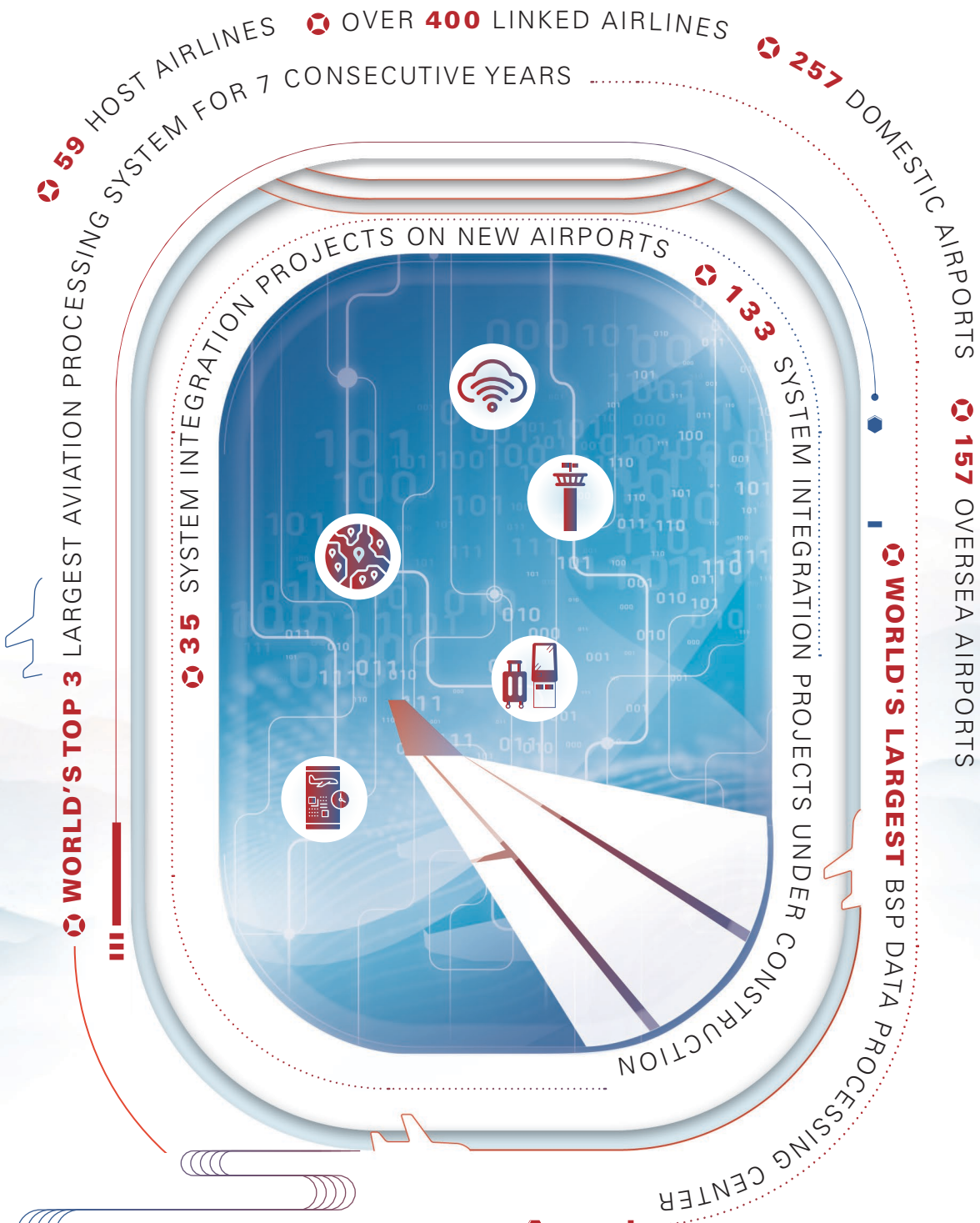




中國民航信息網絡股份有限公司 TravelSky Technology Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code : 00696)



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 Group has been devoted to developing leading products and services that satisfy the needs of all the industry participants — ranging from commercial airlines, airports, air travel products and services suppliers to travel agencies, corporate clients, travelers and cargo shippers — to conduct electronic transactions and manage travel-related information. The core business of the Company includes aviation information technology service, accounting, settlement and clearing service for aviation industry, airport information technology service, distribution information technology service, etc.

The Company was incorporated in the People’s Republic of China (the “**PRC**” or “**China**”) on October 18, 2000, and was listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 00696) on February 7, 2001. On December 27, 2002, the American depositary shares under the Sponsored Level I American Depositary Receipt Programme established by the Company commenced trading on the U.S. over-the-counter market (OTC). Since 2015, the H shares of the Company have 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 December 31, 2023, the largest shareholder of the Company is China TravelSky Holding Company Limited, which holds approximately 29.55% of the equity interest in the Company. A total of approximately 38.58% of the equity interest in the Company is held by 14 domestic shareholders, including China National Aviation Holding Company Limited, China Mobile Capital Holding Co., Ltd., 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, 2023, the Company has approximately 30 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 Company has overseas wholly-owned subsidiaries in many regions and countries, including Hong Kong, Singapore, Ireland, etc., and 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 6,620 employees as of December 31, 2023.

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FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2023

From its listing on the Stock Exchange in 2001 to the Year 2019, 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 the International Financial Reporting Standards (“IFRSs”), respectively.

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” published by the Stock Exchange in December 2010, in order to improve the efficiency and reduce the cost of disclosure, as considered and approved by the Board and the general meeting of the Company, the Company would no longer prepare its results according to IFRSs since the Year 2020 and the Board of the Company would present audited financial statements prepared according to CASBE since 2020 annual report.

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

	For the year ended December 31 (CASBE)				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating revenue	8,121,673	5,485,577	5,476,177	5,210,106	6,983,847
Total profit	2,802,821	314,161	663,883	735,139	1,612,136
Net profit attributable to shareholders of the parent	2,526,006	362,800	551,301	627,052	1,398,952
Earnings per share (basic and diluted) (RMB)	0.87	0.12	0.19	0.21	0.48

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, 2023.

	As at December 31 (CASBE)				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	23,648,574	22,769,276	24,111,139	25,237,623	27,500,129
Total liabilities	4,412,869	4,001,118	4,881,056	5,495,393	6,481,535
Total equity	19,235,705	18,768,158	19,230,083	19,742,230	21,018,594

FINANCIAL HIGHLIGHTS

	For the year ended December 31				2023
	2019	2020	2021	2022	
	RMB'000 IFRSs	RMB'000 CASBE	RMB'000 CASBE	RMB'000 CASBE	
Operating revenue	8,121,673	5,485,577	5,476,177	5,210,106	6,983,847
Total profit	2,819,676	314,161	663,883	735,139	1,612,136
Net profit attributable to shareholders of the parent	2,542,861	362,800	551,301	627,052	1,398,952
Earnings per share (basic and diluted) (RMB)	0.87	0.12	0.19	0.21	0.48

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, 2023.

	As at December 31				2023
	2019	2020	2021	2022	
	RMB'000 IFRSs	RMB'000 CASBE	RMB'000 CASBE	RMB'000 CASBE	
Total assets	23,646,384	22,769,276	24,111,139	25,237,623	27,500,129
Total liabilities	4,412,868	4,001,118	4,881,056	5,495,393	6,481,535
Total equity	19,233,516	18,768,158	19,230,083	19,742,230	21,018,594

STATEMENT OF THE BOARD



Huang Rongshun

Chairman, Executive Director, General Manager

The year of 2023 is a year of transition to economic recovery and development after the three-year period of prevention and control of COVID-19. China's civil aviation industry has shown a trend of steady and good recovery. As the dominant provider of information technology solutions for China's aviation and travel industry, the Group adhered to pursuing progress while ensuring stability, focused on high quality development. Hence, the Group recorded total operating revenue for the year amounting to RMB6.98 billion, representing an increase of 34.0% year-on-year; the net profit attributable to the shareholders of the parent amounted to RMB1.40 billion, representing an increase of 123.1% year-on-year; earnings per share amounted to RMB0.48, representing an increase of 128.6% year-on-year; the proposed payment of final dividend for the year amounted to RMB0.16 per Share.

In 2023, the Group solidified its foundation for safe production and maintained safe production and smooth operation for the consecutive seventeen years, successfully guaranteed the safety operation of the civil aviation passenger information system during the Chinese Spring Festival travel rush, the Two Sessions of China, the China-Central Asia Summit, the Hangzhou Asian Games, the Belt and Road Forum and other important activities. The Group consolidated operations recovery development, maintained good sense of cooperation with the commercial aviation companies in respect of aviation information technology services, achieved the expansion of distribution network to 33 overseas countries and regions, and helped Chinese commercial airlines resume flights at overseas terminals and realized zero breakthrough in the field of passenger settlement for budget airlines. The airport intelligent product, namely "Civil Aviation Transfer Passenger Platform" obtained the official license from the Civil Aviation Administration of China. The Group improved science and technology innovation capabilities, and became the first national enterprise technology center in the civil aviation industry recognized by five ministries and commissions including the National Development and Reform Commission, and was approved to set up a national postdoctoral research workstation. The Group was awarded the 24th China Patent Excellence Award, the Civil Aviation Science and

STATEMENT OF THE BOARD

Technology Award and other important science and technology awards, and was recognised as a national high-tech enterprise for consecutive 23 years. The Group intensified the corporate reform, promoted actions to build a world-class enterprise, carried out research in areas including high-quality development indicator system, international operation approach, strategic emerging industries and future industrial development.

The year 2024 is the 75th anniversary of the founding of the People's Republic of China, which is the critical year for the implementation of the "14th Five-Year Plan". The long-term positive fundamentals of China's economy have remained unchanged. As factors and conditions supporting high-quality economic development continue to increase, China's civil aviation industry will enter a new cycle of sustained, rapid and healthy development, comprehensively entering the stage of improving quality and efficiency. We will comprehensively promote aviation market demand by coordinating the expansion of domestic demand, accelerating the restoration of the international market and supply-side structural reform; and further promote the construction of smart civil aviation and expand fixed asset investment in the industry. The above measures will bring important opportunities to the development of the Group.

At the same time, the Group is also facing complex challenges and the external environment is grim. China's economic recovery is still at a critical stage. The development of China's civil aviation industry continues to require higher safety levels, and the diversified aviation needs of civil aviation passengers continue to increase. The growth potential of the company's emerging businesses has not yet been fully realized. In this regard, the Group will focus on its main responsibilities, consolidate its principal business, focus on the interests of all shareholders, and promote the production operation to realise effective improvement in quality and reasonable increase of quantity. The Group is making unremitting efforts to further promote the Group's high quality development to a new level.

In 2024, the Group will continue to focus on the following six aspects: firstly, to increase the level of aviation safety, strengthen the establishment of safety production system, enhance network security maintenance capabilities, and strengthen high quality development protection. Secondly, to enhance the operational quality and revenue, consolidate the position of the core business, consolidate the potential of the growth of emerging business, and consolidate the high quality momentum. Thirdly, to accelerate the layout of the strategic emerging industries and future industries, optimize internal and external resources relocation, Explore and cultivate industrial remarkable projects, and build high-quality development advantages. Fourthly, to strengthen the effort of science and technology innovation, promote the breakthrough of important core technology, promote the low carbon cycle green growth and enhance high-quality development momentum. Fifthly, to carry action to deepen reform, improve the incentive mechanism for core talents, adjust business structure and optimize layout, and revitalize high quality development. Sixthly, to increase corporate management effectiveness, build a closed loop of compliance risk management and control, shape the brand image of China TravelSky, and consolidate the foundation of high quality development.

Finally, 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 long-term trust and support! My thanks also go to all my colleagues in the Group for their determination and hard work! In the new year, we will unite hearts and powers and move forward bravely to provide higher-quality and more convenient services for users and civil aviation passengers, and create greater value for shareholders and the society.



BUSINESS REVIEW

2023 BUSINESS REVIEW

In 2023, the global economy demonstrated certain resilience, maintaining a moderate growth momentum. The Chinese economy rebounded and showed positive signs, with increasing demand for travel from the public, providing momentum for the recovery of the aviation industry and laying a solid foundation for the business development of the Group. The group seized the crucial period for the aviation industry to consolidate its foundation and restore growth. Through scientific planning and coordinated efforts, certain progress has been made in the main business sectors including aviation information technology services, accounting, settlement and clearing services, distribution information technology services, airport information technology services, and other information technology services.

Aviation Information Technology Services

The Group's aviation information technology ("AIT") services, which consist of a series of products and solutions, are provided to 41 Chinese commercial airlines and over 370 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 services 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 2023, global air passenger traffic continued to recover strongly, with IATA reporting a year-on-year increase of 36.9%, reaching 94.1% of the level in 2019. China's civil aviation industry showed a trend of orderly recovery, as indicated by data released by the Civil Aviation Administration of China, with a year-on-year increase of 146.1% in passenger traffic in 2023, reaching 93.9% of the level in 2019, in which the scale of domestic air routes surpassed pre-pandemic levels, growing by 1.5% as compared to 2019, while the international air routes passenger transportation market remained in a gradual recovery phase, with scheduled flights reaching 62.8% of the level in 2019, and the number of countries with resumed flights reaching 89.2% of the level in 2019.

In 2023, the Electronic Travel Distribution (ETD) system of the Group processed approximately 620.1 million passengers for domestic and international commercial airlines, marking a growth of about 148.7% compared to the same period in 2022, in which the system processed about 147.6% more passengers for Chinese commercial airlines and about 240.9% more passengers for foreign and regional commercial airlines. The Group made concerted efforts to ensure the orderly resumption of international routes, assisting 25 Chinese commercial airlines in resuming operations at 73 overseas airports. The number of foreign and regional commercial airlines using the Group's APP system services, multi-host access services, and the self-developed Angel Cue platform access services increased to 203, handling approximately 6 million departing passengers at 49 airports. The Group's self-developed Common Use Self-Service (CUSS) system, compliant with IATA standards, was used at 234 major domestic and international airports, with online check-in services available at 326 domestic and international airports. Along with mobile and SMS check-in products, these systems collectively processed approximately 386 million departing passengers.

In 2023, 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. The Group steadily promoted the upgrades of retail solutions for commercial airlines. The Travel Retail Platform (TRP) for airlines supported the customer-centered business model of commercial airlines and helped airlines manage “Aviation+” products through the establishment of a unified product management platform, having signed contracts with a cumulative total of 19 clients. As a data integration platform solution, Data Plus (ADA) providing airlines with services that integrate data security access, data integration mining, and application scenario support into one. It has been deployed for 17 airlines, including Hainan Airlines, Juneyao Air, and Sichuan Airlines, helping these airlines construct a digital ecosystem. The Intelligent Cockpit Control System has developed the country’s first digitalized cockpit management and production processes integrated product, with the first client, China United Airlines, formally deploying it. The Airlines Total Operation Management System (ATOMS) has partnered with Kunming Airlines, Jiangxi Air, and Air Changan, expanded its deployment scope to include Shenzhen Airlines and Shandong Airlines, and completed implementation at 16 key stations, effectively ensuring the ground operation of airline flights.

Accounting, Settlement and Clearing Services

The Group provided accounting, settlement and clearing services, information system development and support services and air travel financial service 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) Information Processing and Information Processing Software, ACCA is also the leading provider of outsourced services and system products services in revenue management and provider of new air travel finance in the civil aviation industry in China, its major customers including domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organizations and IATA.

In 2023, the Group consolidated and expanded the new market of the accounting, settlement and clearing services. Focusing on the application of new technologies, the third-generation passenger revenue management platform that complies with the development trend of New Distribution Capabilities (NDC) and ONE ORDER has been put into operation for airlines such as China Southern Airlines, China Eastern Airlines, Juneyao Air, supports new business operation such as real-time settlement and order settlement, consolidating the market position of core settlement products. Intensified efforts in overseas market expansion, with a focus on Southeast Asia and Australia-New Zealand markets, aiming to increase market coverage along the Belt and Road Initiative. Among the 30 certified overseas market-neutral settlement systems (“BSP”), 23 have been successfully launched. Additionally, we provided settlement system services to Scoot Airlines, achieving a breakthrough in the overseas low-cost airline passenger settlement field. Travel account product transformed from a self-operated model to a platform model through cooperation with external financial institutions. We collaborated with state-owned central enterprises to provide travel payment services, steadily increasing our market share in the Chinese travel payment market. The electronic ticket clearing platform was established, offering customers end-to-end management functions for invoicing, receipt collection, and billing, thereby contributing to the digitalization of the finance and industry sector.

BUSINESS REVIEW

In 2023, there were approximately 1,017.7 million transactions processed with the Group's accounting, settlement and clearing system, representing a year-on-year increase of 78.1%. Revenue from agency settlement for passengers, cargo and mail transport, miscellaneous fees, and international and domestic clearing fees exceeded RMB47.53 billion, representing a year-on-year increase of 116.2%.

Distribution of Information Technology Services

In 2023, the Group continued to expand the market of distribution information technology service, with direct links and high-level networking to all Global Distribution Systems ("GDSs") around the world and 142 foreign and regional commercial airlines, covering over 400 domestic and overseas cities. The distribution network has reached 33 overseas countries and regions.

In 2023, the Group further enhanced its distribution capabilities, solidified distribution channels, and actively expanded into overseas markets, continuously enriching available resources for sale. Our capabilities in aviation new retail continued to strengthen, the NDC platform developed for airlines obtained certification from the IATA Airline Retail Maturity Index (ARM). Our NDC solutions secured contracts with three foreign and regional airlines, bringing the total number of signed contracts to 12. Constructed a paperless solution for the entire process of travel business, integrating the electronic itinerary receipts system with the State Taxation Administration's electronic invoice platform to issue electronic itinerary receipts for both airline direct sales and agent BSP tickets. Further enriched non-airline resources and ancillary products, expanding upstream hotel resources, train ticket booking, travel visas, airline lounges, and luggage delivery services, collaborated with numerous domestic and international airlines to sell ancillary products.

Airport Information Technology Services

In 2023, The group responded to the overall deployment of Digital China, actively assisting in the construction of smart civil aviation and airport committed to creating a safe, comfortable, convenient, and personalized travel experience for passengers. The Group continued to solidify our presence in the traditional pre-departure market, signing contracts for airport construction projects in cities such as Zhuhai, Wuhan, and Lanzhou. And completed the departure platform construction project at Siem Reap International Airport in Cambodia, achieving a breakthrough in the international market. 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 129 overseas or regional airports. The number of departure passengers receiving such services reached approximately 21 million, accounting for approximately 94.9% of the number of passengers returning from overseas of such commercial airlines in China.

BUSINESS REVIEW

In 2023, the Group strengthened construction and promotion efforts in smart airport products. Baggage Travel Airport End completed promotions at airports such as Nanjing, Yinchuan, and Zhuhai. Facial boarding was deployed at 54 large, medium, and small airports nationwide. The One ID passenger service platform added promotions at 7 airports including Xi'an and Wuhan, totaling deployments at 31 airports; The civil aviation transit passenger service platform has been deployed at over 230 airports, supporting the implementation of the "link main routes and branch routes and connect the whole network" service model, and officially licensed by the Civil Aviation Administration; The Smart Airport Digital Twin Comprehensive Management Platform successfully completed pilot deployments at Qingdao and Anyang airports. The Smart Airport Middleware was promoted to ten airports with tens of millions of passengers, including Beijing, Xi'an, and Zhuhai, and was successfully selected as a "Smart Civil Aviation Data Governance Typical Practice Case"; The Airport Collaborative Decision-Making System (A-CDM) product was deployed at airports such as Nanchong, Lijiang, Dalian, and Yichang. The project "Research and Application of Key Technologies of Civil Aviation A-CDM Integrated Operation Management System" won the first prize of the Scientific and Technological Awards by China Communications and Transportation Association. "Smooth Travel — Smart Civil Aviation Passenger Travel Application Based on Biometric Technology" project has been selected as a typical case of industry development empowered by the Internet of Things by the Ministry of Industry and Information Technology in 2023.

Other Information Technology Services

In 2023, the group actively responded to the implementation of the national "14th Five-Year Plan", seizing the opportunities presented by digital economic development, vigorously expanding digital new infrastructure, accelerating the industrialization of digital industries, and coordinating the digitization of industries. We continued to provide data center services for China United Network Communications Limited and the China Academy of Information and Communications Technology. We actively promoted services such as data center construction consultation, level certification, testing and verification, and operation and maintenance. We signed contracts with several governmental and corporate entities, including the Ministry of Foreign Affairs Consular Department, Anhui Gujing Distillery Co., Ltd., and China National Pharmaceutical Digital Technology (Beijing) Co., Ltd. At the same time, we strengthened data element construction, established products in various fields like smart marketing and finance-related areas, signed contracts with 17 new clients, proactively advanced the informatization market application for general aviation short-haul transportation, and secured three new contracts for projects at general airports including Urad Middle Banner, Yongchuan, and Liangping.

BUSINESS REVIEW

In 2023, the Group continued to consolidate its leading position in the domestic aviation logistics information service market. We signed a digital platform project with Air China Cargo for cargo terminal digitization, and renewed service contracts for cargo production systems with China Eastern Airlines, Eastern Air Logistics, and China Cargo Airlines; Comprehensively promoted and upgraded products such as cargo terminal production systems, cargo security inspection systems, and cargo ground operation service systems, successfully securing contracts with 9 new clients; The Aviation Logistics Collaborative Decision-Making System (LCDM) was successfully expanded to Lanzhou Zhongchuan International Airport; Actively promoted the informatization construction of aviation logistics, completed the technical standard construction of the aviation logistics information service platform, and implemented it at Qingdao Airport cargo terminal, obtaining international recognition from the International Air Transport Association; Accelerated the promotion of electronic air waybill services for civil aviation logistics, signing a new electronic air waybill service agreement with Tibet Airlines. The volume of electronic air waybills processed gradually recovered throughout the year.

In 2023, the Group responded to the national call to accelerate the development of strategic emerging industries and future industries, with a deep focus on frontier technologies such as blockchain, digital Renminbi, and artificial intelligence, which are vigorously promoted by the country. The "Air Travel Chain" project constructed by the Group, obtained the blockchain information service filing number from the Cyberspace Administration of China, becoming a civil aviation blockchain platform capable of providing services externally; the intelligent payment application of digital Renminbi was first implemented at three airports in Changsha, Kunming, and Zhuhai, leading the integration trend of digital currency with civil aviation e-commerce. Based on blockchain technology, we launched the nation's first civil aviation data exit compliance product "Declaration Pass", signed contracts with 14 airlines, and was awarded the "Innovative Service Demonstration Case" and "Air Silk Road" Construction Service Demonstration Case awards at the 2023 China International Fair for Trade in Services.

Safe Operation

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. Through the establishment of a safe production accountability system, the Group continuously consolidated the safety foundation, comprehensively built a modern safety system with corresponding capabilities, and secured overall stable performance in safety throughout the year, which laid a solid foundation for the high-quality development of the enterprise and the safety of national civil aviation.

In 2023, the Group actively fulfilled social responsibilities to provide strong technical support and service guarantee for scientific and technological anti-epidemic and resumption of work and production. We made every effort to ensure the smooth operation of inventory control system services, computer reservation system services and airport passenger processing system services, and core open systems. The utilization rate of three mainframe systems and major open platform systems exceeded 99.99%, which helped the joint prevention and control of the epidemic. We successfully guaranteed the safety operation of the civil aviation passenger information system during the Chinese Spring Festival travel rush, the two Conferences (i.e. the National People's Congress and the Chinese People's Political Consultative Conference), China-Central Asia Summit, Chengdu World University Games, Hangzhou Asian Games, Hangzhou Asian Para Games, the Belt and Road Summit and other activities.

BUSINESS REVIEW

In 2023, the Group continuously enhanced its intrinsic safety capabilities and fundamental protection capabilities. Passed the assessment for “Domestic Advanced Level of DevOps Continuous Operation” for the first time; Completed 5G private network deployment tests for three major operators and conducted network verification at multiple airports nationwide, effectively ensuring network communication for the Hangzhou Asian Games departure; designed and developed a comprehensive monitoring and fault location software for departure fundamental systems, enhancing our ability to quickly locate faults and respond to emergencies; reconstructed the civil aviation passenger service system’s account security management system, achieving industry-level real-name authentication for the world’s first cross-civil aviation large-scale mainframe system and open system, with over 120,000 individuals completing real-name identity authentication. On the other hand, we continuously strengthened our data security management standards. We were certified at level four in the Data Management Capability Maturity Model (DCMM) and level three in the Data Security Capability Maturity Model (DSMM), both national-level standards. We were honored with the title of “Top Ten Data Management Brand Enterprises of 2023” and received the “One Hundred Excellent Data Management Cases of 2023” award.

Technological Innovation

In 2023, the Group remained committed to implementing an innovative development strategy that focused on independent innovation of key technologies while relying on technological projects and innovation platforms in order to effectively enhance our scientific and technological innovation capabilities and lead the in-depth integrated development of the industry and property. The level of autonomy and controllability improved tremendously. Projects such as core systems bypassing foreign mainframes and cloudification has made significant breakthroughs. At the same time, we have completed the selection of new primary and auxiliary technology stacks, developed an industry-based basic software and hardware adaptation service support, and realized independent and controllable applications under multiple scenarios. Our scientific and technological innovation capabilities significantly improved, becoming the first national enterprise technology center in the civil aviation industry to be recognized by the National Development and Reform Commission and other five ministries. We were approved to establish a national postdoctoral research workstation and participate in innovation unions led by central enterprises such as China Electronics Corporation and China Mobile Communications Group. The Sugon Joint Laboratory of China Science and Technology was officially launched. We achieved significant progress in scientific and technological innovation and were certified as a national high-tech enterprise for 23 consecutive years. Additionally, we won the first prize of the Civil Aviation Science and Technology Award for 5 consecutive years. We were granted 118 patents throughout the year, including 1 technical invention patent that was awarded the 24th China Patent Excellence Award. Meanwhile, the Group was awarded 13 different industry and social technology awards and the title of the “2022 China Blockchain Technology Innovation Exemplar Enterprise” from the Ministry of Industry and Information Technology. We actively promoted the transformation towards green and low-carbon initiatives. The “Civil Aviation Data Center Green Intelligent Technology Research and Application” project was included in the advanced low-carbon technology pilot project in Beijing and won the second prize of the Science and Technology Innovation Award of the China Energy Conservation Association.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS 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 contained in the audited financial statements of the Group (together with the notes thereto) prepared according to CASBE reproduced in this report. The following discussions on the summary of historical results do not represent a prediction as to the future business operations of the Group.

