stock Code: 03998), Beijing Capital Grand Limited (the Stock Exchange, Stock Code: 01329), Powerlong Real Estate Holdings Limited (the Stock Exchange, Stock Code: 01238), BBMG Corporation (English translation denotes for identification purposes only) (the Stock Exchange, Stock Code: 02009), China Communications Construction Company Limited (the Stock Exchange, Stock Code: 01800) and China Energy Engineering Corporation Limited (the Stock Exchange, Stock Code: 03996). Dr. Ngai is also the independent director of 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, Renco Holdings Group Limited (formerly known as HKBridge Financial Holdings Limited) from March 2016 to April 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company from September 2014 to January 2020, Health and Happiness (H&H) International Holdings Limited from July 2010 to May 2020 and SITC International Holdings Company Limited from September 2010 to October 2020. He was the independent director of LDK Solar Co., Limited from July 2011 to April 2020. 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.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Liu Xiangqun, aged 67, 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 been serving as an independent non-executive director of the sixth session of the Board of the Company, a member of the Audit and Risk Management Committee, a member of the Remuneration and Evaluation Committee and a member of the Nomination Committee. 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 58, the Chairman of the Supervisory Committee and a staff representative supervisor of the Company, 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

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

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 and secretary of the disciplinary inspection committee of the Company. From January 2010 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 April 2013 to July 2019, Mr. Ding served as the assistant to the general manager of the Company. Since August 2008, 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 Chairman of the seventh session of the Supervisory Committee of the Company.

Ms. Zeng Yiwei, aged 49, a supervisor of the Company, graduated from Xiamen University and has a master's degree of EMBA from Tsinghua 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 49, a staff representative supervisor of the Company, 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. From October 2016 to January 2021, 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. Since November 2020, Ms. Liang has served as the head of the labor union office of the Company.

Mr. Zhu Yan, aged 49, the independent supervisor of the Company, 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 ChinaSoft Science Research Association, Vice Chairman of the Digital Economy Special Committee of China Network Social Organization Federation, 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. Since August 2020, Mr. Zhu has been an independent director of Financial Street Holdings Co., Ltd.* (金融街控股股份有限公司), a company listed on the Shenzhen Stock Exchange, the stock code of which is 000402.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Ms. Tang Lichao, aged 47, a supervisor of the Company, graduated from Xi'an University of Architecture and Technology, majoring in computer application. From November 2002 to May 2009, Ms. Tang served as the deputy general manager of Hainan Airlines Information Systems Company Limited (海南海航航空信息系統有限公司). From May 2009 to November 2011, Ms. Tang served as the deputy general manager in IT management department, the executive vice president and the acting general manager of HNA Group Co., Ltd. (海航集團有限公司). From November 2011 to November 2012, Ms. Tang served as the president of Hainan Airlines Information Systems Company Limited (海南海航航空信息系統有限公司). From December 2012 to April 2017, Ms. Tang served as the president of Hainan E King Technology Company Limited (海南易建科技股份有限公司). From April 2017 to April 2019, Ms. Tang served as the chairman of Hainan E King Technology Company Limited (海南易建科技股份有限公司). From June 2019 to January 2020, Ms. Tang served as the president of Hainan E King Technology Company Limited (海南易建科技股份有限公司). Since February 2020, Ms. Tang has been serving as the deputy general manager in digital office of the commercial committee of HNA Aviation Group Co. Ltd. (海航航空集團有限公司). Since February 2021, Ms. Tang has become a supervisor of the seventh session of the Supervisory Committee of the Company.

SENIOR MANAGEMENT

Mr. Rong Gang, aged 58, 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. Li Jinsong, aged 51, 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.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

(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.

Mr. Yuan Leifeng, aged 56, a vice general manager of the Company, is a senior engineer. He graduated from Shandong University of Science and Technology (山東科技大學), and has a bachelor degree in engineering with a dual degree in economics from China University of Mining and Technology (中國礦業大學), and a master's degree in Business Administration from Guanghua School of Management, Peking University (北京大學光華管理學院). Mr. Yuan has long been engaged in central enterprise planning and investment, technological innovation management, and information development. From August 1987 to December 2000, Mr. Yuan worked successively in the China Coal Research Institute, China National Coal Mine Corporation, and the Ministry of Coal Industry. From September 1998 to December 2000, Mr. Yuan studied in the State Administration of Coal Industry (國家煤炭工業局). From December 2000 to March 2003, Mr. Yuan worked in the General Office of the State Economic and Trade Commission (國家經濟貿易委員會辦公廳). From March 2003 to October 2016, Mr. Yuan worked in the Planning and Development Bureau of the State-owned Assets Supervision and Administration Commission of the State Council, where he successively served as a deputy division cadre, assistant researcher, researcher, director of the science and technology division, and deputy inspector Staff and other positions. From October 2016 to September 2019, Mr. Yuan served as the deputy director of the State-owned Assets Supervision and Administration Commission of the State Council. From September 2019 to July 2020, Mr. Yuan served as the deputy director of the Bureau of Science and Technology Innovation and Social Responsibility of the SASAC of the State Council (科技創新和社會責任局). Since July 2020, Mr. Yuan served as the vice general manager of the Company.