SUMMARY OF RESULTS OF OPERATIONS IN YEAR 2023

As stated in the report of the Company dated January 16, 2024, the Company recorded a year-on-year increase in profitability because of the significant year-on-year increase in the number of civil aviation passengers in 2023.

The revenue and operating results of the Group mainly came from the Group's operations in China. For Year 2023, profit before taxation of the Group was approximately RMB1,612.1 million, representing an increase of approximately 119.3% over that in the year ended December 31, 2022 ("**Year 2022**"). Net profit attributable to shareholders of the parent was approximately RMB1,399.0 million, representing an increase of approximately 123.1% over that in Year 2022.

The basic and diluted earnings per share of the Group in Year 2023 were RMB0.48.

TOTAL REVENUE

The total revenue of the Group in Year 2023 amounted to approximately RMB6,983.8 million, representing an increase of approximately RMB1,773.7 million, or 34.0%, from approximately RMB5,210.1 million in Year 2022. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 55.1% of the Group's total revenue in Year 2023, as compared to 29.7% for Year 2022. Aviation information technology service revenue increased by 149.0% from RMB1,546.6 million in Year 2022 to RMB3,850.8 million in Year 2023. 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 increase of the revenue was mainly due to the period-on-period increase in system processing capacity.
- Accounting, settlement and clearing services revenue accounted for 6.4% of the Group's total revenue in Year 2023, as compared to 5.6% for Year 2022. Accounting, settlement and clearing services revenue increased by 52.1% from RMB294.2 million in Year 2022 to RMB447.3 million for Year 2023. 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, etc. The increase of the revenue was primarily due to the period-on-period increase in the business volume of accounting, settlement and clearing services.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

- System integration service revenue accounted for 14.2% of the Group's total revenue in Year 2023, as compared to 32.6% for Year 2022. System integration service revenue decreased by 41.4% from RMB1,697.8 million in Year 2022 to RMB994.3 million for Year 2023. 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 decrease of the revenue was primarily due to the period-on-period decrease in the number of projects meeting the completion acceptance conditions.
- Data network revenue accounted for 5.6% of the Group's total revenue in Year 2023, as compared to 7.9% for Year 2022. Data network revenue decreased by 5.2% from RMB411.6 million in Year 2022 to RMB390.0 million for Year 2023. The main source of the revenue was distribution information technology service provided by the Group to agencies. The decrease of the revenue was mainly due to the period-on-period decrease in the business volume of distribution information technology services.
- Other revenue accounted for 18.6% of the Group's total revenue in Year 2023, as compared to 24.2% for Year 2022. Other revenue increased by 3.3% from RMB1,259.9 million in Year 2022 to RMB1,301.4 million for Year 2023. The sources of the revenue were other technology services, payment business, room tenancy and other services provided by the Group. The increase of the revenue was mainly due to the period-on-period increase in payment business.

TOTAL OPERATING EXPENSES

Total operating expenses for Year 2023 amounted to RMB5,300.8 million, representing an increase of RMB571.3 million or 12.1%, as compared to RMB4,729.5 million for Year 2022. The changes in total operating expenses are reflected as follows:

- Staff costs increased by 14.4% mainly due to the period-on-period increase in staff remuneration and social insurance cost;
- Depreciation and amortization decreased by 0.9% mainly due to the slight decrease in depreciation and amortization resulted by the period-on-period decrease in fixed assets and intangible assets of the Group;
- Selling costs of software and hardware decreased by 52.2% mainly due to the period-on-period decrease in business volume of contracted projects of the Group;
- Technical support and maintenance fees increased by 12.6% mainly due to the period-on-period increase in demand for the business of the Group;
- Commission and promotion expenses increased by 212.6% mainly due to significant increase in the volume of passengers year-on-year; and
- Other operating expenses increased by 39.9% mainly due to the year-on-year increase of the Group's daily operating expenses after the epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

As a result of the above-mentioned changes in revenue and total operating costs, the operating profit of the Group increased by approximately RMB905.0 million, or approximately 129.4%, from approximately RMB699.6 million in Year 2022 to approximately RMB1,604.6 million in Year 2023.

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 recognized 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 status of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. The latest review was completed in November 2023, 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 2023 to Year 2025 as a "High and New Technology Enterprise". Hence, the Company has calculated the expenses on corporate income tax for Year 2023 using the preferential tax rate of 15%.

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 "Key Software Enterprise", 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 "Key Software Enterprise" from Year 2006 to Year 2022.

For details of corporate income tax of the Group for Year 2023, please see Note 4 to the financial statements.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT OF THE COMPANY

Net profit attributable to shareholders of the parent of the Company increased by approximately 123.1% from approximately RMB627.1 million in Year 2022 to approximately RMB1,399.0 million in Year 2023.

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 during the year is distributed in the following order: (i) making up cumulative prior years' losses, if any; (ii) appropriation to the statutory surplus reserve fund; (iii) appropriation to the discretionary surplus reserve fund; (iv) appropriation to the distribution of dividends.

Discretionary Surplus Reserve Fund

In Year 2023, the discretionary surplus reserve fund for Year 2022 approved to appropriate at the annual general meeting held on June 15, 2023 and the statutory surplus reserve fund for Year 2023 that should be appropriated have been accounted for in the financial statements of the Group for Year 2023.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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 RMB117.0 million to the discretionary surplus reserve fund for Year 2023 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, 2024.

Distribution Proposal of Final Cash Dividend for Year 2023

On March 27, 2024, the Board of the Company proposed the distribution of a final cash dividend of RMB468.2 million, representing RMB0.16 per share (tax inclusive) for Year 2023 (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 issue date of this report.

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 2023 is expected to be paid on or before September 30, 2024. 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 the report 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, etc.

RESERVES AVAILABLE FOR DISTRIBUTION TO SHAREHOLDERS

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund from the Company, the reserves available for distribution to shareholders as at December 31, 2023 amounted to RMB8,200.3 million (as at December 31, 2022: RMB7,419.5 million).

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2023 RMB'million	2022 RMB'million
Net cash flow generated from operating activities	137.4	1,336.3
Net cash flow used in investing activities	-796.2	-142.2
Net cash flow used in financing activities	449.4	-97.6
Net increase in cash and cash equivalents	-199.3	1,136.2
Effect of foreign exchange rate changes on cash and cash equivalents	10.0	39.7

The Group's working capital for Year 2023 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB137.4 million. As at December 31, 2023, the Group did not use any financial instruments for hedging purpose. As at December 31, 2023, cash and cash equivalents of the Group amounted to RMB7,276.5 million, of which 97.12%, 2.53% and 0.21% were denominated in Renminbi, U.S. dollar and Euro, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

RESTRICTED BANK DEPOSITS

As at December 31, 2023, restricted bank deposits in the amount of RMB91.0 million (as at December 31, 2022: RMB101.6 million) mainly refer to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the settlement of related business.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2023, 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 assets and liabilities denominated in foreign currencies. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's operational results.

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 2023, the Group had the following major financial assets:

(1) Trading Financial Assets

As at December 31, 2023, the Group held structural bank deposits issued by China Construction Bank, Bank of Beijing, Bank of Communications and Industrial and Commercial Bank of China of RMB1,100 million, RMB1,100 million, RMB1,100 million, and RMB200 million, with total structural bank deposits of RMB3,500 million (floating yield). The annual interest rate of such structural bank deposits varied from 1.20% to 3.00%. Such structural bank deposits have a maturity period ranging from 179 to 185 days and are non-cancellable before maturity.

(2) Financial Assets at Amortized Cost

As at December 31, 2023, the Group held certificates of deposit for more than three months issued by China Construction Bank, Minsheng Bank and Bank of Communications of RMB500 million, RMB90 million and RMB60 million, with total certificates of deposit for more than three months of RMB650 million. The annual interest rate of such bank deposits varied from 2.10% to 3.55%. Such bank deposits have a maturity period ranging from 365 to 1,097 days and are non-cancellable before maturity.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

(3) Financial Assets at Fair Value through Other Comprehensive Income

Name of investment	Business nature	Percentage of shareholding as at December 31, 2023 %	Percentage of shareholding as at December 31, 2022 %	Fair value as at December 31, 2023 RMB'000	Fair value as at December 31, 2022 RMB'000	Gain for the year ended December 31, 2023 RMB'000	Gain for the year ended December 31, 2022 RMB'000
Unlisted equity (measured at fair value) – CMRH Life	Life insurance	13.26	13.26	830,474	835,827	-5,354	-14,796

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:** RMB875.0 million.
- d. **The percentage of the shareholding held by the Company:** 13.26%.
- e. **The fair value and the scale relative to the total assets of the Group:**

As at December 31, 2023, the Group invested a fair value of approximately RMB830.5 million in CMRH Life, accounting for 3.0% of the total assets of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**f. The performance in Year 2023:**

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB527.0 million in Year 2023. The main reason is the impact of the external objective environment, the continuous decline in government bond yields has led to a downward trend in the 750 curve, resulting in a significant increase in insurance contract reserves for CMRH Life.

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

According to the information provided by CMRH Life to the Company, as China's financial industry continues to develop with high quality, the prospects for the life insurance industry in health, wealth, and risk management are broad. CMRH Life will adhere to the development laws of the financial insurance industry and the principle of "insurance-oriented," following a path of market-oriented, professional, and differentiated innovation-driven development. Focusing on the transformation of the business model around "building a digital platform for risk management, health management, and wealth management, the preferred choice for central state-owned enterprises and employee's families", will continue to promote the optimization of operational mechanisms and capabilities, strictly focus on reducing costs and increasing efficiency, adhere to stable operations, continue to improve the ability to overcome cycles, and strive to construct itself into a boutique insurance service provider with innovative characteristics.

(4) Financial Assets at Fair Value through Profit or Loss**China Mobile Equity Fund**

As stated in the report 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 Xiong'an) Partnership (Limited Partnership)* (中移股權基金(河北雄安)合夥企業(有限合夥)) ("**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責任公司) (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 5G industry application and information communication industry chain, ecosystem and empowerment industry.

As at December 31, 2023, the Company has actually contributed (including the fund management fee) RMB684.3 million pursuant to the Agreement. Please refer to Note 14.1 to the financial statements for details.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**CHARGE ON ASSETS**

As at December 31, 2023, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at December 31, 2023, the Group had no material contingent liabilities.

GEARING RATIO

As at December 31, 2023, the gearing ratio of the Group was 23.6% (as at December 31, 2022: 21.8%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2023.

MAJOR INVESTMENT OR FINANCING PLAN

As at December 31, 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures, or have any major investment or plan to acquire major capital assets. The Board estimates that the sources of funding of the Group in 2023 will be sufficient for the capital requirement of daily operations and the Group does not have any major financing plan.

The total capital expenditure of the Group amounted to RMB1,227.8 million for Year 2023 (2022: RMB713.6 million), mainly used in the Company's daily operation.

As at December 31, 2023, the Group's capital expenditure commitment amounted to approximately RMB1,141.1 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), etc. The sources of funding for such commitments will include existing cash on hand and internal cash flows generated from operating activities of the Group.

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.



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

As at December 31, 2023, the total number of employees of the Group was 6,620.

Staff costs of the Group amounted to approximately RMB2,063.7 million for Year 2023 (2022: RMB1,804.3 million), representing approximately 38.9% of the total operating expenses of the Group for Year 2023, among which, the aggregate corporate annuity expenses of the Group amounted to approximately RMB82.9 million for Year 2023 (2022: RMB68.2 million).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

CORPORATE GOVERNANCE REPORT

A. CORPORATE GOVERNANCE PRACTICE

The Board has adopted the code provisions as stipulated in the Corporate Governance Code (the “**Code Provision(s)**”) in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 be made in good faith and in accordance with the principles of transparency, fairness and integrity. With necessary and effective counterbalance, the Group improves its corporate governance structure in a sustained way, so as to raise the quality of supervision and management and meet the expectations of its shareholders and the relevant parties.

The Company has deviated from the Code Provision C.2.1 “the roles of chairman and chief executive should be separate and should not be performed by the same individual”. As stated in the announcement of the Company dated May 2, 2022, Mr. Huang Rongshun, the chairman of the Company, was appointed as the General Manager of the Company. At present, the Chairman and General Manager of the Company are performed by the same individual, which is a transitional arrangement only. Considering that the Board constitute a sufficient number of Independent Non-executive Directors, a temporary deviation from the Code Provision would not prejudice the balanced distribution of power and authority between the Board and the management of the Company.

The Company has deviated from the Code Provision B.2.2 “every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years”. As stated in the announcement of the Company dated February 27, 2023, the term of the seventh session of the Board expired on February 26, 2023. Given that the nomination process of candidates for the directors of the new session of the Board has not been completed, the re-election and appointment of members of the Board will be postponed as appropriate, and the term of office of each committee of the seventh session of the Board of the Company will be extended accordingly. The Company will endeavor to complete the re-election and appointment of members of the Board as soon as possible, and fulfill respective information disclosure obligations in a timely manner. All members of the seventh session of the Board of the Company will continue to fulfill their respective duties and responsibilities of directors in accordance with the laws, administrative regulations and the Articles until the re-election work is completed. The normal operation of the Company will not be affected by the postponement of re-election of the members of the Board.

Except for the deviation from Code Provision C.2.1 and B.2.2, the Company fully complied with the Code Provisions in 2023.

For the twelve months ended December 31, 2023, the Company has adopted the Model Code and standards required thereof as the model code and the standards for conducting securities transactions by directors and supervisors of the Company. After making specific enquiries to all directors and supervisors, the Company confirmed that all directors and supervisors have acted in full compliance with Model Code and the standards regarding directors’ securities transactions required thereof during the twelve months ended December 31, 2023.



CORPORATE GOVERNANCE REPORT

Corporate Culture

Development vision

To become the main IT service provider in aviation and tourism industry and a country-leading, world-class information service provider

Development approach

Building big platforms, pooling big data and providing wide range of services

Core values

Putting people first, strengthening the safety foundation, building trust with services and driving long-term development through innovation

Business philosophy

Putting safety first
Winning customers with services
Creating values with information

Code of conduct

Striving for self-improvement through innovation and creativity
Shouldering responsibilities to make a difference
Working with stakeholders for win-win results
Taking a down-to-earth approach to improve quality and efficiency

The Group is committed to building on its core values, implementing its operation philosophy and code of conduct, realizing its development path, and achieving its mission and vision, so as to benefit every investor, customer, supplier and all employees of the Group.

During the year 2023, the Board of Directors of the Group continued to strengthen and promote its corporate culture, and the Group also emphasized the full implementation of its corporate culture in its annual work. The relevant progress and achievements are set out in the sections headed "Statement of the Board" and "Business Review", as well as in the "Environmental, Social and Governance Report for the Year 2023".

CORPORATE GOVERNANCE REPORT

Anti-Corruption and Reporting Policy

The Company strictly abides by the relevant laws and regulations on preventing bribery, extortion, fraud and money laundering, such as the Criminal Law of the People's Republic of China, the Anti-money Laundering Law of the People's Republic of China, Regulations on the Integrity of Leaders of State-owned Enterprises*([《國有企業領導人員廉潔從業若干規定》]), and the internal management systems such as the Measures Proposed by the Party committee of Travelsky Technology Limited Regarding Implementation of the Responsibility System for Construction of an Honest Party and a Clean Government*([《中國民航信息網絡股份有限公司黨委關於落實黨風廉政建設主體責任的措施》]). The Measures Proposed by the Party Committee of Travelsky Technology Limited Regarding the Implementation of the System for Construction of an Honest Party, a Clean Government and Anti-Corruption*([《中國民航信息網絡股份有限公司黨風廉政建設和反腐敗工作考核評價辦法》]) has been revised. A complete and transparent complaint and reporting management and handling process has been set up. Our postal address, reporting email and telephone number have been published to improve the supervision channel. A designated department shall deal with the problems and strictly follow the procedures of registration, submission for approval, transfer and investigation; The information reported shall be kept strictly confidential to ensure that the informant will not be subject to retaliation for reporting through legal channels. The Company signed the Bidding Agency Anti-Corruption Agreement with the bidding agency, forming the system of signing an anti-commercial bribery agreement with suppliers when entering agreements.

B. THE BOARD**Composition of the Board**

According to the provisions of the Articles, the Board of the Company comprises nine directors, with external directors accounting for more than half of the total number of directors and including at least three Independent Non-executive Directors. Please refer to the section headed "Biographies of Directors, Supervisors, Senior Management and Company Secretary" of the annual report for details of the list of directors and their profiles.

As at the issue date of this report, the composition of the seventh session of the Board of the Company: (i) Mr. Huang Rongshun acts as the Executive Directors of the seventh session of the Board of the Company; (ii) Mr. Sun Yuquan, Mr. Qu Guangji and Mr. Xi Sheng act as the Non-executive Directors of the seventh session of the Board of the Company; (iii) Mr. Liu Zehong, Mr. Chan Wing Tak Kevin and Mr. Xu Hongzhi act as the Independent Non-executive Directors of the seventh session of the Board of the Company. Mr. Huang Rongshun, an Executive Director, acts as the Chairman of the seventh session of the Board.

The Board established four special committees, including the Audit and Risk Management Committee (Supervision Committee) (the "**Audit Committee**"), the Remuneration and Evaluation Committee (the "**Remuneration Committee**"), the Nomination Committee and the Strategy and Investment Committee (Legal Compliance Committee) (the "**Strategy Committee**"). For duties of each special committees, please refer to the section under E. COMMITTEES UNDER THE BOARD OF DIRECTORS.

As stated in the announcement of the Company dated September 26, 2023, Mr. Liu Jianping resigned as the Executive Director and a member of the Strategy Committee of the Company due to retirement.

CORPORATE GOVERNANCE REPORT

As stated in the announcement of the Company dated January 25, 2024, at the extraordinary general meeting of the Company held on the same date, Mr. Sun Yuquan and Mr. Qu Guangji were elected and appointed as the Non-executive Directors of the seventh session of the Board and members of the Strategy Committee. At the same time, upon the approval at the general meeting, Mr. Zhao Xiaohang and Mr. Luo Laijun ceased to be Non-executive Directors and members of the Strategy Committee of the Company.

For Year 2023, 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 Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Strategy Committee meetings
Huang Rongshun	Chairman, Executive Director, General Manager; Chief Member of Nomination Committee; Chief Member of Strategy Committee	100%	100%	—	—	100%	100%
Liu Jianping (Note 2)	Executive Director; Member of Strategy Committee	100% (Note 2)	100%	—	—	—	100%
Zhao Xiaohang	Non-executive Director; Member of Strategy Committee	0% (Note 1)	0%	—	—	—	0% (Note 1)
Xi Sheng	Non-executive Director; Member of Strategy Committee	0% (Note 1)	0%	—	—	—	0% (Note 1)
Luo Laijun	Non-executive Director; Member of Strategy Committee	0% (Note 1)	0%	—	—	—	0% (Note 1)
Liu Zehong	Independent Non-executive Director; Member of Audit Committee; Chief Member of Remuneration Committee; Member of Nomination Committee; Member of Strategy Committee	100%	100%	100%	100%	100%	100%
Chan Wing Tak Kevin	Independent Non-executive Director; Chief Member of Audit Committee; Member of Remuneration Committee	100%	100%	100%	100%	—	—
Xu Hongzhi	Independent Non-executive Director; Member of Audit Committee; Member of Remuneration Committee; Member of Nomination Committee	100%	100%	100%	100%	100%	—

CORPORATE GOVERNANCE REPORT

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by such director in 2023, excluding meetings by way of circulation of written proposals.

When three directors (i.e. Zhao Xiaohang, Xi Sheng and Luo Lajun) did not attend the meetings of the Board of Directors and the special committees in person, they all trusted other directors with the matter of voting and expressing opinions on their behalf through written authorization.

2. Director Liu Jianping resigned on September 26, 2023. Prior to September 26, 2023, four Board meetings were held, one general meeting was held, and one meeting of the Strategy Committee was held.
3. During Year 2023, the Board held five physical meetings and one annual general meeting. The Audit Committee held two physical meetings. The Remuneration Committee held two physical meetings. The Nomination Committee held three physical meetings. The Strategy Committee held one physical meeting.

Duties of the Board

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 adopted at the general meetings; proposing the distribution of dividends and bonuses and the increment and decrement of share capital to shareholders; 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, the Listing Rules 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 of the date of this report, the Board was not 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 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, 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 or other information to the Board for review and approval and provides full explanations and information to questions addressed by the Board.

Independence of the Board

The Company believes that the following main features or mechanisms of the Board and Governance Structure are sufficient to effectively ensure independent opinions of the Board.

CORPORATE GOVERNANCE REPORT

At least one third of the members of the Board are independent directors, and the members of the Board also include the senior management of the Company's main customers. In the process of the research and decision-making of the Board, the independent views relating to users, technology, finance, risk control, large enterprise management and other aspects are ensured. According to the Articles, the Corporate Governance Code, the Rules of Work of the Board, the Authorization Management System of the Board and the Scheme for Ensuring the Performance of External Directors formulated and implemented by the Company in 2022, the Board and Directors can engage independent professional consultants to obtain independent opinions as required. Independent directors improve the effectiveness and decision-making of the Board by making objective judgments and putting constructive questions to the management.

Relationship between Members of the Board

In 2023, there were no relations among all members of the Board, including financial, business, family or other material/relevant relationships.

Independence of Independent Directors

Independent Non-executive Directors shall be subject to the independence evaluation when they are appointed, and shall be subject to evaluation on an annual basis and in any other circumstances that require reconsideration. 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. Liu Zehong, Mr. Chan Wing Tak Kevin and Mr. Xu Hongzhi, the 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.

Independent Non-executive Directors shall receive remuneration for their positions in the Board and the Board Committees when appropriate. Information on the remuneration of independent directors is contained in the Note 12.5 to the financial statements Related-party transactions.

Continuous Professional Development of the Board

In Year 2023, each director of the Company actively participated in the continuous professional development, developed and updated his/her knowledge and skills to ensure that he/she continues to make contributions to the Board with comprehensive information and in accordance with the needs of the Board. The Company provided each director with updates and amendments to the Listing Rules and other regulatory laws and regulations from time to time and arranged inaugural training for the newly appointed directors, including explanations of directors' responsibilities by the legal advisor and trainings relating to directors' continuing obligations under the Listing Rules and the rules and requirements of the Guidelines on Disclosure of Inside Information.

CORPORATE GOVERNANCE REPORT

In Year 2023, the learning and training records submitted by each director are as follows:

Executive Directors

Mr. Huang Rongshun	A, B
Mr. Liu Jianping (resigned)	A, B

Non-executive Directors

Mr. Zhao Xiaohang	A, B
Mr. Xi Sheng	A
Mr. Luo Laijun	A, B

Independent Non-executive Directors

Mr. Liu Zehong	A, B
Mr. Chan Wing Tak Kevin	A, B
Mr. Xu Hongzhi	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 organized by professional bodies

Director Sun Yuquan and Director Qu Guangji both obtained the legal opinions stated in Rule 3.09D of the Listing Rules on January 23, 2024; they have confirmed that they are aware of their responsibilities as directors of a listed issuer.

C. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On April 29, 2022, as working adjustment was made according to the working requirements, Mr. Xiao Yinhong has ceased to serve as the General Manager of the Company, and as a transitional work arrangement, Mr. Huang Rongshun, Chairman of the Company, was appointed as General Manager of the Company.

At present, Chairman and General Manager of the Company are performed by the same individual, which is a transitional arrangement only. The Company has deviated from the Code Provision C.2.1 "the roles of chairman and chief executive should be separate and should not be performed by the same individual". Considering that the Board has a sufficient number of Independent Non-executive Directors, a temporary deviation from the Code Provision would not prejudice the balanced distribution of power and authority between the Board and the management of the Company.

CORPORATE GOVERNANCE REPORT

D. TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date/ Date of Resignation
Zhao Xiaohang	Non-executive Director	February 27, 2020	January 25, 2024
Xi Sheng	Non-executive Director	February 27, 2020	
Luo Laijun	Non-executive Director	February 27, 2020	January 25, 2024
Sun Yuquan	Non-executive Director	January 25, 2024	
Qu Guangji	Non-executive Director	January 25, 2024	
Liu Zehong	Independent Non-executive Director	September 1, 2022	
Chan Wing Tak Kevin	Independent Non-executive Director	September 1, 2022	
Xu Hongzhi	Independent Non-executive Director	September 1, 2022	

Code Provision B.2.2 requires that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. As stated in the announcement of the Company dated February 27, 2023, the terms of the seventh session of the Board expired on February 26, 2023. Given that the nomination process of candidates for the directors of the new session of the Board has not been completed, the re-election and appointment of members of the Board will be postponed as appropriate, and the term of office of each committee of the seventh session of the Board of Directors of the Company will be extended accordingly. The Company will endeavor to complete the re-election and appointment of members of the Board as soon as possible, and fulfill respective information disclosure obligations in a timely manner. All members of the seventh session of the Board of the Company will continue to fulfill their respective duties and responsibilities of directors in accordance with the laws, administrative regulations and the Articles until the re-election work is completed. The normal operation of the Company will not be affected by the postponement of re-election of the members of the Board.

E. COMMITTEES UNDER THE BOARD OF DIRECTORS

Corporate Governance Functions

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

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 financial reporting, internal control and risk management, remuneration, nomination, strategic investment, 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 and regulatory compliance, including the "Measures for the Administration of Information Disclosure", the "Measures for the Administration of Connected Transactions and Disclosable Transactions", the "Administration Regulations for authorisation by the Board of Directors", the "Company Legal Affairs Regulations" and the "Regulations on Contracts". The Board has adopted Appendix C3 to the Listing Rules as the Model Code 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 (Supervision 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 to and receiving reasonable explanations 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 hearing the Company's reports on fraudulent practices and the whistleblowing and reporting against such practices, and reporting the same to the Board. As stated in the Company's announcement dated January 18, 2023, with the approval of the Board, the Audit Committee was renamed as the Audit and Risk Management Committee (the Supervision Committee) with additional responsibilities of supervising the management to implement the resolutions of the Board.

The Audit Committee is composed of three Independent Non-executive Directors. The term of each member of the committee is the same as his respective term as a director. Mr. Chan Wing Tak Kevin, an Independent Non-executive Director, serves as the Chief Member (Chairman) of the Audit Committee. Mr. Liu Zehong and Mr. Xu Hongzhi (Independent Non-executive Directors) serve as members of the Audit Committee.

In Year 2023, the Audit Committee convened two 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.

CORPORATE GOVERNANCE REPORT

2. met with the auditors at least twice and met with the auditors at least annually in the absence of the Company's management; discussed with the auditors the nature and scope of the audit and reporting obligations; received the audit procedures and work plan for the annual audit and interim review from the auditors; listened to the management's explanation and response to any queries raised by the external auditors during auditing and gave specific opinions and recommendations.
3. conducted an interim review and an annual review on the Company's connected transactions, and gave opinions and recommendations regarding the relevant internal management and control mechanism.
4. reviewed the risk management and internal control system of the Company and reported 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.
6. listened to reports on the implementation of Board's resolutions and took corresponding measures as necessary.

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. In March 2023, with the approval of the Board, the Remuneration Committee added the responsibility of "reviewing and/or approving the matters relating to the share schemes described in Chapter 17 of the Listing Rules".

The Remuneration Committee is composed of three Independent Non-executive Directors. The term of each member of the committee is the same as his respective term as a director. Mr. Liu Zehong, an Independent Non-executive Director, serves as the Chief Member (Chairman) of the Remuneration Committee. Mr. Chan Wing Tak Kevin and Mr. Xu Hongzhi, both being members of the Remuneration Committee, serve as members of the Remuneration Committee.

In Year 2023, the Remuneration Committee held two meetings. All members attended the meeting and discussed the renewal of liability insurance for directors and senior management and share appreciation rights.

Details of remuneration of the directors and senior management are set out in Note 12.5 to the financial statements Related-party transactions.

CORPORATE GOVERNANCE REPORT

Remuneration Policies for Directors and Supervisors

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 for the performance of obligations of directors and supervisors;
- (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

Insurance Arrangement in Respect of Directors, Supervisors and Senior Management

Since 2004, the Company has continuously arranged appropriate insurance cover in respect of potential legal actions against Directors, supervisors and senior management. On July 1, 2023, the Company purchased liability insurance for Directors, supervisors and senior management from PICC Property and Casualty Company Limited, the term of which will expire on June 30, 2024.

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 is composed of the Chairman and two Independent Non-executive Directors. The term of each member of the committee is the same as his respective term as a director. Mr. Huang Rongshun (Chairman of the Company) serves as the Chief Member (Chairman) of the Nomination Committee. Mr. Liu Zehong and Mr. Xu Hongzhi (Independent Non-executive Directors) serve as members of the Nomination Committee.

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 the Company Law, the Listing Rules and 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.

The Board of the Company shall comprise nine 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 nine 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 three 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.

CORPORATE GOVERNANCE REPORT

In Year 2023, the Nomination Committee held three meetings and all members attended the meetings. During the Reporting Period, the Nomination Committee considered the work plan for the reelection of the Board, director candidates and other matters.

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.

The Strategy Committee is composed of the Chairman, three Non-executive Directors and one Independent Non-executive Director. The term of each member of the committee is the same as his respective term as a director. Mr. Huang Rongshun (Chairman of the Company) serves as the Chief Member (Chairman) of the Strategy Committee. Mr. Sun Yuquan, Mr. Qu Guangji and Mr. Xi Sheng (Non-executive Directors) and Mr. Liu Zehong (Independent Non-executive Director) serve as members of the Strategy Committee. Mr. Liu Zehong (Independent Non-executive Director) has served as a member of the Strategy Committee with effect from January 18, 2023. Mr. Liu Jianping (former Executive Director) has ceased to serve as a director and a member of the Strategy Committee with effect from September 26, 2023. Mr. Sun Yuquan and Mr. Qu Guangji have served as members of the Strategy Committee while Mr. Zhao Xiaohang and Mr. Luo Lajun have ceased to serve as Non-executive Directors and members of the Strategy Committee with effect from January 25, 2024.

In Year 2023, the Strategy Committee held one meeting to discuss and listen to the Company's related working report on sustainable development and reviewed the Company's 2022 Environmental, Social and Governance Report.

F. COMPANY SECRETARY

The Board of the Company appointed Mr. Yu Xiaochun as the Company Secretary. Mr. Yu completed 15 hours of relevant professional training in Year 2023.

G. DIRECTORS' SECURITIES TRADING

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix C3 of the Listing Rules as the code of conduct for the directors and supervisors of the Company to conduct securities transactions of the Company. Having made specific enquiries to all directors, no directors failed to comply with the relevant requirements of the Model Code in Year 2023.

CORPORATE GOVERNANCE REPORT**H. RISK MANAGEMENT AND INTERNAL MONITORING**

In order to ensure the effectiveness of risk management and internal control system, factoring the actual needs, the Company has set up a well-established organizational structure for risk management and internal control. The adequate and effective risk management and internal control system can help ensure the realization of strategic objectives of the Company. The Board of the Company is responsible for the establishment, perfection and effective implementation of risk management and internal control system. The management is responsible for organizing and leading the daily operation of the risk management and internal control of the Company and reporting to the Board about the outcome on a regular basis. The Audit Committee established under the Board performs supervisory duties regarding to the establishment and effective execution of risk management and internal control system, including checking the scope, adequacy and effectiveness of the risk management and internal control system and advising on the improvement of such control.

The Company attaches great importance to the construction of risk management and internal control system, and we have established a risk management and internal control system and internal control procedures covering all business processes of the Company. The Company has established a sound corporate governance structure for sustainable development. The structure effectively governs and supervises ESG matters, organizes work and prepares and discloses ESG reports on an annual basis as required. The Company reviews and confirms the risk management and internal control system of the previous year at least once a year and prepares an annual report relating to risk and internal control and submits it to the Board of Directors and the Audit Committee to review, assisting the Board of Directors in evaluating the effectiveness of the Company's internal control management and risk management.

The Company evaluated its internal control in the Company at the end of 2023. The Board believes that during the reporting period, the Company established internal control for businesses and matters included in evaluation scope, and such internal control was implemented effectively, achieving the objectives of the internal control of the Company. There were no material and significant defects. The risk management and internal control system of the Company is valid and sufficient. The Company's risk management and internal control system aims to manage the risk of failure to achieve business objectives rather than eliminate such risk, and the system can provide only reasonable but not absolute protection against non-material misstatements or losses.

In terms of the accounting, internal audit, financial reporting functions and the performance and reporting of ESG, the Company's resources, staff qualifications and experience, training and budget essentially meet the requirements of current management and control, but the Company needs to further supplement the reserve force and increase the budget to meet the requirements of enterprise management and control as its business scope expands.

CORPORATE GOVERNANCE REPORT

The Company analyzed the possibility of risk occurrence and related impact on the achievement of strategic objectives in risk assessment, which involves various risk areas such as strategy, market, operation, finance and law. The Company prioritized the risks according to their significance, identified major risks and formulated measures against risks and solutions based on further analysis of sources of risk and causes of risk. Both the possibility of occurrence and extent of impact of risks were lowered, and there were no material risk claims occurred during the reporting period in Year 2023. The Company judges and analyzes according to the changes of both the internal and external environment and its own business every year, and formulates effective measures against risks in order to enhance risk handling and prevent operational risks.

The Company clearly understands the importance of employees' risk awareness for risk management and internal control system. The Company introduces the latest regulatory situations and related knowledge of risk management and internal control to all the staff through special training, risk research, publicity documents and other ways within the Company during 2023, to enhance the risk awareness and compliance concept of employees comprehensively.

Procedures for Risk Identification, Assessment and Management of the Company

The Company has established a dynamic risk management process according to its own business characteristics and conducted continuous iterative optimization. The Company organised each department of the Company at the end of 2023, to seek existing risks in each important operation activity and business process to update risk repository, supplement and amend the description and classification of original risk event based on changes of the internal and external environment faced by the Company. The Company will summarise and determine the scope of this assessment in conjunction with the Company's key areas in operation management and risk preference of the management, and conduct risk assessment in the form of questionnaire by combining qualitative and quantitative methods, so as to form a comprehensive and systematic risk assessment conclusion in various types of risk areas, such as strategy, market, finance, laws and operation. Long-term and effective risk assessment mechanism and risk monitoring mechanism will be established to assist the management to grasp risk management information in time and make scientific and reasonable decisions. 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 effective implementation of the measures adopted.

CORPORATE GOVERNANCE REPORT

The Review Procedures of the Company's Risk Management and Internal Control System

The Company, led by the Internal Control Office, organizes the inspection and evaluation of the effectiveness of internal control, communicates with the inspected units to confirm the problems identified in the inspection, and proposes rectification recommendations. 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 related risks 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. The Company also organises the relevant units to rectify the defects and response to the risks and performs continuous 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 is well-developed and 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", so as to enhance its risk management and internal control capabilities and to ensure the long-term growth and sustainable development of the Company's business.

The procedures and internal controls for the handling and disclosure 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. The department will adhere to the continuous optimization of risk management and internal control system, organizational structure and process, to ensure the effective realization of the Company's strategic objectives.

I. AUDITOR'S REMUNERATION AND MATTERS RELATING TO THE AUDITOR

The aggregate service fees paid by the Company to BDO China SHU LUN PAN Certified Public Accountants LLP ("**BDO China**", Certified Public Accountants in the PRC) for Year 2023 amounted to RMB2,134.9 thousand, comprising annual audit service fee of approximately RMB1,535.6 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.

J. DIVERSITY

Diversity Policy of the Board of Directors

In July 2022, the Nomination Committee of the Company revised the basic principles of the board diversity policy formulated by the Company in 2013. The revised board diversity policy is: there are no restrictions on the gender of directors, and board members are not of a single 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 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, etc.

In 2022, a requirement that members of the Board are not of a single gender was added to the board diversity policy of the Company. As of December 31, 2023, members of the Board were males. The Company strives to comply with the Rule 13.92 of the Listing Rules as soon as practicable, that is, there will be at least one female member of the Board before December 31, 2024. In order to achieve long-term compliance with the policy of gender diversity, priority should be given to potential directors' successors.

The Group (the Company and its subsidiaries) had 6,620 employees (including senior managerial personnel) as at December 31, 2023. The ratio of male to female employees is about 6:4, which is relatively balanced as compared with the gender ratios of the regions and industries where the Group operates. The Group takes into account various factors (e.g. the gender ratios of the regions and industries where the employees of the Group are located and the regional gender culture to ensure that the gender ratios of the Group's employees engaged in various specific jobs in different regions basically be in keeping with the average ratios of related regions and industries and ensure diversity.

K. SHAREHOLDERS' RIGHTS

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 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/she 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.

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.

Contact Details

Shareholders and investors 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)

L. INVESTOR RELATIONS

Articles

The Company amended the Articles upon the approval at the annual general meeting of the Company held on June 15, 2023. The Articles of the Company and details of its amendments are available on the websites of the Hong Kong Stock Exchange and the Company's compliance website.

Communication with Shareholders and Investors

The Company continues to pay attention to the requirements of regulatory authorities and capital market demand, attaches great importance to maintain equal and clear communication with shareholders and investors, actively implements the communication policy of shareholders and investors, and maintains continuous conversation with shareholders and investors through various communication channels on the basis of compliant and adequate information disclosure. In Year 2023, the Company has reviewed the implementation and effectiveness of the Shareholders' and investors' communication policy and considers that such policy and measures can ensure effective communication between the Company and its Shareholders and investors.

Timely Access to Corporate Information

In Year 2023, the Company disclosed compliance information to the public in an equal manner in accordance with the time limit, content and forms required by the regulatory requirements, and disclosed annual reports, interim reports, environmental, social and governance ("ESG") reports, results announcements, connected transaction announcements, profit warning announcements, circulars for general meetings, etc., which are available on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's compliance website (www.travelskyir.com). Meanwhile, the Company also strives to provide investors with timely and sufficient information for understanding and evaluating the Company, and voluntarily discloses the Company's news information such as monthly operating information, performance analysis diagram and ESG-related awards. The Company's business overview, financial highlights, coverage of securities companies and investor relations activities are published on the Company's compliance website for investors' easy review.

The 2023 Environmental, Social and Governance Report of the Company, in both English and Chinese versions, is available on the Company's website and is available to investors. People who have difficulty in receiving or gaining access to the 2023 report and ESG Report posted on the Company's website may contact the Company through "CONTACT DETAILS FOR INVESTORS" on the last page of the Report.

CORPORATE GOVERNANCE REPORT

Ongoing Communication

In Year 2023, the chairman, general manager, chief accountant, secretary to the Board and investor relations team of the Company communicated with nearly 900 domestic and overseas shareholders and investors through results announcement conferences, roadshows, visits, participation in investment summits held by investment banks, one-on-one meetings with shareholders and special conference with analysts. The investor relations team responded to nearly 3,500 telephone and email inquiries throughout the Year. The response rate of the investor hotline and email was 100%, and the Company's information was emailed to almost 90,000 persons. The compliance website was presented in three language versions, namely English, Traditional Chinese and Simplified Chinese, equipped with functions such as investor relations column, investor email reminder and media registration and accumulated more than 130,000 visits. The Company also listened to investors' feedback through investor questionnaires with respect to information disclosure, investor relations, corporate governance, finance and business.

M. 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 three supervisors, including two shareholder representative supervisors and one staff representative supervisor. 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 not more than three years.

The seventh Supervisory Committee of the Company comprises Mr. Zhang Xin, Mr. Yang Jun and Mr. Bai Bin, among which, Mr. Zhang Xin is a staff representative supervisor.

As stated in the announcement of the Company dated January 16, 2023, upon the approval at the employee representative meeting of the Company held on January 16, 2023, Mr. Ding Wanzhi ceased to serve as the employee representative of the Company due to retirement, and accordingly, Mr. Ding also ceased to serve as Chairman of the Supervisory Committee of the Company.

As stated in the Company's announcement dated June 15, 2023, upon the approval at the annual general meeting of the Company held on June 15, 2023, Ms. Tang Lichao left the office of shareholder representative supervisor of the Company, and Mr. Bai Bin was appointed as the shareholder representative supervisor of the Company.

CORPORATE GOVERNANCE REPORT

As stated in the announcement of the Company dated June 30, 2023, Mr. Zhu Yan ceased to serve as an independent supervisor of the Company.

As stated in the announcement of the Company dated January 17, 2024, upon approval at the employee representative meeting of the Company held on January 17, 2024, Ms. Liang Shuang has ceased to serve as the staff representative supervisor of the Company due to internal work re-allocation of the Company and Mr. Zhang Xin is appointed as the employee representative supervisor of the Company.

In Year 2023, the seventh Supervisory Committee reviewed the financial reports for the year ended December 31, 2022 and the six months ended June 30, 2023, attended each meeting of the Board, supervised the operation and management of the Board and senior management and submitted suggestions on management to the management personnel. Through specific enquiries, all supervisors fully complied with all the provisions of the Model Code in Year 2023.

The list of supervisors of the seventh Supervisory Committee of the Company and the attendance of each supervisor at meetings in Year 2023 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings (Note 1)	Attendance rate for general meeting	Attendance rate for Board meeting
Ding Wanzhi (Note 2)	Chairman of the Supervisory Committee, Staff Representative Supervisor	—	—	—
Liang Shuang (Note 2)	Staff Representative Supervisor	100%	0%	80%
Zhu Yan (Note 2)	Independent Supervisor	100%	0%	100%
Tang Lichao (Note 2)	Supervisor	0%	0%	0%
Yang Jun	Supervisor	50% (Note 1)	0%	20%
Bai Bin	Supervisor	100%	—	100%

CORPORATE GOVERNANCE REPORT

Notes:

1. Attendance rate = Number of meetings attended/number of meetings ought to be attended by such supervisor in 2023. The attendance rate for meetings by way of circulation of written proposals was not included in the above attendance rate. The number of times a supervisor failed to attend meeting of the Supervisory Committee in person and appointed other supervisor to attend and vote at the meeting on his/her behalf in writing: one time for supervisor Yang Jun.
2. Mr. Bai Bin has served as the shareholder representative supervisor of the Company since June 15, 2023. Since June 15, 2023, one meeting of the Supervisory Committee of the Company, zero general meeting and three Board meetings have been held.

Mr. Ding Wanzhi has ceased to serve as the chairman of the Supervisory Committee of the Company with effect from January 16, 2023. In 2023, he did not attend any meeting of the Supervisory Committee of the Company, general meeting and Board meeting.

Ms. Tang Lichao has ceased to serve as the shareholder representative supervisor of the Company since June 15, 2023. Prior to June 15, 2023, one meeting of the Supervisory Committee of the Company, one general meeting and two Board meetings had been held.

Mr. Zhu Yan has ceased to serve as the independent supervisor of the Company since June 30, 2023. Prior to June 30, 2023, one meeting of the Supervisory Committee of the Company, one general meeting and two Board meetings had been held.

Ms. Liang Shuang has ceased to serve as the staff representative supervisor of the Company since January 17, 2024.
3. In Year 2023, the Supervisory Committee held two meetings, and supervisors shall attend five Board meetings, one annual general meeting of shareholders and zero extraordinary general meeting of shareholders.

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 2023.

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, 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 Conditions and Results of Operations". The Group presented revenue disaggregated by the timing of revenue recognition and primary geographical markets, please refer to Note 5.43 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 Conditions 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 section headed "Corporate Governance Report" and this section. The Company's environmental policies and performance are set out in the section headed "Business Review".

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2023 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2023, the share capital structure of the Company is as follows:

Class of shares	Number of shares	Percentage in 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	100.00

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

REPORT OF DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions 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, 2023, the interests and short positions of any persons (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 as follows:

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage in respective class of share capital (Note 3)	Approximate percentage in total share capital (Note 3)
China TravelSky Holding Company Limited	864,836,589 domestic shares of RMB1 each (L)	Beneficial owner	43.38%	29.55%
China Mobile Communications Group Co., Ltd.	292,100,000 domestic shares of RMB1 each (L) (Note 4)	Interest of controlled corporation	14.65%	9.98%
	145,500,000 domestic shares of RMB1 each (S) (Note 4)	Interest of controlled corporation	7.30%	4.97%
China National Aviation Holding Corporation Limited	260,690,500 domestic shares of RMB1 each (L)	Beneficial owner	13.08%	8.91%
	18,720,000 domestic shares of RMB1 each (L) (Note 5)	Interest of controlled corporation	0.94%	0.64%
	13,045,500 domestic shares of RMB1 each (L) (Note 6)	Interest of controlled corporation	0.65%	0.45%
China Southern Air Holding Co., Ltd.	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%

REPORT OF DIRECTORS

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage in respective class of share capital (Note 3)	Approximate percentage in total share capital (Note 3)
China Eastern Air Holding Co., Ltd.	182,743,500 domestic shares of RMB1 each (L)	Beneficial owner	9.17%	6.25%
	25,155,000 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 9)	Interest of controlled corporation	0.20%	0.13%
Citigroup Inc.	87,988,045 H shares of RMB1 each (L) (Note 10)		9.43%	3.01%
	4,843,518 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	83,144,527 H shares (L)	Approved lending agent		
	37,849 H shares of RMB1 each (S) (Note 10)	Interest of corporation controlled by the substantial shareholder	0.00%	0.00%
	83,144,527 H shares of RMB1 each (P) (Note 10)	Approved lending agent	8.91%	2.84%
BlackRock, Inc.	46,699,661 H shares of RMB1 each (L) (Note 11)	Interest of corporation controlled by the substantial shareholder	5.01%	1.60%
	8,526,000 H shares of RMB1 each (S) (Note 11)	Interest of corporation controlled by the substantial shareholder	0.91%	0.29%

REPORT OF DIRECTORS

Notes:

- (1) Interests and short positions in the shares and underlying shares of the Company disclosed in this section are based on the reasonable enquiries 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, 2023. Percentage in total share capital is based on 2,926,209,589 shares of the total issued share capital of the Company as at December 31, 2023; percentage in 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, 2023.
- (4) These shares were held by China Mobile Capital Holding Co., Ltd., a subsidiary of China Mobile Communications Group Co., Ltd. China Mobile Communications Group Co., Ltd. was deemed to be interested in the shares held by China Mobile Capital Holding Co., Ltd. pursuant to the SFO.
- (5) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Corporation Limited. China National Aviation Holding Corporation Limited was deemed to be interested in the shares held by Shenzhen Airlines Company Limited pursuant to the SFO.
- (6) These shares were held by Shandong Airlines Company Limited, a subsidiary of China National Aviation Holding Corporation Limited. China National Aviation Holding Corporation Limited was deemed to be interested in the shares held by Shandong Airlines Company Limited pursuant to the SFO.
- (7) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Co., Ltd. China Southern Air Holding Co., Ltd. was deemed to be interested in the shares held by Xiamen Airlines Company Limited pursuant to the SFO.

REPORT OF DIRECTORS

- (8) These shares were held by China Eastern Airlines Co., Ltd., a subsidiary of China Eastern Air Holding Co., Ltd. China Eastern Air Holding Co., Ltd. was deemed to be interested in the shares held by China Eastern Airlines Co., Ltd. pursuant to the SFO.
- (9) These shares were held by China Eastern Airlines Wuhan Co. Ltd., a subsidiary of China Eastern Air Holding Co., Ltd. China Eastern Air Holding Co., Ltd. was deemed to be interested in the shares held by China Eastern Airlines Wuhan Co. Ltd. pursuant to the SFO.
- (10) Based on the Disclosure Notice of the Interest of Corporate Substantial Shareholder filed by Citigroup Inc. on December 20, 2023, Citigroup Inc. was deemed to be interested in 87,988,045 H shares (L), 37,849 H shares (S) and 83,127,527 H shares (P). These shares were held by Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Inc., Citigroup Global Markets Holdings Bahamas Limited, Citigroup Global Markets Limited, Citicorp Trust Delaware, National Association and 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 pursuant to the SFO.
- (11) Based on the Disclosure Notice of the Interest of Corporate Substantial Shareholder filed by BlackRock, Inc. on December 27, 2023, BlackRock, Inc. was deemed to be interested in 46,699,661 H shares (L) and 8,526,000 H shares (S). These shares were held by Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à r.l., BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V., BlackRock Group Limited-Luxembourg Branch, BlackRock Luxembourg Holdco S.à r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock (Singapore) Limited, BlackRock UK Holdco Limited, BlackRock Asset Management Schweiz AG, EG Holdings Blocker, LLC, Amethyst Intermediate, LLC, Aperio Holdings, LLC and Aperio Group, LLC, which were directly or indirectly controlled by BlackRock, Inc. BlackRock, Inc. was deemed to be interested in the shares held by such companies pursuant to the SFO.

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2023, no persons (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.

REPORT OF DIRECTORS

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, 2023, 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, supervisors or chief executives pursuant to the Model Code as set out in Appendix C3 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, 2023.

As at December 31, 2023, each of China TravelSky Holding Company Limited, China National Aviation Holding Company Limited and China Southern Air Holding Co., Ltd. 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, 2023:

- (a) Mr. Huang Rongshun (an Executive Director) was a director and General Manager of China TravelSky Holding Company Limited;
- (b) Mr. Sun Yuquan (a Non-executive Director) was an employee of China National Aviation Holding Corporation Limited; and
- (c) Mr. Qu Guangji (a Non-executive Director) was an employee of China Southern Air Holding Company Ltd.

As at December 31, 2023, none of the directors/supervisors or any of their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CHANGES OF DIRECTORS AND SUPERVISORS

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

REPORT OF DIRECTORS**CHANGES OF THE INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER**

Since the publication of 2023 Interim Report of the Company, There are no changes in the information of Directors, Supervisors and chief executive officer of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All members of the seventh session of the Board and the seventh 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, 2023, none of the directors or supervisors had entered or proposed to enter into a service contract with any member of the Group which shall 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, 2023, 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 12.5 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 the members of the management of various PRC commercial airlines which are the 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 2023.

REPORT OF DIRECTORS

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) shall 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 every year, the 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 RMB0.16 per share (tax inclusive) for Year 2023. For details, please refer to the section headed "Distribution of Profit" in "Management Discussion and Analysis of Financial Conditions and Results of Operations".

RESERVES AVAILABLE FOR DISTRIBUTION TO SHAREHOLDERS

Details of changes of reserves available for distribution to shareholders of the Group in Year 2023 are set out in the statement of changes of equity of this 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 litigations or disputes in Year 2023.