Mr. Liang Haifeng, aged 49, a vice general manager of the Company, is a senior engineer. He graduated from Beijing University of Technology with a double bachelor degree in engineering and management. From July 1995 to April 2001, Mr. Liang Haifeng worked in the China Civil Aviation Computer Center (now known as China TravelSky Holding Company Limited, one of the promoters of the Company). He successively worked in the reservation department and marketing department of the Company. Ministry work. From November 2004 to February 2010, Mr. Liang served as the deputy general manager of the company's global distribution business department. From February 2010 to March 2017, Mr. Liang served as the general manager of the Company's aviation business department. From September 2016 to September 2017, Mr. Liang served as the Company's The deputy general manager of the R&D center (in charge of work), and concurrently served as the party secretary of the R&D center of the Company from November 2016 to March 2019. Mr. Liang served as the general manager of the Company's R&D center from September 2017 to July 2020, and concurrently served as the deputy secretary to the party committee of the Company's R&D center from March 2019 to July 2020, and he has been serving as a member of the standing committee of Communist Party Committee of China TravelSky Holding Company Limited since June 2020. Since August 2020, Mr. Liang has been serving as the vice general manager of the Company.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Dr. Wang Jinping, aged 57, a vice general manager of the Company, is a professor-level senior engineer, graduated from Shandong University of Technology and holds a master degree in finance from Renmin University of China and a doctoral degree in management from Beijing Jiaotong University. After graduating in July 1986, Dr. Wang served as a cadre of the Computing Center of the State Planning Commission (國家計委計算中心). From February 1987 to In August 1998, Dr. Wang served as an assistant engineer, engineer, and senior engineer of the State Information Centre (國家信息中心). From August 1998 to February 2000, Dr. Wang served as the deputy of the Foreign Information Cooperation Division of the National Information Center. From February 2000 to July 2001, Dr. Wang served as the deputy general manager of the State Information Center China Economic Information Net (HK) Ltd.* (中國經濟信息網絡(香港)有限公司). From July 2001 to January 2005, Dr. Wang served as the vice president of China Technology and Economy Investment Consulting Co. Ltd.* (中技經投資顧問有限公司). In 2005, Dr. Wang joined China International Engineering Consulting Co., Ltd. and served as the director of the Company's information consulting department and a professor-level senior engineer from January that year to February 2010. From February 2010 to January 2016, Dr. Wang served as the Director of the General Office of China International Engineering Consulting Corporation* (中國國際工程諮詢有限公司). and a member of the National Informatization Expert Advisory Committee. From January 2016 to July 2019, Dr. Wang served as Director of the General Office and Director of the Information Center of China International Engineering Consulting Co., Ltd. From July 2019 to August 2020, Dr. Wang served as Director of the Office of China International Engineering Consulting Co., Ltd., and he has been serving as a member of the standing committee of Communist Party Committee of China TravelSky Holding Company Limited since August 2020. Since August 2020, Dr. Wang has been serving as the vice general manager of the Company.

Mr. Huang Yuanchang, aged 58, a vice general manager of the Company, is a senior engineer graduated from Nanjing Institute of Technology (南京工學院). Mr. Huang holds a master's degree of administration from Beihang University and has more than 30 years of management and technical support experience in China's aviation industry. From August 1983 to October 2000, Mr. Huang served as the deputy head and head of the Machine Room, the head of Operation Room, the head of Production Management Department, assistant to the general manager and the deputy general manager of China Civil Aviation Computer Center (中國民航計算機中心), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). Mr. Huang served as an executive director of the first session of the Board of the Company from October 2000 to December 2003. Mr. Huang served as a vice general manager of the Company from October 2000 to November 2006. From August 2007 to June 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 June 2008 to November 2014, 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 been serving as a vice general manager of the Company.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Zhu Xiaoxing, aged 56, 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 53, 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. Since February 2010, Mr. Yu served as a joint company secretary and secretary to the Board of the Company. Since June 2013, Mr. Yu has served as the company secretary and secretary to the Board of the Company. From January 2020 to June 2020, Mr. Yu concurrently served as the lead person in charge of the information service department (preparation) and temporary person in charge of the party organization of the company. Since May 2020, Mr. Yu has been serving as the assistant to the general manager of the company.