DONATION

In 2023, the Group donated RMB12.07 million (2022: RMB12.07 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 Conditions and Results of Operations" and Note 16.2 to the financial statements.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at December 31, 2023 are set out in Note 8 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group recorded gains from disposal of assets of RMB2.66 million in Year 2023. Movements in property, plant and equipment are summarized in Note 5.53 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

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

Shenyang Civil Aviation Northeast Cares Company Limited was the largest supplier of the Group for Year 2023 and the total fees paid by the Group to such company in Year 2023 accounted for 8.3% of the Group's total operating expenses (after deducting depreciation and amortization expenses). During Year 2023, the total fees paid to the five largest suppliers of the Group accounted for 16.4% of the Group's total operating expenses (after deducting depreciation and amortization expenses).

The Group strictly complies with the "Bidding Law of the People's Republic of China" and the "Regulation on the Implementation of the Bidding Law of the People's Republic of China" and other laws and regulations, and the Group has been exploring and improving its supplier management system. The Group formulated its "Supplier Management Measures", followed the "market access mechanism" 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, Air China Limited, accounted for 11.5% of the Group's revenue from its sales of goods or rendering of services for Year 2023. During the same period, the total sales to the Group's five largest customers accounted for 42.0% of the Group's revenue from its sales of goods or rendering of services. Three of these top five customers were Air China Limited, China Southern Airlines Co., Ltd. and China Eastern Airlines Co., Ltd. Their respective controlling shareholders, namely, China National Aviation Holding Corporation Limited, China Southern Air Holding Co., Ltd. and China Eastern Air Holding Co., Ltd., each held more than 5% and together held an aggregate of approximately 26.41% of the number of the issued shares of the Company as at December 31, 2023. Since listing, the Company has been providing services to the above major customers continuously, which are commercial airlines in China. The revenue derived from the above major customers is set out in Note 12.5 to the financial statements.

The Group adheres to the customer service policy of "customer-oriented" and strives to provide products and services that meet customer needs as a long-term partner of customers in a sustained way. In our operation and management, the Group always adheres to the "provision of excellent information services" as its core philosophy, and quickly responds 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 12.5 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 interests in any of the aforementioned suppliers and customers.

REPORT OF DIRECTORS

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 and 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. Details of major related party transactions entered into by the Group during the Reporting Period are set out in the Note 10.5 to the financial statements of this annual report. Except the transactions described in the “Connected Transactions” section of this report of the Board of Directors (such transactions are in conformity with the disclosure requirements of Chapter 14A of the Listing Rules), none of these related party transactions constitute connected transactions (as defined in Listing Rules) that need to be disclosed.

On March 21, 2023, Air China Limited, a subsidiary of China National Aviation Holding Corporation Limited (“**China National Aviation Corporation**”), announced the acquisition of the control of Shandong Aviation Group Corporation. The above transaction resulted in the total equity interest in the Company held by China National Aviation Corporation and its subsidiaries reaching more than 10% and thus constituting a connected person of the Company. Since China National Aviation Corporation and China TravelSky Holding Company Limited (“**China TravelSky Holding**”) entered into a share transfer agreement on March 13, 2023, pursuant to which China National Aviation Corporation shall transfer 7,610,000 domestic shares of the Company (representing approximately 0.260% of the total share capital of the Company) to China TravelSky Holding (the “**Equity Transfer**”). The Equity Transfer has been approved by the regulatory authority and the equity transfer registration was completed on March 30, 2023, resulting in the total equity interest in the Company held by China National Aviation Corporation and its subsidiaries being less than 10%, and thus not constituting a connected person of the Company. Due to the uncontrollable timing of approval for the Equity Transfer by the regulatory authority and the non-interruption of the core technology services closely related to the travel of civil aviation passengers provided by the Group to Chinese commercial airlines, the Stock Exchange has granted a waiver to the Company in respect of not treating China National Aviation Holding Corporation and its subsidiaries as connected persons of the Company for a period from March 21 to 30, 2023.

CONTINUING CONNECTED TRANSACTIONS

The auditor has issued his unqualified letter containing his/her findings and conclusions in respect of the continuing connected transactions disclosed by the Group as set out in the following (a) to (d) in accordance with Rule 14A.56 of the Listing Rules.

In the opinion of the independent non-executive Directors of the Company, the continuing connected transactions in Year 2023 (the following (a) to (d)): (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 2023, the Group carried out the following transactions, constituting continuing connected transactions as defined in the Listing Rules, and they are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The Company confirms that the execution and enforcement of specific agreements under the continuing connected transactions during the following Reporting Period have followed the pricing principles of such continuing connected transactions.

a) The Data Centre Tenancy Contract entered in between the Company and CTCD

China TravelSky Holding is the promoter and a substantial shareholder of the Company. It holds approximately 29.55% of the issued share capital of the Company. China TravelSky Cloud Data Company Limited* (中航信雲數據有限公司) (“**CTCD**”) is a wholly-owned subsidiary of China TravelSky Holding. Thus, CTCD is a connected person of the Company.

As stated in the announcement of the Company dated September 1 and December 28, 2022, Centre Tenancy Contract on a Disaster Recovery Project of TravelSky (“**Old Data Centre Tenancy Contract**”) entered into between the Company and CTCD on September 1, 2022, CTCD has agreed to lease racks in the server room 2FM3 of the Jiaxing Data Centre to the Company for three years from September 1, 2022 to 31 August 2025. On December 28, 2022, the Company entered into the Supplemental Agreement to the Old Data Centre Tenancy Contract with CTCD, pursuant to which CTCD has agreed to lease additional racks in the server rooms 2FM1 and 2FM4 of the Jiaxing Data Centre to the Company for a period from January 1, 2023 to August 31, 2025.

Thus, pursuant to the Listing Rules, the proposed transactions under the Data Centre Tenancy Contract (including the Old Data Centre Tenancy Contract and the Supplementary Agreement) constitute the continuing connected transactions of the Company.

Date:	the Old Data Centre Tenancy Contract was entered into on September 1, 2022, and the Supplemental Agreement was entered into on December 28, 2022
Term:	the Old Data Centre Tenancy Contract has a term of three years from September 1, 2022 to 31 August 2025, and the Supplemental Agreement has a term from January 1, 2023 to August 31, 2025. The Company has the right to renew the term by negotiating with CTCD one month prior to expiry of the term.
Parties:	CTCD, as the lessor; and the Company, as the tenant.
Rental fees (tax inclusive, and tax rate is 6%):	racks in the server rooms 2FM3, 2FM1 and 2FM4 of the Jiaxing Data Centre. Among which, the rental fees per 3KW rack per month is RMB3,975 (80 racks) or RMB3,675 (123 racks). The rental fees per 4KW rack per month is RMB4,700 (381 racks) or RMB4,400 (447 racks). The rental fees per 5KW rack per month is RMB5,425 (52 racks) or RMB5,125 (29 racks). The rental fees per 8KW rack per month is RMB9,100 (60 racks).

REPORT OF DIRECTORS

Since the commencement date of the lease term, CTCD charges the rack rental fees according to the number of racks used by the Company and the actual number of days of use of racks on a monthly basis. Rental fees for each batch of racks for the first month = (monthly fees/the number of days of the month)* actual number of days to use these racks, which shall be rounded up to the single digit and the nearest whole number. The fees shall be charged normally on a monthly basis from the next month.

From the commencement date of the lease term, for the racks reserved but not used by the Company in server room 2FM3, CTCD charges the rack rental fees at a concessionary rate of RMB2,256 per rack per month (tax inclusive, and tax rate is 6%); for the racks reserved but not used by the Company in server room 2FM1, CTCD charges the rack rental fees at a concessionary rate of RMB2,256 per rack per month (tax inclusive, and tax rate is 6%); and for the racks reserved but not used by the Company in 2FM4 server room, CTCD charges the rack rental fees at a concessionary rate of RMB1,956 per rack per month (tax inclusive, and tax rate is 6%).

Additional charges: The monthly average power of each rack shall not exceed 3KW, 4KW, 5KW and 8KW in principle; if exceed, additional fees for the excess thereof shall be charged at a price of RMB219 per rack per month (tax inclusive, and tax rate is 6%).

Payment terms: The rack rental fees shall be settled on a basis of calendar quarter. The Company shall pay the fees of last quarter to CTCD within 30 calendar days upon the receipt of invoice specifically used for value-added tax from CTCD. Any additional charges incurred shall be settled together. If the payment of the rack rental fees and additional charges (if any), is one week overdue but the Company still fails to make payment without proper reasons, the Company shall pay an overdue penalty or a default fine of 0.01% of the amounts payable to CTCD for each of the overdue days.

From January 1, 2023 to December 31, 2023, the rack rental fee of this continuing connected transaction was approximately RMB32,763 thousand (the annual cap was RMB41,000 thousand), and the amount of additional charges was approximately RMB0 thousand (the annual cap was RMB1,000 thousand).

REPORT OF DIRECTORS

Notes:

- (1) Pursuant to CASBE, the racks leased under the New Data Centre Tenancy Contract shall be recognised as right-of-use assets. Annual caps of the rack rental are set based on the total value of the right-of-use assets of racks expected to be leased by the Company in each year, which is calculated with reference to the total annual rentals of racks leased by the Company each year throughout the lease term, and based on discount of the Company's incremental borrowing rate.
- (2) Pursuant to CASBE, the additional charges shall be directly included in costs due to failing to meet the definition of lease payment, and its annual caps shall be maximum amount of the additional charges to be paid by the Company to CTCD during relevant period.

(b) Services Agreement in relation to the provision of cloud services and computer system services by the Company to TravelSky Mobile Tech

As stated in the announcement of the Company dated July 28, 2023, TravelSky Mobile Tech Limited ("**TravelSky Mobile Tech**") is a 30%-controlled company of China TravelSky Holding, a substantial shareholder of the Company, and is therefore a connected person of the Company. The Company entered into the Service Agreement with TravelSky Mobile Tech in relation to the provision of cloud services and computer system services by the Company to TravelSky Mobile Tech. The transactions thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Date: October 8, 2016 (as supplemented by the supplemental agreement dated May 26, 2020) and renewed on July 29, 2021 and July 28, 2023, respectively

Term: As stated in the announcement of the Company dated June 29, 2020, the term of the Service Agreement between the Company and TravelSky Mobile Tech is from August 1, 2016 to July 31, 2021. Pursuant to the supplemental agreement dated May 26, 2020, if the Company and TravelSky Mobile Tech have no objection, the Service Agreement may be renewed for two years upon expiration.

As stated in the announcement of the Company dated July 29, 2021, the Board agreed to extend the term of the transactions under the Service Agreement for two years from August 1, 2021 to July 31, 2023 upon the expiry of the existing term on July 31, 2021.

As stated in the announcement of the Company dated July 28, 2023, the Board agreed to extend the term of the transactions under the Service Agreement for three years from August 1, 2023 to July 31, 2026 upon the expiry of the existing term on July 31, 2023.

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.

REPORT OF DIRECTORS

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. Based on the actual situation of market price level and cost accounting data, the Company will update the quotation standard of the relevant services semi-annually. In particular, for 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 RMB1,234.09 per year (inclusive of tax) to RMB11,842.03 per year (inclusive of tax); and 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) to RMB123.66 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 rates of advanced interactive executive for engines in cloud industry shall not be higher than RMB2.15 (inclusive of tax), with tiered pricing (i.e. the higher the transaction volume, the lower the unit rate, if applicable) being adopted for the relevant services. Pursuant to the Service Agreement, TravelSky Mobile Tech shall pay the Company an annual minimum guaranteed service fee of not less than RMB40,000,000 for the above services, and the above minimum guaranteed service fee shall be calculated on the basis of the actual number of days if the service is provided for less than one year. If the actual service fee payable exceeds the above guaranteed service fee, the actual service fee shall be paid. The calculation method of the guaranteed service fee was determined after arm's length negotiations between the Company and TravelSky Mobile Tech with reference to the unit rate, historical transaction volume and future business needs of each of the above services.

Payment terms: The service fees for the above services are generally calculated on a semi-annual or monthly basis and settled to the designated bank account of the Company. Before TravelSky Mobile Tech became a connected person of the Company, the Company provided the above services free of charge as TravelSky Mobile Tech was a wholly-owned subsidiary of the Company. Pursuant to the Supplemental Agreement to the Service Agreement, after TravelSky Mobile Tech becomes a connected person of the Company, the service fees shall be charged by the Company in accordance with the above pricing terms.

From January 1, 2023 to July 31, 2023, the transaction amount of this continuing connected transaction was approximately RMB29,953 thousand (the transaction cap was RMB55,440 thousand; from August 1, 2023 to December 31, 2023, the transaction amount of this continuing connected transaction was approximately RMB17,652 thousand (the transaction cap was RMB50,000 thousand).

REPORT OF DIRECTORS

(c) Service Framework Agreement in relation to the purchase of technology, products and maintenance services by the Company from TravelSky Mobile Tech

As stated in the announcement of the Company dated December 9, 2022, the Company entered into the Service Framework Agreement with TravelSky Mobile Tech, pursuant to which TravelSky Mobile Tech agreed to provide technology development, product research and development, technical support and operation and maintenance services thereunder to the Company for a term of one year from December 9, 2022 to December 8, 2023.

Date: December 9, 2022

Term: December 9, 2022 to December 8, 2023

- Scope of services and charges:
- (1) Technology development services: If the Company engages the professionals of TravelSky Mobile Tech to provide product development and other services for the Company's customers such as airlines and airports, the Company may pay TravelSky Mobile Tech technology development service fees, and may negotiate and sign the Technology Service Cooperation Agreement for relevant services. The remuneration of labour services is determined with reference to the standard of labour fees formulated by the Company. The price of labour support is formulated with reference to the standard of labour type, personnel level, geographical distribution, standard of labour fees, and labour cost which is determined based on the workload and difficulty of work.
 - (2) Product research and development, technical support and operation and maintenance services:
 - i. If, based on business needs, products developed by TravelSky Mobile Tech shall be included into the Company's brand product series, and the Company shall pay fees to TravelSky Mobile Tech, both parties may separately agree on the specific work details in writing according to the actual needs of specific projects and site conditions. For example, internet information technology and system, data service technology and system, artificial intelligence technology and system, blockchain technology and system, etc.;
 - ii. If TravelSky Mobile Tech promotes, markets, sells the products of the Company, the Company shall pay fees to TravelSky Mobile Tech. Both parties shall enter into product service and maintenance contracts for specific products at the agreed price. Based on the usage requirements of the products, after fully considering the cost and benefit, and with reference to the market conditions, both parties shall negotiate and confirm separately in writing; and

REPORT OF DIRECTORS

iii. If TravelSky Mobile Tech is entrusted by the Company to provide system operation and maintenance services to the Company or its customers, the Company shall pay fees to TravelSky Mobile Tech. Both parties shall determine the relevant fees through negotiation based on the external revenue, market efficiency, project costs, task objectives of the project and with reference to the market conditions, and separately confirm the service standards, fees and payment arrangements in writing.

Pricing principles: (1) Where the relevant services are regulated by the government regulatory authorities, the fees shall be charged in accordance with the charging standards (prescribed prices) prescribed by government regulatory authorities (e.g. Civil Aviation Administration of China (“CAAC”)); (2) If there is a recommended guidance price from the government regulatory authorities, both parties shall negotiate and formulate the charging standards with reference to the recommended guidance price; and (3) If the government regulatory authorities do not have a prescribed price or guidance price, or the government-prescribed price or guidance price is cancelled or no longer applicable, both parties shall manually calculate the fees for technology development, product research and development, technical support and operation and maintenance services on the basis of not higher than the market price (if any) or the original government-prescribed price or guidance price with reference to the Internal Contract Management Regulations of Travelsky Technology Limited (《中國民航信息網絡股份有限公司內部合約管理規範》). The labour cost standard shall be calculated according to the internal contract labour cost standard of the Company for the year. According to the current Internal Contract Labour Cost Standard of Travelsky Technology Limited for 2022 (《中國民航信息網絡股份有限公司2022年內部合約人工費用標準》) and with reference to the qualifications and experience of personnel required by the complexity and difficulty of the project, the labour cost per capita is estimated to be between RMB14,270 per month and RMB37,800 per month. The Company and TravelSky Mobile Tech may negotiate to adjust the labour cost standard by 5% to 10% depending on the difficulties of the project. If a third-party customer is willing to pay the implementation or operation and maintenance expenses separately due to market reasons, the labour standard can be referred to the agreement between the Company and the third-party customer, or the above internal contract labour standard.

REPORT OF DIRECTORS

- Payment terms:
- (1) Both parties may enter into separate specific agreements (the “**Sub-agreements**”) in accordance with the above “Scope of services and charges” and “Charging principles”, and implement the payment terms in the Sub-agreements.
 - (2) If both parties do not enter into a Sub-agreement:
 - i. The payee shall issue the bill to the payer within 5 working days after the end of each settlement cycle (monthly, quarterly and annual) as agreed by both parties. The payer shall make the payment within 10 working days after receiving the bill unless either party disagrees.
 - ii. For system installation and debugging projects, the corresponding fees shall be paid according to the completion progress and acceptance results of the projects

From December 9, 2022 to December 8, 2023 (one year), the transaction amount of this continuing connected transaction was approximately RMB30,572 thousand (the annual cap was RMB70,000 thousand).

(d) Service Framework Agreement in relation to China Transport Information providing technology development, technical support and operation and maintenance services for the Company

As stated in the announcement of the Company dated December 13, 2022 and 29 December, 2023, on December 13, 2022, the Company entered into the Service Framework Agreement with China Transport Information Co., Ltd. (“**China Transport Information**”), pursuant to which China Transport Information agreed to provide technology development, technical support and operation and maintenance services to the Company thereunder for a term of one year from December 13, 2022 to December 12, 2023. On December 28, 2023, the Board agreed to extend the term from January 1, 2024 to December 31, 2025 upon the expiry of the existing term under the agreement on December 12, 2023. China Transport Information is a 30%-controlled company of CTHCL, the substantial Shareholder of the Company. China Transport Information is therefore a connected person of the Company. As such, the transactions contemplated under the Service Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Date: December 13, 2022 and renewed on December 29, 2023

Term: December 13, 2022 to December 12, 2023 and (after the extension) January 1, 2024 to December 31, 2025

REPORT OF DIRECTORS

Scope of services and charges:

(1) Technology development services: If the Company engages the professionals of China Transport Information to provide product development and other services for the Company's customers such as airlines and airports, the Company may pay China Transport Information technology development service fees, and may negotiate and sign the Technology Service Cooperation Agreement for relevant services. The remuneration of labour services is determined with reference to the standard of labour fees formulated by the Company. The price of labour support is formulated with reference to the standard of labour type, personnel level, geographical distribution, standard of labour fees, and labour cost which is determined based on the workload and difficulty of work.

(2) Technical support and operation and maintenance services:

- i. If China Transport Information promotes, markets, sells the products of the Company, the Company shall pay fees to China Transport Information. Both parties shall enter into product service and maintenance contracts for specific products at the agreed price. Based on the usage requirements of the products, after fully considering the cost and benefit, and with reference to the market conditions, both parties shall negotiate and confirm separately in writing; and
- ii. If China Transport Information is entrusted by the Company to provide system operation and maintenance services to the Company or its customers, the Company shall pay fees to China Transport Information. Both parties shall determine the relevant fees through negotiation based on the external revenue, market efficiency, project costs, task objectives of the project and with reference to the market conditions, and separately confirm the service standards, fees and payment arrangements in writing.

Pricing principles:

- (1) Where the relevant services are regulated by government regulatory authorities, the fees shall be charged in accordance with the charging standards (prescribed prices) prescribed by the government regulatory authorities (e.g. CAAC);
- (2) If there is a recommended guidance price from the government regulatory authorities, both parties shall negotiate and formulate the charging standards with reference to the recommended guidance price; and

REPORT OF DIRECTORS

- (3) If the government regulatory authorities do not have a prescribed price or guidance price, or the government-prescribed price or guidance price is cancelled or no longer applicable, both parties shall manually calculate the fees for technology development, technical support and operation and maintenance services on the basis of not higher than the market price (if any, the customised products or services provided by China Transport Information to the Company shall have no market price for similar products or services) or the original government-prescribed price or guidance price with reference to the Internal Contract Management Regulations of Travelsky Technology Limited (《中國民航信息網絡股份有限公司內部合約管理規範》). The labour cost standard shall be calculated according to the internal contract labour cost standard of the Company for the year. According to the current Internal Contract Labour Cost Standard of Travelsky Technology Limited for 2022 (《中國民航信息網絡股份有限公司2022年內部合約人工費用標準》) and with reference to the qualifications and experience of personnel required by the complexity and difficulty of the project, the labour cost per capita is estimated to be between RMB13,374 per month and RMB36,000 per month. The Company and China Transport Information may negotiate to adjust the labour cost standard by 5%-10% depending on the difficulties of the project. If a third-party customer is willing to pay the implementation or operation and maintenance expenses separately due to market reasons, the labour standard can be referred to the agreement between the Company and the third-party customer, or the above internal contract labour standard; and
- (4) If China Transport Information is deemed as a connected person of the Company under the Listing Rules, all terms of transactions hereunder must be on a “normal commercial terms” basis (as defined under the Listing Rules) and no less favorable to the Company than terms available to or from independent third parties.

Payment terms:

- (1) Both parties may enter into separate specific agreements in accordance with the above “Scope of services and charges” and “Charging principles”, and implement the payment terms in the specific agreements.
- (2) If both parties do not enter into a specific agreement:
- i. The payee shall issue the bill to the payer within 5 working days after the end of each settlement cycle (monthly, quarterly and annual) as agreed by both parties. The payer shall make the payment within 10 working days after receiving the bill unless either party disagrees.
 - ii. For system installation and debugging projects, the corresponding fees shall be paid according to the completion progress and acceptance results of the projects.

From December 13, 2022 to December 12, 2023 (one year), the transaction amount of this continuing connected transaction was approximately RMB15,908 thousand (the annual cap was RMB35,000 thousand).

REPORT OF DIRECTORS

AUDIT AND RISK MANAGEMENT COMMITTEE (SUPERVISION COMMITTEE)

The Audit Committee of the Company has reviewed the accounting policies and practices adopted by the Group and has also discussed certain other matters relating to audit and risk management, internal control and financial reporting, including the review of the audited financial statements for Year 2023.

AUDITOR

As approved by the shareholders of the Company at the annual general meeting on June 15, 2023, BDO China SHU LUN PAN Certified Public Accountants LLP (the “**BDO China**”) was appointed as the auditor auditing the Company’s financial reports in accordance with the CASBE and discharge the duties as an auditor under the Listing Rules, with a term of office until the conclusion of the 2023 annual general meeting of the Company.

According to the Financial Reporting Council Ordinance (Cap 588) of Hong Kong effective on October 1, 2019, BDO China engaged by the Company is a recognised PRC auditor. 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 is eligible to provide auditing services by using the CASBE to the mainland incorporated issuers listed in Hong Kong.

The Audit Committee proposed to re-appoint BDO China as the PRC auditor of the Group for the year 2024.

The Company has not changed its PRC auditor from Year 2018 to Year 2023. The Company engaged BDO Limited as the international auditor of the Company from Year 2018 to Year 2020.

By Order of the Board

Huang Rongshun

Chairman

March 27, 2024

REPORT OF SUPERVISORY COMMITTEE

Dear shareholders,

For the year ended December 31, 2023, 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 three 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.

The seventh Supervisory Committee of the Company convened two meetings in Year 2023. The Supervisory Committee reviewed the Company's annual consolidated financial statements for Year 2022, change of the shareholders representative supervisor, interim financial statements for Year 2023, 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".

As stated in the announcement of the Company dated January 16, 2023, as approved by the staff representative meeting of the Company held on January 16, 2023, Mr. Ding Wanzhi ceased to serve as a staff representative supervisor of the Company due to retirement, with immediate effect. Accordingly, Mr. Ding Wanzhi also ceased to serve as the chairman of the Supervisory Committee of the Company.

As stated in the announcement of the Company dated March 23, 2023, as considered and approved at the annual general meeting of the Company held on June 15, 2023, Ms. Tang Lichao ceased to serve as the shareholder representative Supervisor of the Company while Mr. Bai Bin was appointed as the shareholder representative Supervisor of the Company.

As stated in the announcement of the Company dated June 30, 2023, Mr. Zhu Yan ceased to serve as an independent supervisor of the Company.

As stated in the announcement of the Company dated January 17, 2024, as approved by the staff representative meeting of the Company held on January 17, 2024, Ms. Liang Shuang ceased to serve as the staff representative supervisor of the Company due to the internal work re-allocation of the Company while Mr. Zhang Xin was appointed as the staff representative supervisor of the Company.

The seventh Supervisory Committee of the Company is comprised of: (i) supervisor Zhang Xin acted as staff representative supervisors of the seventh Supervisory Committee of the Company; (ii) Mr. Yang Jun and Mr. Bai Bin acted as the supervisors of the seventh Supervisory Committee of the Company.

REPORT OF SUPERVISORY COMMITTEE

On March 27, 2024, the seventh Supervisory Committee of the Company reviewed the Company's financial statements for Year 2023, 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 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 2023.

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 2023, 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, 2023 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 Supervisory Committee are set out in the section headed "Biographies of Directors, Supervisors, Senior Management and Company Secretary" in this annual report.

The Supervisory Committee

March 27, 2024

AUDITORS' REPORT

PCPAR [2024] No. ZK10093

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, 2023, 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, 2023 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 Auditors' Responsibilities for the Audit of the Financial Statements section of this auditors' 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 auditors' report:

- (I) Impairment test of accounts receivable
- (II) Revenue recognition

AUDITORS' REPORT

III KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters

How the audit addressed the matter

(I) Impairment test of accounts receivable

As at December 31, 2023, the book balance of accounts receivable of the Company is RMB5,510.3443 million, and the management has made provision for bad debts of RMB990.8324 million. Management involves significant judgments in evaluating the recoverability of receivables. In making this assessment, management needs to make a judgment on the debtor's expected solvency based on past experience, including customer repayment history, customer financial position and age of receivables, and assessment of current and expected economic environment, all of which involve significant judgment by management. Therefore, we made the impairment test of receivables a key audit item.

The principal audit procedures we performed in connection with the impairment test of receivables included the following:

- (1) Analyzed the rationality of the accounting estimation of the impairment provision of accounts receivable of the Company including the basis of the combination of accounts receivable and the judgment of the separate provision of expected credit loss;
- (2) Evaluate whether the historical loss rate used in the expected credit loss model is based on current economic conditions and expected information;
- (3) Obtained the account receivable aging list and impairment reserve calculation table of the Company, and checked whether the calculation of expected credit loss model was accurate;
- (4) For significant accounts receivable, the accuracy of expected credit loss provision is evaluated by analyzing the age of accounts receivable, the financial status of customers, the expected status and reputation of the industry they are in, and checking the past payment records and payment collection records of debtors.

III KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters

How the audit addressed the matter

(II) Revenue recognition

For the accounting policy disclosure on revenue recognition, see Note 3.25.

We implemented the following key audit procedures for revenue recognition include:

The Company's 2023 financial statements report an operating income of RMB6,983.8469 million. According to the Company's accounting policy: Revenues from civil aviation information technology services, settlement and clearing services, data network services and technical services are recognized on a monthly basis during the service provision process; for system integration services, the project operation time is generally short, and revenue is recognized after customer's acceptance.

Operating income is an important part of the income statement, therefore we regard revenue recognition as a key audit matter.

- (1) Test and evaluate the design and operation effectiveness of TravelSky's key internal controls related to revenue recognition;
- (2) Select sales contract samples, identify the main transaction terms of the sales contract, and evaluate whether TravelSky's revenue recognition timing complies with the provisions of the Accounting Standards for Business Enterprises;
- (3) Implement revenue detail testing, select samples from the operating income details, and check the consistency with the bill records generated by the business system; check contracts or orders, sales delivery orders, delivery receipt records or acceptance reports;
- (4) Carry out letter confirmation procedures for major customers in Year 2023;
- (5) Perform cut-off tests on revenue to verify that revenue is recorded in the correct accounting period.

AUDITORS' REPORT

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 2023 annual report of the Company, but excludes the financial statements and our auditors' 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 auditors' 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 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.

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 auditors' 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 scepticism. 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 auditors' 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 auditors' 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.

AUDITORS' REPORT

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 auditors' 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 auditors' report exceeds the public interest benefits arising therefrom, we determine that such matter should not be communicated in the auditors' report.

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Shanghai, China

Certified Public Accountant of China:
Gao Fei (Project Partner)

Certified Public Accountant of China:
Yang Yinhua

March 27, 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

Assets	Notes	As at December 31, 2023	As at December 31, 2022
Current assets:			
Cash and bank balances	5.1	7,367,554,453.37	7,577,401,708.05
Balances with clearing companies			
Loans to banks and other financial institutions			
Financial assets held for trading	5.2	3,504,856,849.32	3,311,565,068.49
Derivative financial assets			
Notes receivable	5.3	219,778,295.29	219,726,171.60
Accounts receivable	5.4	4,519,511,976.11	4,084,406,818.80
Receivables financing			
Advances to suppliers	5.5	131,724,745.10	184,570,659.30
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	5.6	1,967,334,228.40	1,101,350,764.85
Financial assets purchased under resale agreements			
Inventories	5.7	85,941,278.65	81,512,196.00
Contract assets	5.8	32,869,548.08	60,300,203.69
Assets held for sale			
Non-current assets maturing within one year	5.9	107,231,444.45	30,208,916.66
Other current assets	5.10	189,402,222.38	127,889,117.07
Total current assets		18,126,205,041.15	16,778,931,624.51
Non-current assets:			
Disbursements of loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	5.11	741,789,319.20	715,695,682.45
Investments in other equity instruments	5.12	830,473,800.00	835,827,400.00
Other non-current financial assets	5.13	786,903,313.48	529,713,729.75
Investment properties	5.14	93,865,533.54	102,744,584.70
Fixed assets	5.15	3,192,828,763.30	3,393,261,445.10
Construction in progress	5.16	20,897,853.51	39,949,545.68
Productive biological assets			
Oil and gas assets			
Right-of-use assets	5.17	145,919,481.50	166,842,778.61
Intangible assets	5.18	2,447,136,686.49	1,738,151,892.17
Development expenditures		25,559,215.96	381,751,884.45
Goodwill	5.19	260,400.76	260,400.76
Long-term deferred expenses	5.20	4,323,367.68	5,457,759.52
Deferred tax assets	5.21	569,294,736.60	445,149,092.10
Other non-current assets	5.22	514,671,917.81	103,885,611.11
Total non-current assets		9,373,924,389.83	8,458,691,806.40
Total assets		27,500,129,430.98	25,237,623,430.91

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun Chief Accountant: Li Jinsong Accountant in Charge: Zheng Wei

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and Shareholders' equity	Notes	As at December 31, 2023	As at December 31, 2022
Current liabilities:			
Short-term borrowings	5.24	751,589,902.50	
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	2,245,559,174.77	2,183,483,595.80
Advances from customers			
Contract liabilities	5.26	890,290,731.73	614,311,797.11
Financial assets sold under repurchase agreements			
Absorption of deposits and interbank deposits			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Employee compensation payable	5.27	240,297,916.39	243,894,608.48
Taxes payable	5.28	264,618,903.72	263,989,748.63
Other payables	5.29	1,647,405,374.72	1,734,050,501.09
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year	5.30	109,423,596.99	74,247,974.88
Other current liabilities	5.31	44,307,925.16	28,718,825.46
Total current liabilities		6,193,493,525.98	5,142,697,051.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

	Notes	As at December 31, 2023	As at December 31, 2022
Liabilities and Shareholders' equity			
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	5.32	200,213,888.89	200,213,888.89
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities	5.33	50,581,025.30	100,011,025.11
Long-term payables	5.34	420,237.65	420,237.65
Long-term employee compensation payable			
Provisions	5.35	20,000.00	20,000.00
Deferred income	5.36	1,221,182.50	26,123,865.57
Deferred tax liabilities	5.21	35,585,239.45	25,907,035.81
Other non-current liabilities			
Total non-current liabilities		288,041,573.79	352,696,053.03
Total liabilities		6,481,535,099.77	5,495,393,104.48
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	1,192,037,425.52	1,192,037,425.52
Less: Treasury stock			
Other comprehensive income	5.39	-53,239,516.76	-51,130,398.12
Special reserves			
Surplus reserves	5.40	4,221,794,668.50	4,065,948,464.88
General risk reserves	5.41	13,260,933.32	9,863,800.26
Retained earnings	5.42	12,171,069,311.04	11,086,449,688.61
Total equity attributable to shareholders of the parent Company		20,471,132,410.62	19,229,378,570.15
Non-controlling interests		547,461,920.59	512,851,756.28
Total shareholders' equity		21,018,594,331.21	19,742,230,326.43
Total liabilities and shareholders' equity		27,500,129,430.98	25,237,623,430.91

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun Chief Accountant: Li Jinsong Accountant in Charge: Zheng Wei

STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

As at December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Assets	Notes	As at December 31, 2023	As at December 31, 2022
Current assets:			
Cash and bank balances		5,273,294,551.65	4,646,870,810.21
Financial assets held for trading		3,504,856,849.32	3,311,565,068.49
Derivative financial assets			
Notes receivable		217,860,615.29	218,317,806.52
Accounts receivable	17.1	4,000,617,002.34	3,599,408,369.21
Receivables financing			
Advances to suppliers		151,764,729.50	191,538,062.07
Other receivables	17.2	372,833,833.95	391,847,949.23
Inventories		904,971.42	
Contract assets		17,745,067.68	44,704,112.56
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		114,332,035.60	101,776,761.12
Total current assets		13,654,209,656.75	12,506,028,939.41
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	17.3	2,651,396,839.49	2,626,828,424.40
Investment in other equity instruments		830,473,800.00	835,827,400.00
Other non-current financial assets		786,903,313.48	529,713,729.75
Investment properties		84,819,635.79	93,063,277.11
Fixed assets		2,751,976,758.66	2,921,230,255.46
Construction in progress		20,996,910.11	42,044,082.75
Productive biological assets			
Oil and gas assets			
Right-of-use assets		110,492,853.36	131,326,366.96
Intangible assets		2,357,001,147.46	1,659,170,750.40
Development expenditures		1,213,519.67	379,887,139.72
Goodwill			
Long-term deferred expenses		3,108,165.81	3,268,089.69
Deferred tax assets		561,109,497.83	439,515,409.19
Other non-current assets			
Total non-current assets		10,159,492,441.66	9,661,874,925.43
Total assets		23,813,702,098.41	22,167,903,864.84

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun Chief Accountant: Li Jinsong Accountant in Charge: Zheng Wei

STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

As at December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

	Notes	As at December 31, 2023	As at December 31, 2022
Liabilities and Shareholders' equity			
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		2,619,274,026.39	2,525,361,175.07
Advances from customers			
Contract liabilities		856,662,191.21	580,598,038.48
Employee compensation payables		171,177,968.70	186,433,140.03
Taxes payable		176,224,502.82	182,317,627.02
Other payables		2,884,236,096.54	2,584,863,178.47
Liabilities held for sale			
Non-current liabilities maturing within one year		89,754,098.76	60,562,562.62
Other current liabilities		42,208,789.49	27,362,466.11
Total current liabilities		6,839,537,673.91	6,147,498,187.80
Non-current liabilities:			
Long-term borrowings		200,213,888.89	200,213,888.9
Bonds payable			
Including: Preferred stock			
Perpetual bonds		29,386,642.67	74,032,748.55
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		221,182.50	25,123,865.57
Deferred tax liabilities		20,080,718.95	10,351,245.20
Other non-current liabilities			
Total non-current liabilities		249,902,433.01	309,721,748.21
Total liabilities		7,089,440,106.92	6,457,219,936.01

STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

As at December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and Shareholders' equity	Notes	As at December 31, 2023	As at December 31, 2022
Shareholders' equity:			
Share capital		2,926,209,589.00	2,926,209,589.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserves		1,298,570,506.29	1,298,570,506.29
Less: Treasury stock			
Other comprehensive income		-34,440,759.56	-33,296,710.00
Special reserves			
Surplus reserves		4,216,288,476.30	4,060,442,272.68
Retained earnings		8,317,634,179.46	7,458,758,270.86
Total shareholders' equity		16,724,261,991.49	15,710,683,928.83
Total liabilities and shareholders' equity		23,813,702,098.41	22,167,903,864.84

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun Chief Accountant: Li Jinsong Accountant in Charge: Zheng Wei

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
I. Total operating income		6,983,846,860.77	5,210,105,771.09
Including: Operating income	5.43	6,983,846,860.77	5,210,105,771.09
Interest income			
Earned premium			
Fees and commission income			
II. Total operating costs		5,300,831,468.52	4,729,516,872.62
Including: Operating costs	5.43	3,316,518,908.18	3,089,870,946.25
Interest expenses			
Handling charges and Commissions Expenses			
Refunds of insurance premiums			
Net payments for insurance claims			
Net provisions for insurance liability reserves			
Commissions on insurance policies			
Cession charges			
Taxes and surcharges	5.44	81,865,353.79	72,359,129.00
Selling and distribution expenses	5.45	129,150,488.83	107,041,533.91
General and administrative expenses	5.46	1,061,992,231.34	921,526,565.93
Research and development expenses		863,038,653.00	701,713,632.36
Financial expenses	5.47	-151,734,166.62	-162,994,934.83
Including: Interest expenses		15,194,992.81	12,415,189.01
Interest income		158,733,781.05	159,361,788.44
Plus: Other income	5.48	72,704,704.02	77,126,624.83
Investment income (“-” for losses)	5.49	81,557,766.91	30,596,934.53
Including: Gains from investment in associates and joint ventures		25,347,126.31	-19,420,802.79
Gains from derecognition of financial assets measured at amortized cost			
Foreign exchange gains (“-” for losses)			
Income from net exposure hedging (“-” for losses)			
Gains from the changes in fair value (“-” for losses)	5.50	68,312,064.56	36,806,323.09
Credit impairment losses (“-” for losses)	5.51	-304,464,601.84	-58,506,164.88
Asset impairment losses (“-” for losses)	5.52	787,835.06	-3,018,036.12
Gains from disposal of assets (“-” for losses)	5.53	2,658,780.47	135,981,674.68
III. Operating profits (“-” for losses)		1,604,571,941.43	699,576,254.60
Plus: Non-operating income	5.54	21,901,431.26	48,897,460.64
Less: Non-operating expenses	5.55	14,337,302.72	13,334,870.45
IV. Total profits (“-” for total losses)		1,612,136,069.97	735,138,844.79
Less: Income tax expenses	5.56	164,260,098.64	55,286,432.16

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
V. Net profit (“-” for net loss)		1,447,875,971.33	679,852,412.63
(I) Classified by operating continuity			
1. Net profit from continuing operations (“-” for net loss)		1,447,875,971.33	679,852,412.63
2. Net profit from discontinued operations (“-” for net losses)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the Company (“-” for net loss)		1,398,952,067.33	627,051,775.42
2. Net profit attributable to non-controlling interests (“-” for net loss)		48,923,904.00	52,800,637.21
VI. Other comprehensive income, net of tax		-2,109,118.64	2,677,041.40
Other comprehensive income, net of tax attributable to shareholders of the Company		-2,109,118.64	2,677,041.40
(I) Items that cannot be reclassified to profit or loss		-1,144,049.56	-12,575,920.00
1. Changes of re-measurement in defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		3,406,510.44	
3. Changes in fair value of other equity instruments investment		-4,550,560.00	-12,575,920.00
4. Changes in the fair value of the Company’s own credit risk			
(II) Items that may be reclassified to profit or loss		-965,069.08	15,252,961.40
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investment			
3. Amounts of financial assets reclassified to other comprehensive income			
4. Provisions for credit impairment of other debt investments			
5. Cash flow hedging reserves			
6. Differences arising from translation of foreign-currency financial statements		-965,069.08	15,252,961.40
7. Others			
Other comprehensive income, net of tax, attributable to non-controlling interests		1,445,766,852.69	682,529,454.03
VII. Total comprehensive income		1,445,766,852.69	682,529,454.03
Total comprehensive income attributable to shareholders of the Company		1,396,842,948.69	629,728,816.82
Total comprehensive income attributable to non-controlling interests		48,923,904.00	52,800,637.21
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	5.57	0.48	0.21
(II) Diluted earnings per share (RMB/share)	5.57	0.48	0.21

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun Chief Accountant: Li Jinsong Accountant in Charge: Zheng Wei

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE PARENT COMPANY

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
I. Operating income	17.4	5,415,061,910.48	3,865,462,576.47
Less: Operating costs	17.4	2,675,673,295.51	2,483,118,768.97
Taxes and surcharges		67,980,538.66	59,246,100.30
Selling and distribution expenses		25,998,375.54	16,593,095.20
General and administrative expenses		746,987,309.33	669,489,294.96
Research and development expenses		622,614,768.80	504,477,515.70
Financial expenses		-57,068,345.60	-63,381,678.31
Including: Interest expenses		13,517,730.59	11,334,631.92
Interest income		70,176,463.83	61,181,211.61
Plus: Other income		55,905,026.27	51,201,404.76
Investment income (“-” for loss)	17.5	118,862,157.22	59,711,424.56
Including: Gains from investment in associates and joint ventures		46,017,171.16	-16,610,358.84
Gains from derecognition of financial assets measured at amortized cost			
Gains from net exposure hedging (“-” for losses)			
Gains from changes in fair value (“-” for losses)		68,312,064.56	36,806,323.09
Credit impairment losses (“-” for losses)		-276,122,548.25	-49,849,778.91
Asset impairment losses (“-” for losses)		2,445,145.25	-2,789,738.18
Gains from disposal of assets (“-” for losses)			135,901,380.32
II. Operating profits (“-” for losses)		1,302,277,813.29	426,900,495.29
Plus: Non-operating income		1,863,036.43	3,365,329.09
Less: Non-operating expenses		13,890,444.15	12,616,971.76
III. Total profits (“-” for total losses)		1,290,250,405.57	417,648,852.62
Less: Income tax expenses		120,439,185.13	28,518,869.32
IV. Net profit (“-” for net loss)		1,169,811,220.44	389,129,983.30
(I) Net profit from continuing operations (“-” for net loss)		1,169,811,220.44	389,129,983.30
(II) Net profit from discontinued operations (“-” for net loss)			

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE PARENT COMPANY

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
V. Other comprehensive income, net of tax		-1,144,049.56	-12,575,920.00
(I) Other comprehensive income that cannot be reclassified to profit or loss		-1,144,049.56	-12,575,920.00
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		3,406,510.44	
3. Changes in fair value of other equity instruments investment		-4,550,560.00	-12,575,920.00
4. Changes in the fair value of the Company's own credit risk			
(II) Items that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amounts of financial assets reclassified to other comprehensive income			
4. Provisions for credit impairment of other debt investments			
5. Cash flow hedging reserves			
6. Differences arising from translation of foreign-currency financial statements			
7. Others			
VI. Total comprehensive income		1,168,667,170.88	376,554,063.30
VII. Earnings per share			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun Chief Accountant: Li Jinsong Accountant in Charge: Zheng Wei

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		6,926,213,217.72	4,937,663,147.55
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		9,436,883.54	153,932,236.29
Cash received from other operating activities	5.59	139,721,798,710.06	44,599,999,412.18
Sub-total of cash inflows from operating activities		146,657,448,811.32	49,691,594,796.02
Cash paid for goods purchased and services received		2,227,406,767.79	1,894,373,133.12
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		2,240,681,378.09	1,924,574,190.25
Cash paid for taxes and surcharges		646,345,677.68	443,335,972.18
Cash paid for other operating activities	5.59	141,405,587,671.50	44,093,000,952.37
Sub-total of cash outflows from operating activities		146,520,021,495.06	48,355,284,247.92
Net cash flows from operating activities	5.60	137,427,316.26	1,336,310,548.10

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
II. Cash flows from investing activities			
Cash received from disposal of investments		6,801,773,944.33	8,200,559,868.32
Cash received from returns on investments		111,820,838.34	116,632,722.43
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,538,934.78	179,450,008.48
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		6,917,133,717.45	8,496,642,599.23
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		527,896,896.46	294,682,256.66
Cash paid for investments		7,185,478,124.00	8,344,190,696.00
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		7,713,375,020.46	8,638,872,952.66
Net cash flows from investing activities		-796,241,303.01	-142,230,353.43
III. Cash flows from financing activities			
Cash from absorption of investments			
Including: cash received by subsidiaries from investment by minority shareholders			
Cash received from borrowings		3,612,468,924.55	200,000,000.00
Cash received from other financing activities	5.59		20,600.00
Sub-total of cash inflows from financing activities		3,612,468,924.55	200,020,600.00
Cash paid for debts repayments		2,860,879,022.05	
Cash paid for distribution of dividends and profits or payment of interest		183,564,374.20	196,290,701.67
Including: Dividends and profits paid to minority shareholders by subsidiaries		17,256,113.41	32,558,600.00
Cash paid for other financing activities	5.59	118,578,028.17	101,282,699.53
Sub-total of cash outflows from financing activities		3,163,021,424.42	297,573,401.20
Net cash flows from financing activities		449,447,500.13	-97,552,801.20

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		10,049,419.02	39,718,407.26
V. Net increase in cash and cash equivalents		-199,317,067.60	1,136,245,800.73
Plus: Beginning balance of cash and cash equivalents		7,475,848,342.25	6,339,602,541.52
VI. Closing balance of cash and cash equivalents		7,276,531,274.65	7,475,848,342.25

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun Chief Accountant: Li Jinsong Accountant in Charge: Zheng Wei

STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		5,297,497,169.72	3,754,328,699.93
Refund of taxes and surcharges		35,580.09	147,326,448.48
Cash received from other operating activities		510,499,704.69	152,438,954.35
Sub-total of cash inflows from operating activities		5,808,032,454.50	4,054,094,102.76
Cash paid for goods purchased and services received		1,899,499,419.72	1,760,730,907.25
Cash paid to and on behalf of employees		1,280,552,194.33	1,048,116,232.90
Cash paid for taxes and surcharges		510,180,819.62	327,699,395.52
Cash paid for other operating activities		364,608,649.47	643,164,309.28
Sub-total of cash outflows from operating activities		4,054,841,083.14	3,779,710,844.95
Net cash flows from operating activities		1,753,191,371.36	274,383,257.81
II. Cash flows from investing activities			
Cash received from disposal of investments		6,801,773,944.33	8,200,559,868.32
Cash received from returns on investments		166,478,172.69	122,245,090.88
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		456,417.69	179,124,739.60
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		6,968,708,534.71	8,501,929,698.80
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		646,372,242.63	374,201,683.39
Cash paid for investments		7,185,478,124.00	8,344,190,696.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		7,831,850,366.63	8,718,392,379.39
Net cash flows from investing activities		-863,141,831.92	-216,462,680.59

STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

Items	Notes	Year 2023	Year 2022
III. Cash flows from financing activities			
Cash from absorption of investments			
Cash received from borrowings			200,000,000.00
Cash received from other financing activities			
Sub-total of cash inflows from financing activities			200,000,000.00
Cash paid for debts repayments			
Cash paid for distribution of dividends and profits or payment of interest		162,329,880.87	163,732,101.67
Cash paid for other financing activities		99,810,259.01	80,676,130.59
Sub-total of cash outflows from financing activities		262,140,139.88	244,408,232.26
Net cash flows from financing activities		-262,140,139.88	-44,408,232.26
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-1,485,658.12	10,179,516.87
V. Net increase in cash and cash equivalents		626,423,741.44	23,691,861.83
Plus: beginning balance of cash and cash equivalents		4,646,870,810.21	4,623,178,948.38
VI. Closing balance of cash and cash equivalents		5,273,294,551.65	4,646,870,810.21

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun Chief Accountant: Li Jinsong Accountant in Charge: Zheng Wei

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Items	Year 2023										Total shareholders' equity			
	Share capital	Preferred stock	Perpetual bonds	Other equity instruments	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves		General risk reserves	Undistributed profits	Sub-total
I. Balance as at December 31, 2022	2,926,209,589.00					1,192,037,425.52		-51,130,398.12	4,065,348,464.88	9,863,800.26	11,086,449,888.61	19,229,378,570.15	512,851,756.28	19,742,230,326.43
Plus: Changes in accounting policies														
Correction of accounting errors in prior periods														
Business combination under common control														
Others														
II. Balance as at January 1, 2023	2,926,209,589.00					1,192,037,425.52		-51,130,398.12	4,065,348,464.88	9,863,800.26	11,086,449,888.61	19,229,378,570.15	512,851,756.28	19,742,230,326.43
III. Increased/decreased in 2023 ("+" for increase)								-2,109,118.64	155,346,203.62	3,397,133.06	1,086,619,622.43	1,241,753,840.47	34,610,164.31	1,276,364,004.78
(1) Total comprehensive income								-2,109,118.64						
(2) Capital contributed or reduced by shareholders														
(i) Common stock contributions by shareholders														
(ii) Capital contributed by the holders of other equity instruments														
(iii) Amounts of share-based payments recognized in shareholders' equity														
(iv) Others														
(3) Profit distribution														
(i) Withdrawal of surplus reserves														
(ii) Withdrawal of general risk reserves														
(iii) Profit distribution to shareholders														
(iv) Others														
(4) Internal carry-forward of shareholders' equity														
(i) Conversion of capital reserves into paid-in capital (or share capital)														
(ii) Conversion of surplus reserves into paid-in capital (or share capital)														
(iii) Losses offset by surplus reserves														
(iv) Carry-forward of changes in the defined benefit plan for retained earnings														
(v) Carry-forward of other comprehensive income for retained earnings														
(vi) Others														
(5) Special reserves														
(i) Amount withdrawn in 2023														
(ii) Amount used in 2023														
(6) Others														
IV. Balance as at December 31, 2023	2,926,209,589.00					1,192,037,425.52		-53,239,516.76	4,221,794,668.50	13,260,933.32	12,171,069,311.04	20,471,132,410.62	547,461,920.59	21,018,594,331.21

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun

Chief Accountant: Li Jinsong

Accountant in Charge: Zheng Wei

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

Items	Year 2022										Total shareholders' equity		
	Share capital	Preferred stock	Perpetual bonds	Other equity instruments	Equity attributable to shareholders of the parent company					Minority interest			
					Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Sub-total	
I. Balance as at December 31, 2021	2,926,209,589.00				1,192,037,425.52		-53,807,499.52	3,986,993,935.42	7,685,088.30	10,701,137,643.18	18,760,256,211.90	469,826,724.71	19,230,082,936.61
Plus: Changes in accounting policies								1,117.41				172,372.35	507,441.18
Correction of accounting errors in prior periods													
Business combination under common control													
Others													
II. Balance as at January 1, 2022	2,926,209,589.00				1,192,037,425.52		-53,807,499.52	3,986,995,052.83	7,685,088.30	10,701,147,614.60	18,760,391,280.73	469,999,097.06	19,230,590,377.79
III. Increase/decrease in 2022 "-" for decreases							2,677,041.40	78,933,472.05	2,178,761.96	384,978,074.01	448,787,289.42	42,882,659.22	511,639,948.64
(1) Total comprehensive income							2,677,041.40						
(2) Capital contributed or reduced by shareholders													
(i) Common stock contributions by shareholders													
(ii) Capital contributed by the holders of other equity instruments													
(iii) Amounts of share-based payments recognized in shareholders' equity													
(iv) Others													
(3) Profit distribution													
(i) Withdrawal of surplus reserves													
(ii) Withdrawal of general risk reserves													
(iii) Profit distribution to shareholders													
(iv) Others													
(4) Internal carry-forward of shareholders' equity													
(i) Conversion of capital reserves into paid-in capital (or share capital)													
(ii) Conversion of surplus reserves into paid-in capital (or share capital)													
(iii) Losses offset by surplus reserves													
(iv) Carry-forward of changes in the defined benefit plan for retained earnings													
(v) Carry-forward of other comprehensive income (or retained earnings)													
(vi) Others													
(5) Special reserves													
(i) Amount withdrawn in 2022													
(ii) Amount used in 2022													
(6) Others													
IV. Balance as at December 31, 2022	2,926,209,589.00				1,192,037,425.52		-51,130,398.12	4,065,948,464.88	9,863,800.26	11,086,449,686.61	19,229,376,570.15	512,851,756.28	19,742,230,326.43