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	<i>Chairman, Executive Director</i>
Xiao Yinhong	<i>Executive Director, General Manager</i>
Zhao Xiaohang	<i>Non-executive Director</i>
Xi Sheng	<i>Non-executive Director</i>
Luo Laijun	<i>Non-executive Director</i>
Cao Shiqing	<i>Independent Non-executive Director</i>
Ngai Wai Fung	<i>Independent Non-executive Director</i>
Liu Xiangqun	<i>Independent Non-executive Director</i>

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	<i>Chief Member (Chairman)</i>
Cao Shiqing	<i>Member</i>
Liu Xiangqun	<i>Member</i>

REMUNERATION AND EVALUATION COMMITTEE

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

Cao Shiqing	<i>Chief Member (Chairman)</i>
Ngai Wai Fung	<i>Member</i>
Liu Xiangqun	<i>Member</i>

NOMINATION COMMITTEE

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

Cui Zhixiong	<i>Chief Member (Chairman)</i>
Cao Shiqing	<i>Member</i>
Liu Xiangqun	<i>Member</i>

(as of the issue date of this report)

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	<i>Chief Member (Chairman)</i>
Xiao Yinhong	<i>Member</i>
Zhao Xiaohang	<i>Member</i>
Xi Sheng	<i>Member</i>
Luo Lajun	<i>Member</i>

DIRECTOR RESIGNED (INCLUDING HIS RESPECTIVE DUTY IN THE SPECIAL COMMITTEE)

Han Wensheng	<i>Non-executive Director, Member of the Strategy and Investment Committee (Legal Compliance Committee) (appointed on August 29, 2018, resigned on February 27, 2020)</i>
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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	<i>Chairman of the Supervisory Committee (appointed on February 27, 2020), Staff Representative Supervisor (appointed by the staff representative meeting of the Company on January 9, 2020)</i>
Zeng Yiwei	<i>Supervisor</i>
Liang Shuang	<i>Staff Representative Supervisor (appointed by the staff representative meeting of the Company on January 9, 2020)</i>
Zhu Yan	<i>Independent Supervisor</i>
Tang Lichao	<i>Supervisor (appointed on February 26, 2021)</i>

SUPERVISORS RESIGNED

Huang Yuanchang	<i>Chairman of the Supervisory Committee (appointed on October 18, 2016, resigned on January 9, 2020), Staff Representative Supervisor (appointed on January 17, 2017, resigned on January 9, 2020)</i>
Xiao Wei	<i>Staff Representative Supervisor (appointed on January 17, 2017, resigned on January 9, 2020)</i>
He Haiyan	<i>Supervisor (appointed on October 18, 2016, resigned on February 27, 2020)</i>
Rao Geping	<i>Independent Supervisor (appointed on October 18, 2016, resigned on February 27, 2020)</i>

Corporate Information

[as of the issue date of this report]

SENIOR MANAGEMENT

Xiao Yinhong	<i>General Manager, Executive Director</i>
Rong Gang	<i>Vice General Manager</i>
Li Jinsong	<i>Vice General Manager, Chief Financial Officer (Chief Accountant)</i>
Yuan Leifeng	<i>Vice General Manager</i>
Liang Haifeng	<i>Vice General Manager</i>
Huang Jinping	<i>Vice General Manager</i>
Huang Yuanchang	<i>Vice General Manager</i>
Zhu Xiaoxing	<i>Vice General Manager</i>
Yu Xiaochun	<i>Company Secretary (Secretary to the Board)</i>

SENIOR MANAGEMENT RESIGNED

Wang Wei *Vice General Manager (appointed on December 12, 2008, resigned on August 27, 2020)*

REGISTERED ADDRESS

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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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462 South 4th Street, Suite 1600
Louisville, KY 40202

(as of the issue date of this report)

AUDITORS

International auditor:

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

PRC auditor:

BDO China SHU LUN PAN Certified Public Accountants LLP
Room 1410, Fanli Building, NO. 22
Chaoyangmenwai Street, Chaoyang District, Beijing
100020, PRC

LEGAL ADVISERS

as to Hong Kong law:

Baker & McKenzie
14th Floor, One Taikoo Place,
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

PUBLIC RELATIONS CONSULTANT

Wonderful Sky Financial Group Limited
9/F The Center, 99 Queen's Road Central, Central, Hong Kong
Telephone: (852) 2851 1038
Facsimile: (852) 3102 0210
Email: travelsky@wsfg.hk

Corporate Information

(as of the issue date of this report)

CONTACT DETAILS FOR INVESTORS

Board office

Postal address: TravelSky High-Tech Industrial Park, Houshayu Town, Shunyi District, Beijing 101318, PRC
Telephone: (8610) 5765 0696
Facsimile: (8610) 5765 0695
Email: ir@travelsky.com.cn
Website: www.travelskyir.com

COMPANY'S WEBSITES

Website of consolidated information of the Company:

www.travelsky.cn

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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