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun

Chief Accountant: Li Jinsong

Accountant in Charge: Zheng Wei

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

Items	Share capital				Other equity instruments			Year 2023			Total shareholders' equity
	Share capital	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, 2022	2,926,209,589.00			1,298,570,506.29			-33,296,710.00	4,060,442,272.68	7,458,758,270.86	15,710,683,928.83	
Plus: Changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at January 1, 2023	2,926,209,589.00			1,298,570,506.29			-33,296,710.00	4,060,442,272.68	7,458,758,270.86	15,710,683,928.83	
III. Increase/decrease in 2023 ("-" for decreases)							-1,144,049.56	155,846,203.62	858,875,908.60	1,013,578,062.66	
(1) Total comprehensive income							-1,144,049.56				
(2) Capital contributed or reduced by shareholders											
(i) Common stock contributions by shareholders											
(ii) Capital contributed by the holders of other equity instruments											
(iii) Amounts of share-based payments recognized in shareholders' equity											
(iv) Others											
(3) Profit distribution											
(i) Withdrawal of surplus reserves											
(ii) Profit distribution to shareholders											
(iii) Others											
(4) Internal carry-forward of shareholders' equity											
(i) Conversion of capital reserves into paid-in capital (or share capital)											
(ii) Conversion of surplus reserves into paid-in capital (or share capital)											
(iii) Losses offset by surplus reserves											
(iv) Carry-forward of changes in the defined benefit plan for retained earnings											
(v) Carry-forward of other comprehensive income for retained earnings											
(vi) Others											
(5) Special reserves											
(i) Amount withdrawn in 2023											
(ii) Amount used in 2023											
(6) Others											
IV. Balance as at December 31, 2023	2,926,209,589.00			1,298,570,506.29			-34,440,759.56	4,216,288,476.30	8,317,634,179.46	16,724,261,991.49	

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun

Chief Accountant: Li Jinsong

Accountant in Charge: Zheng Wei

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

Items	Year 2022						Total shareholders' equity			
	Share capital	Preferred stock	Perpetual bonds	Other equity instruments	Less: treasury stock	Other comprehensive income				
	Share capital	Preferred stock	Perpetual bonds	Others	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Balance as at December 31, 2021	2,926,209,589.00				1,298,570,506.29	-20,720,790.00		3,981,487,743.22	7,309,513,170.31	15,495,060,218.82
Plus: Changes in accounting policies								1,117.41	10,056.70	11,174.11
Correction of accounting errors in prior periods										
Others										
II. Balance as at January 1, 2022	2,926,209,589.00				1,298,570,506.29	-20,720,790.00		3,981,488,860.63	7,309,523,227.01	15,495,071,392.93
III. Increase/decrease in 2022 ("-" for decreases)										
(1) Total comprehensive income						-12,575,920.00		78,953,412.05	149,235,043.85	215,612,535.90
(2) Capital contributed or reduced by shareholders						-12,575,920.00			389,129,983.30	376,554,063.30
(i) Common stock contributions by shareholders										
(ii) Capital contributed by the holders of other equity instruments										
(iii) Amounts of share-based payments recognized in shareholders' equity										
(iv) Others										
(3) Profit distribution										
(i) Withdrawal of surplus reserves										
(ii) Profit distribution to shareholders										
(iii) Others										
(4) Internal carry-forward of shareholders' equity										
(i) Conversion of capital reserves into paid-in capital (or share capital)										
(ii) Conversion of surplus reserves into paid-in capital (or share capital)										
(iii) Losses offset by surplus reserves										
(iv) Carry-forward of changes in the defined benefit plan for retained earnings										
(v) Carry-forward of other comprehensive income for retained earnings										
(vi) Others										
(5) Special reserves										
(i) Amount withdrawn in 2022										
(ii) Amount used in 2022										
(6) Others										
IV. Balance as at December 31, 2022	2,926,209,589.00				1,298,570,506.29	-33,296,710.00		4,060,442,272.68	7,458,758,270.86	15,710,683,928.83

The accompanying notes form an integral part of the financial statements.

Legal Representative: Huang Rongshun

Chief Accountant: Li Jinsong

Accountant in Charge: Zheng Wei

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

1 COMPANY PROFILE

TravelSky Technology Limited (hereinafter referred to as the “**the Company**” or “**Company**”) was incorporated in Beijing, the People’s Republic of China on October 18, 2000, with offering of 577,303,500 shares totaled 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 H shares of 310,854,000 shares (par value of RMB1.00 per share) 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 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 shares to 1,776,315,000 shares and the total share capital increased to RMB1,776,315,000.00.

According to the Company’s extraordinary shareholders meeting resolution in July 2008, the Company issued 174,491,393 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. Upon completion of the acquisition in March 2009, the number of ordinary shares of the Company increased from 1,776,315,000 shares to 1,950,806,393 shares and the total share capital increased to RMB1,950,806,393.00.

In accordance with the resolution of the annual general meeting on June 28, 2011, the Company was approved to, by 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.

As at December 31, 2023, the Company cumulatively issued share capital was 2,926,209,589 shares, and the registered share capital was RMB2,926,209,589.00.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

1 COMPANY PROFILE (CONTINUED)

The existing unified social credit code: 9111000071092729XP. Registered office: No. 7 Yumin Street, Houshayu Town, Shunyi District, Beijing. Legal representative: Huang Rongshun.

The Company's business scope includes: Internet information service business. (Projects that require approval according to law can only be carried out with the approval of relevant departments. Specific business projects shall be subject to the approval documents or licenses of relevant departments) General business items: Industrial Internet data services; digital technology services; Internet data services; network technology services; computer software, hardware and peripheral equipment manufacturing; computer software, hardware and auxiliary equipment wholesale; computer software, hardware and auxiliary equipment retail; software development; technical services, technology development, Technical consultation, technology exchange, technology transfer, technology promotion; information technology consulting services; computer system services; information system operation and maintenance services; communication equipment sales; leasing services (excluding licensed leasing services); software sales; cloud computing equipment sales; Network equipment sales; technology import and export; goods import and export; information consulting services (excluding licensing information consulting services); information system integration services; intelligent control system integration. (The Company may independently choose business items and conduct business activities in accordance with the law) (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 industry in which the Company operates is: Other air transportation auxiliary activities.

The Company's main business activities are: The company targets airlines, airports, ticket sales agents, tourism companies, civil aviation-related institutions and international organizations, and provides a full range of air passenger business processing, air travel electronic distribution, airport passenger processing, air cargo data processing, Internet travel platforms, international and domestic Passenger and freight revenue management system applications and agency settlement and clearing services.

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 "the Group".

The financial statements have been approved by the Company's board of directors on March 27, 2024.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

2 BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

2.1 Basis of preparation

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**”). In addition, the financial statements are also in compliance with the applicable disclosure provisions of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, as well as the applicable disclosure requirements of the Hong Kong Companies Ordinance.

2.2 Going concern

The financial statements are prepared on a going concern basis.

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 the 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, 2023, 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 2023.

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. Subsidiaries of the Company determine their financial statements according to the main economic environment in which they operate. This financial statement is presented in RMB.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(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

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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(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**

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.

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(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 (Continued)**

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.

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(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**

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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(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)****(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.

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.

The balance of foreign currency items on the balance sheet date are translated at the spot exchange rate on the balance sheet date. Except those arising from specific-purpose borrowings in foreign currencies related to assets eligible for capitalization that shall be measured in accordance with principle of capitalization of the borrowing costs, other exchange differences shall be recognized in profit or loss for the current period.

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; owners' equity items, except for the item of "retained earnings", 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 spot exchange rate on the day when the transaction occurs.

At the disposal of overseas business, the translation differences of foreign currency statements relating to the overseas business shall be transferred from the owner's equity item to the current profit or loss at disposal.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.9 Financial instruments**

When the Company becomes a party to a financial instrument, it shall recognize a financial asset, financial liability, or equity instrument.

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:

- The business model aims to collect contractual cash flows;
- The contract cash flow is only the payment for the principal and the interest based on the outstanding principal amount.

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:

- Where the purpose of the business model is to collect contractual cash flows and sell such financial assets;
- Contractual cash flow is only the payment for the principal and the interest based on the outstanding principal amount.

At the initial recognition, the Company irrevocably designates the non-trading equity instrument investments as financial assets (equity instruments) measured at fair value through the other comprehensive income. The designation is made based on a single investment and the relevant investment is in line with the definition of the equity instrument from the issuer's perspective.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
 (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)**

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. 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.

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For the year ended December 31, 2023

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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.

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For the year ended December 31, 2023
(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 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.

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For the year ended December 31, 2023

(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.

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.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(CONTINUED)

3.9 Financial instruments (Continued)**3.9.4 Derecognition of financial liabilities (Continued)**

Where financial liabilities are derecognized is 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 considered 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 impairment 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.

By considering such reasonable and well-founded information as relevant matters in the past, current conditions and prediction of future economic conditions, the Company calculates the probability weighted amount, weighted by default risk, of the present value of the difference between the cash flows receivable under the contract and the cash flows expected to be received, to determine the expected credit loss.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.9 Financial instruments (Continued)****3.9.6 Test method and accounting treatment of impairment of financial assets (Continued)**

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.

By comparing the default risk in financial instruments on the balance sheet date with the default risk in financial instruments on the initial recognition date, the Company determines the relative change in default risk in financial instruments during the estimated duration to assess whether the credit risk of financial instruments has greatly increased following the initial recognition of such financial instruments. Generally, once the period is overdue for over 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 receivables and contract assets arising from the transactions specified in the Accounting Standards for Business Enterprises No. 14 — Revenue (2017), whether or not they contain significant financing components, the Company always makes the provision for credit loss at the amount equivalent to the expected credit loss over the whole duration.

For lease receivables, the Company always makes the provision for credit loss at the amount equivalent to the expected credit loss over the whole duration.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.9 Financial instruments (Continued)****3.9.6 Test method and accounting treatment of impairment 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 receivables 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.

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 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.

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For the year ended December 31, 2023

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.9 Financial instruments (Continued)****3.9.6 Test method and accounting treatment of impairment of financial assets (Continued)**

For various types of margin, deposit and reserve borrowings, in principle, no provision for bad debts is made. However, if there is conclusive evidence that bad debts have been formed, corresponding bad debt provisions will be made based on the estimated bad debt losses that may occur.

If the Company no longer reasonably expects that the contractual cash flow of the financial asset can be fully or partially recovered, the book balance of the financial asset will be directly written down.

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 shipped.

3.10.3 Inventory system

Perpetual inventory system is adopted.

3.10.4 Amortization methods for low-cost consumables and packaging materials

- (1) One-off write-off method is adopted for low-cost consumables;
- (2) Weekly reusable packaging is expensed in installments based on the expected number of times it will be used.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.10 Inventories (Continued)****3.10.5 Recognition standards and accrual methods for inventory depreciation provisions**

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.

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 “3.9.6 Test method and accounting treatment of depreciation of financial assets”, for the determination method and accounting treatment for the expected credit loss of contract assets.

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.12 Assets held for sale and discontinued operation****3.12.1 Assets held for sale**

Where the Company recovers the book value of any non-current asset or disposed asset portfolio mainly through selling (including the exchange of non-monetary assets with commercial essence) but not continuously using the same, such non-current asset or disposed asset portfolio shall be divided into assets held for sale.

The Company recognizes non-current assets or disposed asset portfolios meeting the following conditions at the same time as assets held for sale:

- (1) According to the general practice for selling such kind of asset or disposed asset portfolio in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;
- (2) The sale of the asset or portfolio is very likely to happen, which means that the Company has made a resolution for one selling plan and has acquired the decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale is subject to the approval of relevant authorities or regulatory authorities of the Company according to relevant provisions, the approval has been obtained.

For any non-current asset (excluding financial assets, deferred tax assets) or disposed asset portfolio classified assets as held for sale, where its book value is higher than the net amount of its fair value less the selling expense, the book value shall be written down to the net amount of the fair value less the selling expense, and the amount written down shall be recognized as the losses from asset impairment and included in the current profit or loss, while the provision for impairment of assets held for sale is made.

3.12.2 Discontinued operation

A discontinued operation is a separately distinguishable component that meets one of the following conditions and that has been disposed of by the Company or classified by the Company as held for sale:

- (1) The component represents a separate major operation or a separate major operating area;
- (2) The component is part of a related plan for the proposed disposition of a separate principal business or a separate principal operating area;
- (3) The component is a subsidiary acquired exclusively for resale.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(CONTINUED)

3.12 Assets held for sale and discontinued operation (Continued)**3.12.2 Discontinued operation (Continued)**

Gains and losses from continuing operations and gains and losses from discontinued operations are presented separately in the income statement. Operating gains and losses, such as impairment losses and reversal amount for discontinued operations, as well as gains and losses on disposals, are presented as gains and losses from discontinued operations. For discontinued operations reported in the current period, the Company restates the information that was previously reported as profit or loss from continuing operations as profit or loss from discontinued operations for the comparable accounting period in the financial statements of current period.

3.13 Long-term equity investments**3.13.1 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.

3.13.2 Determination of initial investment cost**(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 combine 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. If it is possible to control an investee under the same control due to additional investment or other reasons, the initial investment cost of the long-term equity investment confirmed according to the above principles shall be equal to the book value of the long-term equity investment before the merger plus the new consideration paid for further shares acquired on the merger date. The difference between the sum of the book values shall be adjusted to the equity premium. If the equity premium is insufficient to offset, the retained earnings shall be offset.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.13 Long-term equity investments (Continued)****3.13.2 Determination of initial investment cost (Continued)****(1) Long-term equity investment acquired from business combination (Continued)**

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. If it is possible to exercise control over an investee that is not under the same control due to additional investment or other reasons, the initial investment cost shall be the sum of the book value of the original equity investment plus the cost of the new investment.

(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.

3.13.3 Subsequent measurement and recognition of profits or losses**(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.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(CONTINUED)

3.13 Long-term equity investments (Continued)**3.13.3 Subsequent measurement and recognition of profits or losses (Continued)****(2) Long-term equity investments accounted for under equity method (Continued)**

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.

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.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.13 Long-term equity investments (Continued)****3.13.3 Subsequent measurement and recognition of profits or losses (Continued)****(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.

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.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.13 Long-term equity investments (Continued)****3.13.3 Subsequent measurement and recognition of profits or losses (Continued)****(3) Disposal of long-term equity investments (Continued)**

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.

3.14 Investment properties

Investment property is the property to earn rentals or for capital appreciation or both. Examples include leased land use right, land use right held for transfer upon appreciation, and leased building (including buildings that have been constructed or developed for future lease out under operating leases, and buildings that are being constructed or developed for future lease out under operating leases).

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.

The Company measures its existing investment property by using the cost model. 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.

3.15 Fixed assets**3.15.1 Recognition criteria of fixed assets**

Fixed assets refer to tangible assets held for commodity production, rendering of services, renting or business management, with the useful lives over one 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.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.15 Fixed assets (Continued)****3.15.1 Recognition criteria of fixed assets (Continued)**

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.

3.15.2 Depreciation method

The provision for depreciation of fixed assets is made by the straight-line method by category. The depreciation rate is determined based on the category, estimated useful life and estimated net residual value rate 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 the fixed assets have the components with different useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately make the provision for depreciation.

The depreciation life, residual value rates and annual depreciation rates of fixed assets are presented by category 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
Machinery and equipment	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

3.15.3 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.

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.16 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. The standards and timing for transferring the company's construction-in-progress to fixed assets are as follows:

The physical construction (including installation) of the fixed asset has been completed or substantially completed.

The amount of expenditure on fixed assets for this construction is very small or almost no longer occurs.

The fixed assets purchased and constructed have met the design or contract requirements, or are basically consistent with the design or contract requirements.

3.17 Borrowing costs**3.17.1 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 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 property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

3.17.2 Capitalization period for borrowing costs

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

Borrowing costs may be capitalized only when all the following conditions are met:

- (1) Asset expenses, 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;

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.17 Borrowing costs (Continued)****3.17.2 Capitalization period for borrowing costs (Continued)**

- (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.

3.17.3 Period of capitalization suspension

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

3.17.4 Measurement of capitalization rate and capitalized amounts of borrowing costs

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

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 of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

During the capitalization period, exchange differences of principal and interest on foreign currency special borrowings shall be capitalized and included in the cost of assets eligible for capitalization. Exchange differences arising from the principal and interest on foreign currency borrowings other than foreign currency special borrowings are recognized in the current profit or loss.

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For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.18 Intangible assets****3.18.1 Measurement of intangible assets****(1) The Company initially measures intangible assets at cost on acquisition;**

The costs of externally acquired intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the assets for their intended use.

(2) Subsequent measurement

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

As for intangible assets with limited useful life, straight-line amortization method is adopted in the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets should be deemed as those with indefinite useful life and should not be amortized.

3.18.2 Estimate of the useful life of the intangible assets with definite useful lives

Item	Estimated useful live	Amortization method	Residual rate (%)	Basis
Right-of-use land	40-50 years	Straight-line	0.00	Useful life
Software	3-5 years	Straight-line	0.00	Period of benefit
Non-patented technology	5 years	Straight-line	0.00	Period of benefit

3.18.3 Determination basis and procedure for review of useful life for intangible assets with indefinite useful life

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

3.18.4 Scope of collection of R&D expenditures

Expenditures incurred by the company during the research and development process include relevant employee salaries, consumed materials, related depreciation and amortization expenses and other related expenses for personnel engaged in R&D activities.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.18 Intangible assets (Continued)****3.18.5 Specific criteria for classifying research and development stages**

The Company's expenses for its internal research and development projects are classified into research expenses and development expenses.

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

Development stage: Development stage is the stage 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.

3.18.6 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 asset;
- (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.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.19 Impairment of long-term assets**

Where there are signs 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 oil and gas 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 valueless 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.

For goodwill resulting from business combinations, intangible assets with uncertain useful lives, and intangible assets that have not yet reached serviceable condition, regardless of whether there are signs of impairment, at least at the end of each year, the impairment test is carried out at the end of each year.

The Company conducts goodwill impairment tests and apportions the carrying amount of goodwill resulting from business combinations to the relevant asset groups in a reasonable manner from the date of purchase; If it is difficult to allocate to related asset groups, it will be allocated to the related asset group combination. The associated asset group or combination of asset groups is the asset group or combination of asset groups that can benefit from the synergies of the business combination.

When conducting an impairment test on a group or combination of assets containing goodwill, if there are signs of impairment in the asset group or portfolio of asset groups related to goodwill, the impairment test is first carried out on the asset group or asset group combination that does not contain goodwill, the recoverable amount is calculated, and the corresponding impairment loss is recognized by comparing it with the relevant carrying value. Then, the impairment test is carried out on the asset group or asset group combination containing goodwill, and the carrying amount is compared with the recoverable amount, if the recoverable amount is lower than the book value, the amount of impairment loss is first offset against the carrying value of the goodwill allocated to the asset group or asset group combination, and then the carrying value of the other assets is proportionally offset according to the proportion of the carrying value of the assets other than goodwill in the asset group or asset group combination. The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognized.

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For the year ended December 31, 2023

(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.

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. Contract assets and contract liabilities under the same contract should be presented at net amount.

3.22 Employee benefits**3.22.1 Accounting treatment of short-term compensation**

During the accounting period when employees serve the Company, the actual short-term compensation is recognized as liabilities and included in current profit or loss or costs associated with assets.

The cost of social insurance and housing fund paid by Company for employees and the labor union cost and employee education costs provided by the Company in accordance with provisions shall, in the accounting period, during which the service is provided by employees for enterprises, be used to calculate corresponding amount of employee benefits according to the stipulated provision basis and proportion.

The employee welfare occurring in the Company shall be include in the current profit or loss or the related asset costs according to the actual amount when actually occurring. Among them, non-monetary benefits are measured at the 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 current profit or loss or related asset costs. In addition, the Company also participates in the enterprise annuity plans/supplementary pension funds approved by the relevant state authorities. The Company makes payments to the annuity plans or local social insurance institutions in a certain proportion to the total employee wage, with corresponding expenses included in the current profit or loss or related asset costs.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(CONTINUED)

3.22 Employee benefits (Continued)**3.22.2 Accounting treatment of post-employment benefits (Continued)****(2) Defined benefit plans**

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.

3.22.3 Accounting treatment of dismissal benefits

Where the Company provides dismissal welfare to employees, employee benefits incurred from dismissal benefits are recognized as liabilities and recorded into the current profit and loss at the earlier date of: when the Company is unable to unilaterally withdraw the dismissal benefits provided in the plan on the cancellation of labor relationship or the layoff proposal; when the Company recognizes the cost related to restructuring concerning payment of dismissal benefits.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(CONTINUED)

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 of the Company are initially measured as 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 the contingencies. If the time value of money is significant, the best estimates shall 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.

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.

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.24 Share-based payments**

The Company's share-based payments are transactions in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees or other parties. The share-based payments of the Company consist of equity-settled share-based payments and cash-settled share-based payments.

3.24.1 Equity-settled share-based payment and equity instruments

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.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.24 Share-based payments (Continued)****3.24.2 Cash-settled share-based payment and equity instruments**

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.

The Company amends the terms and conditions of the cash-settled share-based payment agreement so that it is paid in equity-settled shares, and on the modification date (whether occurring during or after the end of the waiting period), the Company measures the equity-settled share payments at the fair value of the equity instrument on the date of grant, includes the services obtained in the capital reserve, and derecognizes the cash-settled share-based payment of the recognized liabilities on the modification date, the difference between which is recognized in profit or loss for the period. If the waiting period is extended or shortened due to the amendment, the Company will account for the revised waiting period.

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 or services. Obtaining the right of control over relevant goods or services means that the customer is able to make decisions on the use of the goods or the rendering of the services, and can obtain almost all of the economic benefits therefrom.

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 or services involved in the individual performance obligation. The Company measures revenue at the transaction price amortized to individual performance obligation.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.25 Revenue (Continued)****3.25.1 Accounting policies adopted for revenue recognition and measurement (Continued)**

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 or services to the customer, excluding the payments charged by any third party and the payments expected to be refunded to the customer. The Company determines the transaction price according to the contract terms and in light of its previous regular practice, in the meantime, factors such as variable consideration, significant financing composition existing in the contract, non-cash consideration, and consideration payable to customers will be taken into account. The Company determines the transaction price involving the variable consideration at the amount that should not exceed the amount of accumulatively recognized revenue that is highly unlikely to have a major reversal when relevant uncertainty is eliminated. If the significant financing component is covered in the contract, the Company will determine the transaction price based on the amount of cash payable at once by the customer when the customer acquires the right of control over goods or services, as assumed, and amortize the difference between such transaction price and the contract price by the effective interest method during the contract period.

The obligation performance belongs to certain period in case one of the following conditions is met; otherwise, it belongs to certain time-point:

- The customer obtains and consumes the economic benefits brought by the performance of the Company while the Company is performing the obligation.
- Customers are able to control the goods under construction by the Company in the course of performing obligations.
- The Goods produced in the course of performing obligations have irreplaceable uses, and the Company has the right to receive payments for the portion of the performance that has been completed to date.

For a performance obligation to be performed within a certain period, the Company recognizes the revenue according to the performance progress during such period, except for the case that the performance progress cannot be reasonably determined. The Company may determine the performance progress by the output method or input method based on the nature of goods or service. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue will be recognized by the Company at the amount of the cost incurred until the performance progress can be reasonably determined.

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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)**

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 signs 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.

The Company determines whether its status is that of a principally liable person or an agent at the time of engaging in a transaction based on whether it has control over the goods or services prior to transferring them to the customer. If the Company is able to control the goods or services prior to transferring them to the customer, the Company is the principal and recognizes revenue based on the total consideration received or receivable; otherwise, the Company is the agent and recognizes revenue based on the amount of commissions or fees it expects to be entitled to receive.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.25 Revenue (Continued)****3.25.2 Disclosure of specific revenue recognition and measurement methods by type of business**

Business revenues of the Company mainly come from information technology services for civil aviation, settlement and clearing service, data network service, system integration service and technology service. In which, revenues from rendering information technology service for civil aviation, settlement and clearing service, data network services and technology 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.

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.

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.26 Contract costs (Continued)**

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.

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. Government grants are classified into asset-related government grants and income-related government grants.

Asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to government grants excluding the 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.

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For the year ended December 31, 2023
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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.27 Government grants (Continued)****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 to be used as compensation for future expenses or losses are recognized as deferred income and are recorded in current profit or loss where the relevant expenses or losses are recognized (if they are related to daily activities of the Company, they will be included into other income; otherwise, they will be included in non-operating income) or set off the related expenses or losses; those to be used as compensation for incurred expenses or losses are recorded in current profit or loss (if they are related to daily activities of the Company, they will be included into other income; otherwise, they will be included in non-operating income) or will set off the related expenses or losses.

The interest subsidies of policy-based preferential loans obtained by the Company are subject to the following accounting treatments according to two situations:

- (1) When 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 tax assets and deferred 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 owners' 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.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.28 Deferred tax assets and deferred tax liabilities (Continued)**

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.

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.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.28 Deferred tax assets and deferred tax liabilities (Continued)**

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.

3.29 Lease

Lease refers to a contract in which a lessor assigns the right to use an asset to a lessee within a certain period of time in order to obtain consideration. On the contract commencement date, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract shall be a lease or include a lease.

If the contract contains multiple individual leases, the Company will split the contract and make accounting treatment over each individual lease. If the contract contains both leased and non-leased parts, the lessee and lessor will split the leased and non-leased parts.

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:

- the initial measurement amount of lease liabilities;
- in case of any lease incentives, relevant amount of the lease incentives enjoyed shall be deducted from the lease payment paid on or before the commencement date of the lease term;
- the initial direct costs incurred of the Company;

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.29 Lease (Continued)****3.29.1 The Company as lessee (Continued)****3.29.1.1 Right-of-use assets (Continued)**

- the costs incurred of the Company for demolishing and removing leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms, but excluding the cost incurred for inventory production.

The Company subsequently adopts the straight-line-method to make the provision for the depreciation of the right-of-use assets. If it can be reasonably determined that the ownership of the leased asset will be obtained at the expiration of the lease term, the Company shall accrue depreciation within the remaining useful life of the leased asset; otherwise, the leased assets should be depreciated over the shorter of the lease term or the remaining useful life of the leased assets.

The Company determines whether the right-of-use assets have been impaired or not according to the principle described in “3.19 Impairment of long-term assets” in this note, and make the accounting treatment for the identified impairment losses.

3.29.1.2 Lease liabilities

As at the beginning of the lease period, the Company recognizes the leases other than short-term leases and leases of low-value assets as lease liabilities. Lease liabilities are initially measured at the present value of the lease payments that have not been paid. Lease payments include:

- for fixed payments (including substantial fixed payments), if there is any lease incentive, the relevant amount of the lease incentive shall be deducted;
- variable lease payments depending on the index or ratio;
- the payments expected to be payable based on the residual value of the guarantee provided by the Company;
- exercise price of purchase option, provided that the Company reasonably determines that it will exercise the option;
- the amount to be paid to exercise the lease termination option, provided that it is reflected that the Company will exercise the lease termination option during the lease period.

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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)**

The Company adopts the implicit rate of lease as the discount rate, but if the implicit rate of lease cannot be reasonably determined, the incremental borrowing rate will be adopted as the discount rate.

The Company calculates the interest expenses of lease liabilities in each lease term based on a fixed periodic interest rate, and includes such expenses into the current profit or loss or the cost of related assets.

The variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the costs of related assets when they actually occur.

After the commencement date of the lease term, under any of the following circumstances, the Company will re-measure the lease liabilities and adjust the corresponding right-of-use assets; if the book value of the right-of-use assets has been reduced to zero and further reduction of lease liabilities is still required, the difference will be included in the current profit or loss:

- In case of any change in the evaluation results of the purchase option, lease renewal option or termination option, or any inconsistency between the actual exercise of the aforesaid options and the original evaluation results, the Company will re-measure lease liabilities according to the present value calculated by the changed lease payments and the revised discount rate;
- In case of any change in the substantial fixed payments, the estimated payable amount based on the residual value of the guarantee, or in the index or ratio used to determine lease payments, the Company will re-measure lease liabilities according to the present value calculated by the changed lease payments and the original discount rate. However, if the change of lease payment is caused by the change of floating interest rate, the revised discount rate is used to calculate the present value.

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For the year ended December 31, 2023

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.29 Lease (Continued)****3.29.1 The Company as lessee (Continued)****3.29.1.3 Short-term leases and leases of low-value assets**

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the relevant lease payments are included in the current profit or loss or the cost of related assets by straight-line method over each period within the lease term. Short-term leases refer to leases that do not exceed 12 months on the commencement date of the lease period and do not include any purchase option. Low-value asset lease refers to the lease of a single lease asset with lower value when it is brand new. The company regards the lease of a single leased asset with a value of no more than RMB35,000.00 as a new asset as a low-value asset lease. For the lease asset subleased by the Company subleases or expected to be subleased, the original lease is not a lease of low-value assets.

3.29.1.4 Lease changes

If the lease changes and the following conditions are met at the same time, the Company will carry out accounting treatment over the lease change as a separate lease:

- where the lease change expands the scope of the lease by adding the right to use one or more leased assets;
- where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

Where the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company will re-distribute the consideration of the contract after the change, re-determine the lease period, and re-measure lease liabilities according to the present value calculated by the changed lease payments and the revised discount rate.

If the lease change causes the lease scope to be reduced or the lease term to be shortened, the Company shall correspondingly reduce the book value of the right-to-use assets, and include the related gains or losses of partial or complete termination of the lease in the current profit or loss. Where other lease changes lead to re-measurement of lease liabilities, the Company will adjust the book value of the right-of-use assets accordingly.

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(Amounts are expressed in RMB unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(CONTINUED)

3.29 Lease (Continued)**3.29.2 The Company as lessor**

Leases of the Company are classified as finance lease and operating lease on the lease commence date. Lease under which almost all the risks and rewards relevant to the ownership of leased assets are materially transferred is recognized as finance lease, regardless of whether the ownership is ultimately transferred. Operating lease refers to the leases other than finance lease. When the Company is a sub-lessor, it classifies the sub-leases based on the right-of-use assets generated by the original lease.

3.29.2.1 Accounting treatment of operating leases

Rental from the operating lease in each stage during the rental period should be recognized as the lease income by the straight-line method. Initial direct costs relating to operating lease incurred by the Company are capitalized, and shall be included in the current profit or loss on the same basis as the recognition of lease income during the lease term. The variable lease payable that is not included in the lease receivable shall be included in the current profit or loss at the time of actual occurrence. In case of any change in the operating lease, the Company will make the accounting treatment for it as a new lease from the effective date of the change, and the amount received in advance or lease receivables before the change will be regarded as the receivables from the new lease.

3.29.2.2 Accounting treatment of finance lease

On the lease commencement date, the Company recognizes finance lease receivables for financing leases and derecognizes finance lease assets. When the Company conducts the initial measurement of finance lease receivables, the net lease investment is adopted as the entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease payments that have not been received at the beginning of the lease term and discounted at the interest rate included in the lease.

The Company calculates and recognizes the interest expenses in each lease term based on a fixed periodic interest rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with "3.9 Financial instruments" herein.

The variable lease payable that is not included in the net lease investment for measurement shall be included in the current profit or loss at the time of actual occurrence.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.29 Lease (Continued)****3.29.2 The Company as lessor (Continued)****3.29.2.2 Accounting treatment of finance lease (Continued)**

If the finance lease changes and the following conditions are met at the same time, the Company will carry out accounting treatments over the change as a separate lease:

- where the change expands the scope of the lease by adding the right to use one or more leased assets;
- where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

Where the change of finance lease is not accounted for as a separate lease, the Company will treat the changed lease according to the following circumstances:

- If the change comes into effect on the lease commencement date, the lease will be classified as an operating lease. The Company will start making accounting treatment for it as a new lease from the effective date of the lease change, and regard the net lease investment before the effective date of the lease change as the book value of the leased assets;
- If the change comes into effect on the lease commencement date, the lease will be classified as a finance lease, and the Company will conduct accounting treatment according to the policy on modifying or renegotiating the contract in "3.9 Financial instruments" of this note.

3.29.3 Sale-and-leaseback deals

The Company evaluates and determines whether the transfer of assets in the sale-and-leaseback transaction is a sale in accordance with the principles described in "3.25 Revenue herein.

(1) As the lessee

If the asset transfer in the sale-leaseback transaction belongs to sales, the Company as the lessee measures the right-of-use asset formed by the sale-leaseback according to the part related to the use-right obtained from the leaseback in the original book value of assets, and only recognizes the relevant gains and losses only for the rights transferred to the lessor.

If the asset transfer in the sale-and-leaseback transaction does not belong to the sale, the Company, as the lessee, continues to confirm the transferred assets and recognizes a financial liability equivalent to the transfer income. Please refer to Note 3.9 financial instruments for the accounting treatment for financial liabilities.

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For the year ended December 31, 2023
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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.29 Lease (Continued)****3.29.3 Sale-and-leaseback deals (Continued)****(2) As the lessor**

If the asset transfer in the sale-leaseback transaction belongs to sales, the Company, as the lessor, will make accounting treatment for the purchased assets, and for the asset lease according to the aforesaid policy in "2. The Company as the lessor"; If the asset transfer in the sale-and-leaseback transaction does not belong to the sale, the Company, as the lessor, will not confirm the transferred assets but recognizes a financial asset equivalent to the transfer income. Please refer to Note 3.9 Financial instruments for the accounting treatment for financial assets.

3.30 Debt restructuring**3.30.1 The company as a creditor**

The Company terminates the recognition of claims when the contractual right to collect cash flows from the claims terminates. If debt is restructured by settling debts with assets or converting debts into equity instruments, the company will recognize the relevant assets when they meet their definition and recognition conditions.

If debt restructuring is carried out by repaying debts with assets, the transferred non-financial assets shall be measured at cost when the company initially recognizes them. The cost of inventory includes the fair value of the relinquished claims and other costs directly attributable to the asset such as taxes, transportation fees, loading and unloading fees, insurance premiums and other costs incurred to bring the asset to its current location and condition. The cost of an investment in an associate or joint venture includes the fair value of the relinquished claims and other costs such as taxes directly attributable to the asset. The cost of investment real estate includes the fair value of the relinquished claims and other costs such as taxes that are directly attributable to the asset. The cost of a fixed asset includes the fair value of the relinquished claim and other costs directly attributable to the asset such as taxes, transportation fees, loading and unloading fees, installation fees, professional service fees and other costs incurred before the asset reaches its intended usable condition. The cost of biological assets includes the fair value of the relinquished claims and other costs such as taxes, transportation fees, and insurance premiums that are directly attributable to the assets. The cost of intangible assets includes the fair value of the relinquished claims and other costs that are directly attributable to taxes and other costs incurred in bringing the asset to its intended use. If the debt restructuring by converting debt into equity instruments results in the creditor converting its claim into an equity investment in an associate or joint venture, the company shall measure it based on the fair value of the relinquished claim and taxes and other costs directly attributable to the asset. its initial investment cost. The difference between the fair value and the book value of the relinquished claims is included in the current profit and loss.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.30 Debt restructuring (Continued)****3.30.1 The company as a creditor (Continued)**

If debt restructuring is carried out by modifying other terms, the company shall confirm and measure the restructured claims in accordance with Note 3.9 Financial Instruments.

If multiple assets are used to repay debts or a combination is used to restructure debt, the company will first confirm and measure the transferred financial assets and restructured claims in accordance with Note 3.9 Financial Instruments, and then use The fair value ratio of each asset is divided into the net amount after deducting the confirmed amount of transferred financial assets and restructured claims from the fair value of the relinquished claims, and based on this, the cost of each asset is determined according to the aforementioned method. The difference between the fair value of the relinquished claim and its book value shall be included in the current profit and loss.

3.30.1 The company as the debtor

The Company derecognises a debt when its current obligations are discharged.

If debt reorganization is carried out by repaying debts with assets, the company will terminate the recognition when the relevant assets and the debts paid off meet the conditions for derecognition, and the difference between the book value of the debts paid off and the book value of the transferred assets shall be included in the current profit and loss.

If the debt is converted into equity instruments for debt restructuring, the company will derecognize the debt when the repaid debt meets the conditions for derecognition. When the company initially recognizes an equity instrument, it is measured based on the fair value of the equity instrument. If the fair value of the equity instrument cannot be reliably measured, it is measured based on the fair value of the debt repaid. The difference between the book value of the debt repaid and the recognized amount of the equity instrument shall be included in the current profit and loss.

If debt restructuring is carried out by modifying other terms, the company shall recognize and measure the restructured debt in accordance with Note 3.9 Financial Instruments.

If multiple assets are used to repay debts or a combination is used to reorganize debts, the company shall confirm and measure equity instruments and restructured debts in accordance with the aforementioned methods. The book value of the debts repaid shall be the book value of the transferred assets and the confirmed amount of equity instruments and restructured debts. The difference between the sum and the profit and loss shall be included in the current profit and loss.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(CONTINUED)

3.31 Key accounting policies and accounting estimates**3.31.1 Estimated useful life and residual value of property, plant and equipment**

The Group uses the straight-line method to depreciate property, plant and equipment according to their estimated useful life, and adopts a sufficient depreciation rate to offset the amount of their cost minus the accumulated impairment loss and the revaluation amount after the estimated remaining value. The Group reviews the useful lives of fixed assets on a regular basis to ensure that the depreciation method and depreciation rate are in line with the economic benefits of the relevant fixed assets.

The Group's estimation of the useful life of fixed assets is detailed in the "Note 3.15 Fixed Assets", which is based on the historical experience of the Group in using similar assets and takes into account expected technological changes. If there is a significant change in the previous estimate, the future depreciation expense will be adjusted.

3.31.2 Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. When calculating the value in use, management is required to estimate the expected future cash flows from the cash-generating unit and an appropriate discount rate to calculate the present value.

3.31.3 Income tax and deferred tax

The Group pays income tax in Mainland China and other jurisdictions. When determining income tax, significant judgments are required. In the ordinary course of business, the final tax determination involved in some transactions and calculations is uncertain. The Group recognizes liabilities for anticipated tax audit items based on estimates of whether additional taxes will be required. The final tax consequences of such events are different from the amounts originally recorded, and these differences will affect the income tax and deferred tax provisions during the period in which these determinations are made.

3.31.4 Provisions of accounts receivable and contract assets

The Group makes provision for impairment of accounts receivable and contract assets based on the assumptions of default risk and expected loss rate. For details, please refer to "Note 3.9.6 Test method and accounting treatment of impairment of financial assets". On the balance sheet date, the Group judges these assumptions and selects input data for calculating impairment based on the Group's historical records and current market conditions and forward-looking estimates.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.32 Changes in significant accounting policies and accounting estimates and correction of errors****3.32.1 Changes in significant accounting policies**

Implementation of Interpretation of Accounting Standards for Business Enterprises No. 16 Provision "Accounting for deferred income taxes on assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply"

The Ministry of Finance issued *Interpretation of Accounting Standards for Business Enterprises No. 16* (CK (2022) No. 31, hereinafter referred to as "**Interpretation No. 16**") on November 30, 2022, which stipulates that "Accounting for Deferred Income Taxes Associated with Assets and Liabilities Resulting from Individual Transactions to which the Initial Recognition Exemption Does Not Apply" will take effect on January 1, 2023.

Interpretation No. 16 stipulates that for individual transactions that are not business combinations and do not affect either accounting profit or taxable income (or deductible losses) at the time the transaction occurs, and the initial recognition of assets and liabilities results in the creation of taxable temporary differences and deductible temporary differences in equal amounts (including lease transactions in which the lessee initially recognizes a lease liability on the commencement date of the lease term and includes it in the asset for the right of use, and transactions in which an estimated liability is recognized and included in the cost of the relevant asset due to the existence of an abandonment obligation for fixed assets, etc.), the provisions on exemption from initial recognition of deferred income tax liabilities and deferred income tax assets shall not apply. The exemption from initial recognition of deferred tax liabilities and deferred tax assets does not apply to individual transactions (including lease transactions in which the lessee initially recognizes a lease liability and credits it to the right-of-use asset on the commencement date of the lease term, as well as individual transactions in which the lessee recognizes a projected liability and credits it to the cost of the relevant asset due to the existence of an abandonment obligation for a fixed asset, etc.), and the enterprise shall recognize the corresponding Enterprises should recognize the corresponding deferred tax liabilities and deferred tax assets in accordance with the relevant provisions of "ASBE No. 18 — Income Taxes" and other relevant regulations when the transaction occurs.

Enterprises shall make adjustments in accordance with this provision for taxable temporary differences and deductible temporary differences arising from a single transaction to which this provision applies that occurs between the beginning of the earliest period for which the financial statements are presented for the first time and the date of its application, as well as for lease liabilities and right-of-use assets recognized as a result of a single transaction to which this provision applies and for the recognition of projected liabilities related to abandonment obligations and the corresponding assets related thereto that arise between the beginning of the earliest period for which the financial statements are presented for the first time.

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(CONTINUED)

3.32 Changes in significant accounting policies and accounting estimates and correction of errors (Continued)

3.32.1 Changes in significant accounting policies (Continued)

The Company implemented this provision effective January 1, 2023, and the key impacts of implementing this provision are described below:

Contents and reasons of change in accounting policies	Affected reporting items	Amounts of impact on January 1, 2022 balance	
		Consolidation	The parent company
Explanation No. 16	Retained earnings	333,951.42	10,056.70
Explanation No. 16	Surplus reserve	1,117.41	1,117.41
Explanation No. 16	Minority interests	172,372.35	

Contents and reasons of change in accounting policies	Affected financial reporting items	Consolidation		The parent company	
		As at December 31, 2023/ Year 2023	As at December 31, 2023/ Year 2023	As at December 31, 2022/ Year 2022	As at December 31, 2022/ Year 2022
Explanation No. 16	Deferred tax assets	2,160,925.35	1,171,582.07	1,297,183.21	490,341.64
Explanation No. 16	Deferred tax liability	83,512.29	96,965.71		
Explanation No. 16	Surplus reserve	129,718.32	49,034.16	129,718.32	49,034.16
Explanation No. 16	Retained earnings	1,724,336.17	838,969.90	1,167,464.89	441,307.48
Explanation No. 16	Other comprehensive income	6,803.31	-7,833.23		
Explanation No. 16	Income tax expense	-988,151.05	-575,010.98	-806,841.57	-479,167.53
Explanation No. 16	Financial expenses	-9.11	2.57		
Explanation No. 16	Non-controlling interests income	22,109.73	22,073.18		
Explanation No. 16	Non-controlling interests	216,555.26	194,445.53		

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3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(CONTINUED)****3.32 Changes in significant accounting policies and accounting estimates and correction of errors (Continued)****3.32.2 Changes in significant accounting estimates**

The Group has no changes in significant accounting estimates in reporting period.

4 TAXATION**4.1 Major tax types and tax rates**

Tax types	Basis of tax assessment	Tax rates
Value added tax ("VAT")	Tax payable is calculated by VAT output, which is based on the taxable sales amount generated from sales of goods or rendering of service according to tax laws, less deductible VAT input of the current period	See Table 1 as below
Urban maintenance and construction tax	Levied based on the actual VAT	7.00%, 5.00%
Corporate income tax	Levied based on taxable income	See Table 2 as below

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

Company	Tax rate
TravelSky Technology Limited	13%, 9%, 6%
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	13%, 6%
Hunan TravelSky Technology Limited	13%, 6%
Xi'an Civil Aviation Cares Technology Co., Ltd.	13%, 6%, 3%
Hubei Civil Aviation Cares Co., Ltd.	13%, 6%
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	13%, 6%, 3%
Shenzhen Civil Aviation Cares Co., Ltd.	13%, 6%
Shanghai TravelSky Technology Limited	6%
Xiamen Civil Aviation Cares Co., Ltd.	13%, 6%
Qingdao Civil Aviation Cares Co., Ltd.	13%, 9%, 6%
Yunnan Civil Aviation Cares Information Co., Ltd.	13%, 6%
Hainan Civil Aviation Cares Co., Ltd.	13%, 6%
Guangzhou TravelSky Technology Ltd.	13%, 6%, 5%
China Aviation Accounting Co., Ltd.	13%, 6%
Beijing Yake Technology Development Co., Ltd.	6%
Infosky Information Technology Co., Ltd.	13%, 6%
TravelSky Cares (Beijing) Real Estate Co., Ltd.	13%, 6%
Beijing TravelSky Travel Agency Co., Ltd.	13%, 6%
Travelsky Yunzhi Technology (Beijing) Co., Ltd.	13%, 6%
Inner Mongolia TravelSky Technology Limited	13%, 6%
Zhejiang TravelSky Technology Limited	13%, 6%
Henan TravelSky Technology Limited	13%, 6%
Beijing TravelSky Technology Limited	13%, 6%
Guangzhou Skyecho Information Technology Co., Ltd.	13%, 6%
TravelSky Digital Intelligence Technology (Beijing) Co., Ltd.	6%
TravelSky Technology International Limited	Not Applicable
TravelSky Technology Singapore Pte. Ltd.	Not Applicable
TravelSky Technology Europe GmbH	19%
OpenJaw Technologies Limited	23%

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4 TAXATION (CONTINUED)**4.1 Major tax types and tax rates (Continued)****4.1.2 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%
Xi'an Civil Aviation Cares Technology Co., Ltd. (Remark 2)	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%
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.	25%
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 Technology Limited (Remark 1)	15%
Guangzhou Skyecho Information Technology Co., Ltd. (Remark 3)	20%
TravelSky Digital Intelligence Technology (Beijing) Co., Ltd. (Remark 3)	20%
Inner Mongolia TravelSky Technology Limited (Remark 3)	20%
TravelSky Technology International Limited	16.50%
TravelSky Technology Singapore Pte. Ltd.	17%
TravelSky Technology Europe GmbH	15%
OpenJaw Technologies Limited	12.50%

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(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, enterprise income tax rates adopted by the Company and its subsidiaries are as below: (Continued)**

- Remark 1: TravelSky Technology Limited, 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., 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. and Xi'an Civil Aviation Cares 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: According to the "Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementing Preferential Income Tax Policies for Small and Micro Enterprises" (Announcement No. 13 of 2022) and the "Announcement of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households" (Announcement No. 13 of 2023) No. 6) stipulates that from January 1, 2023 to December 31, 2024, for the annual taxable income of small and low-profit enterprises not exceeding RMB3 million, a reduced rate of 25% will be included in the taxable income. Corporate income tax is paid at a rate of 20%. In this issue, since the taxable income of Shanghai TravelSky Technology Limited, TravelSky Cares (Beijing) Real Estate Co., Ltd., Guangzhou Skyecho Information Technology Co., Ltd. and TravelSky Digital Intelligence Technology (Beijing) Co., Ltd. does not exceed RMB3 million, a 25% reduction is applicable and is included in the taxable income, and the corporate income tax is paid at a tax rate of 20%, with an actual tax burden of 5%.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

4 TAXATION (CONTINUED)

4.2 Tax incentives

4.2.1 Additional deduction of VAT input

According to the Ministry of Finance and the State Administration of Taxation Announcement No. 1 of 2023 “Announcement of the State Administration of Taxation of the Ministry of Finance on Clarifying Policies for VAT Reduction and Exemption for Small-scale VAT Taxpayers” Article 3: “From January 1, 2023 to December 31, 2023, the value-added tax credit policy is implemented in accordance with the following provisions: (1) Taxpayers in the productive service industry are allowed to offset the tax payable by an additional 5% of the deductible input tax amount in the current period. Taxpayers in the productive service industry refer to Taxpayers whose sales from providing postal services, telecommunications services, modern services, and living services account for more than 50% of the total sales.” The Company applies the policy of super deduction of input tax.

4.2.2 High and New Technology Enterprise

Under the Corporate Income Tax Law of the People’s Republic of China (“**CIT Law**”), in general, the applicable income tax rate of enterprises in the PRC is 25%. Pursuant to relevant requirements, enterprises recognized as “High and New Technology Enterprises” are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a “High and New technology Enterprise” since its establishment and was reviewed to renew the identification of “High and New Technology Enterprise” in accordance with relevant regulatory requirements. The most recent re-identification was completed in November 2023, and the Company has been renewed as a “high-tech enterprise” and confirmed that it will be a “high-tech enterprise” from 2023 to 2025 at a preferential tax rate of 15%.

4.2.3 Key software enterprises

Except that enterprises that have been assessed as high and new technology enterprises may enjoy the preferential income tax rate of 15%, enterprises assessed as key software enterprises within the national planning layout by relevant authorities may further enjoy the preferential tax rate of 10%. According to the 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 current period when it occurs.

In the year of 2023, the Company has submitted an application for a 10% preferential tax rate for key software enterprises to relevant authorities.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**5.1 Cash and cash equivalents**

Item	As at December 31, 2023	As at December 31, 2022
Cash on hand	16,950.85	27,346.58
Digital currency	1,321,820.12	2,000,912.23
Cash at bank	7,304,225,950.72	7,481,246,261.69
Other cash and cash equivalents	61,989,731.68	94,127,187.55
Deposit of financial company money		
Total	7,367,554,453.37	7,577,401,708.05
Including: The total amount deposited abroad	224,732,324.73	250,611,660.83
Money deposited abroad and with restrictions on fund repatriation		

5.2 Financial assets held for trading

Item	As at December 31, 2023	As at December 31, 2022
Financial assets measured at fair value through the current profit or loss	3,504,856,849.32	3,311,565,068.49
Including: Debt instrument investments	3,504,856,849.32	3,311,565,068.49
Total	3,504,856,849.32	3,311,565,068.49

5.3 Notes receivable**5.3.1 Breakdown of the notes receivable**

Item	As at December 31, 2023	As at December 31, 2022
Bank acceptance bills	120,521,325.41	219,726,171.60
Commercial acceptance bills	108,643,612.44	
Less: Provision for bad debts	9,386,642.56	
Total	219,778,295.29	219,726,171.60

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

**5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)****5.3 Notes receivable (Continued)****5.3.2 Disclosure of notes receivable under the methods of provision for bad debts by category**

Category	As at December 31, 2023					As at December 31, 2022				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for bad debts accrued on an individual basis										
Provision for bad debts on portfolio basis of credit risk characteristics	229,164,937.85	100.00	9,386,642.56	4.10	219,778,295.29	219,726,171.60	100.00			219,726,171.60
Total	229,164,937.85	100.00	9,386,642.56		219,778,295.29	219,726,171.60	100.00			219,726,171.60

Provision for bad debts on portfolio basis of credit risk characteristics:

Provision for bad debts accrued on a portfolio basis:

Name	As at December 31, 2023		
	Notes receivable	Provision for bad debts	Proportion of provision (%)
Third-parties	229,164,937.85	9,386,642.56	4.10
Total	229,164,937.85	9,386,642.56	

5.3.3 Provision, reversal or recovery of provision for bad debts in 2023

Category	As at	Changes in the current period			As at
	December 31, 2022	Provision	Reversal or recovery	Write-off or charge-off	December 31, 2023
Third-parties		9,386,642.56			9,386,642.56
Total		9,386,642.56			9,386,642.56

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.3 Notes receivable (Continued)****5.3.4 Notes receivable pledged as at December 31, 2023**

None.

5.3.5 Notes receivable endorsed or discounted but undue as at December 31, 2023

None.

5.3.6 Notes receivable actually written off in the current period

None.

5.4 Accounts receivable**5.4.1 Disclosure of accounts receivable (based on invoice date)**

Aging	As at December 31, 2023	As at December 31, 2022
Within 1 year	3,758,113,464.24	2,544,379,717.15
Including: Subitem within 1 year		
Within 6 months	2,650,364,807.68	1,908,746,823.75
7-12 months	1,107,748,656.56	635,632,893.40
1-2 years	976,939,270.45	1,225,249,217.80
2-3 years	330,305,514.11	467,735,617.60
3-4 years	147,989,677.69	306,125,946.46
4-5 years	126,510,793.40	95,028,259.14
Over 5 years	170,485,619.48	142,239,390.55
Sub-total	5,510,344,339.37	4,780,758,148.70
Less: Provision for bad debts	990,832,363.26	696,351,329.90
Total	4,519,511,976.11	4,084,406,818.80

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

**5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)****5.4 Accounts receivable (Continued)****5.4.2 Disclosure of accounts receivable under the methods of provision for bad debts by category**

Category	As at December 31, 2023					As at December 31, 2022				
	Book balance	Proportion		Provision for bad debts	Book value	Book balance	Proportion		Provision for bad debts	Book value
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Provision for bad debts accrued on an individual basis	811,722,325.66	14.73	558,364,846.35	68.79	253,357,479.31	284,679,098.61	5.95	202,578,861.37	71.16	82,100,237.24
Provision for bad debts on portfolio basis of credit risk characteristics	4,698,622,013.71	85.27	432,467,516.91	9.20	4,266,154,496.80	4,496,079,050.09	94.05	493,772,468.53	10.98	4,002,306,581.56
Total	5,510,344,339.37	100.00	990,832,363.26		4,519,511,976.11	4,780,758,148.70	100.00	696,351,329.90		4,084,406,818.80

Provision for bad debts accrued on an individual basis:

Name	As at December 31, 2023				As at December 31, 2022	
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision	Book balance	Provision for bad debts
Customer 1	303,767,389.58	93,033,521.00	30.63	Operation difficulty	87,121,387.46	18,278,228.04
Customer 2	183,048,986.24	183,048,986.24	100.00	Recovery is at risk for Long overdues		
Customer 3	147,687,647.49	142,872,847.14	96.74	Operation difficulty	133,772,994.22	132,181,606.60
Customer 4	71,400,071.04	65,788,881.34	92.14	Poor financial situation, involved in lawsuits		
Customer 5	21,321,355.08	4,968,989.70	23.31	Poor financial situation	4,905,500.00	4,073,571.62
Customer 6	20,047,782.79	20,047,782.79	100.00	Company closed	19,762,397.23	19,762,397.23
Customer 7	11,621,216.32	11,621,216.32	100.00	Company bankrupt	9,222,317.00	9,222,317.00
Customer 8	5,299,233.38	5,299,233.38	100.00	Poor financial situation	7,950,333.40	85,072.97
Other customers	47,528,643.74	31,683,388.44	66.66		21,944,169.30	18,975,667.91
Total	811,722,325.66	558,364,846.35			284,679,098.61	202,578,861.37

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.4 Accounts receivable (Continued)****5.4.2 Disclosure of accounts receivable under the methods of provision for bad debts by category (Continued)**

Provision for bad debts on portfolio basis of credit risk characteristics:

Item accrued on a portfolio basis:

Name	As at December 31, 2023		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from third-parties	1,895,611,965.52	432,467,516.91	22.81
Accounts receivable from related parties	2,803,010,048.19		
Total	4,698,622,013.71	432,467,516.91	

5.4.3 Provision, reversal or recovery of provision for bad debts in 2023

Category	As at December 31, 2022	Changes in the current period				As at December 31, 2023
		Provision	Reversal or recovery	Write-off or charge off	Other changes	
Provision for bad debts accrued on an individual basis	202,578,861.37	355,699,870.15	57,505.05	2,785,200.59	2,928,820.47	558,364,846.35
Provision for bad debts accrued on a portfolio basis	493,772,468.53	-61,113,380.21		238,313.07	46,741.66	432,467,516.91
Total	696,351,329.90	294,586,489.94	57,505.05	3,023,513.66	2,975,562.13	990,832,363.26

5.4.4 Accounts receivable actually charged off in 2023

Item	Amount write off
Accounts receivable actually write off	3,023,513.66

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.4 Accounts receivable (Continued)****5.4.5 Top five of accounts receivable as at December 31, 2023, presented by debtors**

The sum amount of top five of accounts receivable and contract assets presented by debtors is RMB2,337,928,264.62, accounting for 42.14% of the ending balance of accounts receivable and contract assets, and the corresponding ending balance of provision for bad debts is RMB231,236,504.53.

5.5 Advances to suppliers**5.5.1 Presentation of advances to suppliers by aging**

Aging	As at December 31, 2023		As at December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	105,870,577.30	78.26	126,934,368.62	67.76
1 to 2 years	11,867,250.02	8.77	29,963,611.20	16.00
2 to 3 years	4,681,454.56	3.46	16,752,295.15	8.94
Over 3 years	12,868,218.79	9.51	13,674,889.90	7.30
Sub-total	135,287,500.67	100.00	187,325,164.87	100.00
Less: Provision for bad debts	3,562,755.57		2,754,505.57	
Total	131,724,745.10	100.00	184,570,659.30	100.00

5.5.2 Top five of advances to suppliers as at December 31, 2023, presented by prepaid objects

The sum amount of top five advances to suppliers presented based on the concentration ratio of prepaid objects amounted to RMB73,081,934.48, accounting for 55.49% of total ending balance of advances to suppliers.

5.6 Other receivables

Item	As at December 31, 2023	As at December 31, 2022
Interest receivable		
Dividends receivable	56,000.00	2,900,000.00
Other receivables	1,967,278,228.40	1,098,450,764.85
Total	1,967,334,228.40	1,101,350,764.85

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5.6 Other receivables (Continued)

5.6.1 Dividends receivable

Details of dividends receivable

Item (or investee)	As at December 31, 2023	As at December 31, 2022
Yantai TravelSky Airport Network Co., Ltd	56,000.00	
Heilongjiang TravelSky Airport Network Co., Ltd		1,500,000.00
Guangzhou Skyecho Information Technology Co., Ltd.		1,400,000.00
Sub-total	56,000.00	2,900,000.00
Less: Provision for bad debts		
Total	56,000.00	2,900,000.00

5.6.2 Other receivables

(1) Disclosure by aging

Aging	As at December 31, 2023	As at December 31, 2022
Within 1 year	1,896,783,993.08	1,036,647,819.61
Including: subitem within 1 year		
Within 6 months	1,888,894,891.87	1,021,826,690.20
7-12 months	7,889,101.21	14,821,129.41
1-2 years	18,305,772.32	27,945,258.52
2-3 years	27,004,333.35	14,980,727.03
3-4 years	9,657,274.97	11,028,689.26
4-5 years	8,334,155.88	1,496,128.05
Over 5 years	7,849,060.46	6,459,529.65
Sub-total	1,967,934,590.06	1,098,558,152.12
Less: Provision for bad debts	656,361.66	107,387.27
Total	1,967,278,228.40	1,098,450,764.85

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.6 Other receivables (Continued)****5.6.2 Other receivables (Continued)****(2) Disclosure of other receivables under the methods of provision for bad debts by category**

Category	As at December 31, 2023					As at December 31, 2022				
	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	731,965.85	0.04	548,974.39	75.00	182,991.46					
Provision for bad debts on portfolio basis of credit risk characteristics	1,967,202,624.21	99.96	107,387.27	0.01	1,967,095,236.94	1,098,558,152.12	100.00	107,387.27	0.01	1,098,450,764.85
Total	1,967,934,590.06	100.00	656,361.66		1,967,278,228.40	1,098,558,152.12	100.00	107,387.27		1,098,450,764.85

Significant other receivables for which bad debt provision is made on an individual basis:

Name	As at December 31, 2023				As at December 31, 2022	
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision	Book balance	Provision for bad debts
Yunnan Department of Education Teaching Instruments and Equipment Center	731,965.85	548,974.39	75.00	Cannot be withdrawn upon expiration		
Total	731,965.85	548,974.39				

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.6 Other receivables (Continued)****5.6.2 Other receivables (Continued)****(2) Disclosure of other receivables under the methods of provision for bad debts by category (Continued)**

Provision for bad debts on portfolio basis of credit risk characteristics:

Item accrued on a portfolio basis:

Name	As at December 31, 2023		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Third-parties	1,426,735,358.53	107,387.27	0.01
Related-parties	540,467,265.68		
Total	1,967,202,624.21	107,387.27	

(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, 2022		107,387.27		107,387.27
In 2023, balance as at December 31, 2022				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in 2023			548,974.39	548,974.39
Reversal in 2023				
Write-off in 2023				
Charge-off in 2023				
Other changes				
Balance as at December 31, 2023		107,387.27	548,974.39	656,361.66

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.6 Other receivables (Continued)****5.6.2 Other receivables (Continued)****(3) Provision for bad debts (Continued)**

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 losses for the entire duration (no credit impairment)	Phase 3 Expected credit losses for the entire duration (credit impairment)	Total
Provision for bad debts				
Balance as at December 31, 2022	1,098,450,764.85	107,387.27		1,098,558,152.12
In 2023, balance as at December 31, 2022				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Increase in 2023	869,056,844.93		731,965.85	869,788,810.78
Derecognition in 2023				
Other changes	-412,372.84			-412,372.84
Balance as at December 31, 2023	1,967,095,236.94	107,387.27	731,965.85	1,967,934,590.06

(4) Provision, reversal or recovery of provision for bad debts in 2023

Category	As at December 31, 2022	Changes in the current period			As at December 31, 2023
		Provision	Reversal or recovery	Write off or charge off	
Accrued on an individual basis		548,974.39			548,974.39
Accrued on a portfolio basis	107,387.27				107,387.27
Total	107,387.27	548,974.39			656,361.66

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5.6 Other receivables (Continued)**5.6.2 Other receivables (Continued)***(5) Classification of other receivables by the nature of payment*

Nature	As at December 31, 2023	As at December 31, 2022
Various margin, deposit and loan of reserve fund	25,326,971.44	24,720,402.17
Current loan	131,981,901.88	133,962,575.59
Settlement and clearing payments	962,165,267.29	431,050,210.94
Factoring receivables	848,460,449.45	508,824,963.42
Total	1,967,934,590.06	1,098,558,152.12

(6) Top five of other receivable as at December 31, 2023, presented by debtors

The summary amount of top five of other receivables presented by debtors is RMB721,674,755.16, accounting for 36.67% of the total ending balances of other receivables, and the corresponding provision for bad debts has a summary amount of RMB0.00 at the end of the period.

5.7 Inventories**Classification of inventories**

Item	As at December 31, 2023			As at December 31, 2022		
	Book balance	Provision for depreciation/ Impairment of contractual performance costs	Book value	Book balance	Provision for depreciation/ Impairment of contractual performance costs	Book value
Merchandise inventories	78,812,378.20		78,812,378.20	66,436,571.18		66,436,571.18
Contract performance cost	7,128,900.45		7,128,900.45	15,075,624.82		15,075,624.82
Total	85,941,278.65		85,941,278.65	81,512,196.00		81,512,196.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.8 Contract assets****5.8.1 Contract assets**

Item	As at December 31, 2023			As at December 31, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
System integration service contracts	37,512,917.95	4,643,369.87	32,869,548.08	66,539,658.62	6,239,454.93	60,300,203.69
Total	37,512,917.95	4,643,369.87	32,869,548.08	66,539,658.62	6,239,454.93	60,300,203.69

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 service contracts	-27,430,655.61	Contract assets recognized at the beginning of the year are transferred to accounts receivable
Total	-27,430,655.61	

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

Category	As at December 31, 2023					As at December 31, 2022				
	Book balance	Provision for bad debts		Book value	Book value	Book balance	Provision for bad debts		Book value	
Amount	Proportion (%)	Amount	Proportion of provision (%)			Amount	Proportion (%)	Amount		Proportion of provision (%)
Provision for impairment accrued on an individual basis	700,045.00	1.87	113,376.00	16.20	586,669.00	27,208.80	0.04	27,208.80	100.00	
Provision for impairment loss on portfolio basis of credit risk characteristics	36,812,872.95	98.13	4,529,993.87	12.31	32,282,879.08	66,512,449.82	99.96	6,212,246.13	9.34	60,300,203.69
Total	37,512,917.95	100.00	4,643,369.87		32,869,548.08	66,539,658.62	100.00	6,239,454.93		60,300,203.69

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.8 Contract assets (Continued)****5.8.3 Classification disclosure of contract assets under method of provision for impairment (Continued)**

Provision for impairment accrued on an individual basis:

Name	Balance as at December 31, 2023			Reasons for accrual
	Contract assets	Provision for impairment	Proportion of provision (%)	
Customer A	378,000.00	106,437.45	28.16	Calculated based on the discounted cash flow of customers' repayment
Customer B	320,915.00	5,808.55	1.81	Recovery is at risk
Customer C	1,130.00	1,130.00	100.00	Cannot be recovered for more than 5 years
Total	700,045.00	113,376.00		

Provision for impairment loss on portfolio basis of credit risk characteristics:

Item accrued on a portfolio basis:

Name	Balance as at December 31, 2023		
	Contract assets	Provision for impairment	Proportion of provision (%)
Third-parties	31,304,876.84	4,529,993.87	14.47
Related-parties	5,507,996.11		
Total	36,812,872.95	4,529,993.87	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

**5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)****5.8 Contract assets (Continued)****5.8.4 Provision for impairment of contract assets in 2023**

Item	Balance as at December 31, 2022	2023			Balance as at December 31, 2023
		Provision in 2023	Reversal in 2023	Write-off/ charge-off in 2023	
System integration service contracts	6,239,454.93	-1,570,006.26	26,078.80		4,643,369.87
Total	6,239,454.93	-1,570,006.26	26,078.80		4,643,369.87

5.9 Non-current assets maturing within one year

Item	As at December 31, 2023	As at December 31, 2022
Time deposits and interest due within one year	107,231,444.45	30,208,916.66
Total	107,231,444.45	30,208,916.66

Note: The time deposits are RMB time deposit certificates held by China Minsheng Bank Co., Ltd. and Bank of Communications Co., Ltd., of which: the principal of China Minsheng Bank Co., Ltd. is RMB60,000,000.00, the annual interest rate of the certificate of deposit is 2.30-3.55%, and the term is 455-1,097 days, cannot be canceled before expiration; the principal of Bank of Communications Co., Ltd. is RMB40,000,000.00. The annual interest rate of the certificate of deposit is 3.55%. The term is 1097 days and cannot be canceled before maturity.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5.10 Other current assets

Item	As at December 31, 2023	As at December 31, 2022
Time deposits and interest	50,392,277.77	
Input VAT to be offset	130,778,954.49	116,239,613.31
Prepaid taxes	8,230,990.12	11,649,503.76
Total	189,402,222.38	127,889,117.07

Note: The time deposits are RMB time deposit certificates of more than three months held by China Minsheng Banking Co., Ltd. and Bank of Communications Co., Ltd., of which: the principal of China Minsheng Banking Co., Ltd. is RMB30,000,000.00, and the annual interest rate of the certificate of deposit is 2.10%. The period is 365 days and cannot be canceled before expiration; the principal of Bank of Communications Co., Ltd. is RMB20,000,000.00. The annual interest rate of the certificate of deposit is 2.20%. The term is 365 days and cannot be canceled before maturity.

5.11 Long-term equity investments

Investees	As at December 31, 2022	Balance of provision for impairment as at December 31, 2022	Increase/decrease in 2023					Others	Balance of provision for impairment as at December 31, 2023
			Increase in investments	Decrease in investments	Gain/loss on investments recognized under equity method	Adjustment to other comprehensive income	Cash dividends or profits declared to be distributed		
1. Joint ventures									
Heilongjiang TravelSky Airport Network Co., Ltd.	21,153,676.19				2,323,261.80			750,000.00	22,726,937.99
Dalian TravelSky Airport Network LLC	26,239,388.97				2,415,792.28				28,655,181.25
Hebei TravelSky Airport Network Co., Ltd.	13,605,408.46				925,724.23				14,531,132.69
Shanghai Dongmei Online Travel Agency Co., Ltd.					12,966.80				12,966.80
Xinjiang TravelSky E-surfing Science and Technology Co., Ltd.	13,510,938.86				6,886,631.82				20,397,570.68
Sub-total	74,509,412.48				12,564,376.93			750,000.00	86,323,789.41
2. Associates									
Beijing TravelSky Birun Technology Co., Ltd.	48,927,879.15				5,691,459.24				54,619,338.39
TravelSky Mobile Technology Limited	226,083,902.11				-24,080,792.32				202,003,109.79
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	89,942,511.54				1,955,216.88	3,406,510.44		738,000.00	94,586,238.86
Shenyang Civil Aviation Northeast Cares Co., Ltd.	134,860,642.81				15,502,622.49				150,363,265.30
Chengdu Civil Aviation Southwest Cares Co., Ltd.	81,336,272.50				6,639,198.25				87,975,470.75
Yunnan TravelSky Airport Network Co., Ltd.	46,033,697.59				5,503,734.84				51,537,432.43
Guangzhou Skyecho Information Technology Co., Ltd.	6,617,338.37				1,520,744.49			1,000,000.00	7,138,082.86
Yantai TravelSky Airport Network Co., Ltd.	7,364,025.90				50,565.51			172,000.00	7,242,591.41
Sub-total	641,186,269.97				12,782,749.38	3,406,510.44		1,910,000.00	655,465,529.79
Total	715,695,682.45				25,347,126.31	3,406,510.44		2,660,000.00	741,789,319.20

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.12 Investments in other equity instruments****Details of other equity instrument investments**

Items	As at December 31, 2023	As at December 31, 2022	Profit recognized in other comprehensive income for the period	Loss charged to other comprehensive income for the period	Accumulated profit in other comprehensive income at the end of the period	Accumulated losses in other comprehensive income at the end of the period	Dividend income recognized during the period	Reasons for designation as at fair value through other comprehensive income
China Merchants RenHe Life Insurance Company Limited	830,473,800.00	835,827,400.00		5,353,600.00		44,526,200.00		Investment held by the Company for non-trading purposes
Total	830,473,800.00	835,827,400.00		5,353,600.00		44,526,200.00		

5.13 Other non-current financial assets

Item	As at December 31, 2023	As at December 31, 2022
Financial assets measured at fair value through the current profit or loss	786,903,313.48	529,713,729.75
Including: Equity instrument investments	786,903,313.48	529,713,729.75
Total	786,903,313.48	529,713,729.75

Note: Equity instrument investment is the equity of China Mobile Equity Fund (Hebei Xiongan) Partnership (Limited Partnership) held by the Company.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.14 Investment properties****5.14.1 Investment properties measured at cost**

Item	Buildings and constructions	Land use right	Total
1. Original book value			
(1) As at December 31, 2022	142,507,802.11	92,427,128.90	234,934,931.01
(2) Increase in 2023			
(3) Decrease in 2023			
(4) As at December 31, 2023	142,507,802.11	92,427,128.90	234,934,931.01
2. Accumulated depreciation			
(1) As at December 31, 2022	100,350,777.13	31,839,569.18	132,190,346.31
(2) Increase in 2023	6,592,194.36	2,286,856.80	8,879,051.16
- Provision or amortization	6,592,194.36	2,286,856.80	8,879,051.16
(3) Decrease in 2023			
(4) As at December 31, 2023	106,942,971.49	34,126,425.98	141,069,397.47
3. Provision for impairment			
(1) As at December 31, 2022			
(2) Increase in 2023			
(3) Decrease in 2023			
(4) As at December 31, 2023			
4. Book value			
(1) As at December 31, 2023	35,564,830.62	58,300,702.92	93,865,533.54
(2) As at December 31, 2022	42,157,024.98	60,587,559.72	102,744,584.70

5.14.2 Investment properties with pending certificate of title

None.

5.15 Fixed assets**5.15.1 Fixed assets and disposal of fixed assets**

Item	As at December 31, 2023	As at December 31, 2022
Fixed assets	3,192,752,325.85	3,393,131,700.69
Disposal of fixed assets	76,437.45	129,744.41
Total	3,192,828,763.30	3,393,261,445.10

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.15 Fixed assets (Continued)****5.15.2 Breakdown of fixed assets**

Item	Buildings and constructions	Machinery equipment	Motor vehicles	Electronic equipment	Office equipment	Others	Total
1. Original book value							
(1) As at December 31, 2022	3,010,460,609.21	1,670,996,402.48	68,897,448.59	2,346,836,115.17	290,507,343.30	29,455,360.88	7,417,153,279.63
(2) Increase in 2023		8,243,004.86	2,832,589.43	267,541,781.00	15,861,843.96	54,804.34	294,534,023.59
- Purchase		8,243,004.86	2,832,589.43	267,541,781.00	15,776,887.24	139,761.06	294,534,023.59
- Asset class adjustments					84,956.72	-84,956.72	
(3) Decrease in 2023	2,190,810.00		1,732,923.00	41,280,776.12	7,060,433.84	2,614,989.42	54,879,932.38
- Disposal or scrapping			1,732,923.00	41,652,309.50	7,303,672.73	2,632,855.27	53,321,760.50
- Sold in 2023	2,190,810.00						2,190,810.00
- Effect of foreign exchange				-371,533.38	-243,238.89	-17,865.85	-632,638.12
(4) As at December 31, 2023	3,008,269,799.21	1,679,239,407.34	69,997,115.02	2,573,097,120.05	299,308,753.42	26,895,175.80	7,656,807,370.84
2. Accumulated depreciation							
(1) As at December 31, 2022	704,092,358.06	1,115,332,321.38	62,147,105.33	1,883,890,287.14	220,897,837.52	24,384,576.53	4,010,744,485.96
(2) Increase in 2023	116,605,924.28	136,189,453.55	1,807,656.46	205,576,929.40	31,473,685.00	1,519,383.18	493,173,031.87
- Provision	116,605,924.28	136,189,453.55	1,807,656.46	206,750,478.57	30,217,918.79	1,601,600.22	493,173,031.87
- Asset class adjustments				-1,173,549.17	1,255,766.21	-82,217.04	
(3) Decrease in 2023	1,956,638.08		1,680,935.31	40,053,523.05	6,847,403.30	2,537,495.14	53,075,994.88
- Disposal or scrapping			1,680,935.31	40,397,153.42	7,088,961.29	2,553,869.41	51,720,919.43
- Sold in 2023	1,956,638.08						1,956,638.08
- Effect of foreign exchange				-343,630.37	-241,557.99	-16,374.27	-601,562.63
(4) As at December 31, 2023	818,741,644.26	1,251,521,774.93	62,273,826.48	2,049,413,693.49	245,524,119.22	23,366,464.57	4,450,841,522.95
3. Provision for impairment							
(1) As at December 31, 2022		6,322,675.59		6,954,417.39			13,277,092.98
(2) Increase in 2023							
(3) Decrease in 2023				63,570.94			63,570.94
- Disposal or scrapping				63,570.94			63,570.94
(4) As at December 31, 2023		6,322,675.59		6,890,846.45			13,213,522.04
4. Book value							
(1) As at December 31, 2023	2,189,528,154.95	421,394,956.82	7,723,288.54	516,792,580.11	53,784,634.20	3,528,711.23	3,192,752,325.85
(2) As at December 31, 2022	2,306,368,251.15	549,341,405.51	6,750,343.26	455,991,410.64	69,609,505.78	5,070,784.35	3,393,131,700.69

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.15 Fixed assets (Continued)****5.15.3 Details of fixed assets leased under operating lease**

Item	Buildings and constructions	Office equipment	Total
1. Original book value			
(1) As at December 31, 2022	179,379,269.21	5,319,202.87	184,698,472.08
(2) Increase in 2023			
(3) Decrease in 2023			
(4) As at December 31, 2023	179,379,269.21	5,319,202.87	184,698,472.08
2. Accumulated depreciation			
(1) As at December 31, 2022	12,463,888.46	3,319,156.59	15,783,045.05
(2) Increase in 2023	4,324,213.44	1,001,802.71	5,326,016.15
- Provision	4,324,213.44	1,001,802.71	5,326,016.15
(3) Decrease in 2023			
(4) As at December 31, 2023	16,788,101.90	4,320,959.30	21,109,061.20
3. Provision for impairment			
(1) As at December 31, 2022			
(2) Increase in 2023			
(3) Decrease in 2023			
(4) As at December 31, 2023			
4. Book value			
(1) As at December 31, 2023	162,591,167.31	998,243.57	163,589,410.88
(2) As at December 31, 2022	166,915,380.75	2,000,046.28	168,915,427.03

5.15.4 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	1,794,038,808.71	Procedure not completed

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.15 Fixed assets (Continued)****5.15.5 Disposal of fixed assets**

Item	As at December 31, 2023	As at December 31, 2022
Scrapping of fixed assets to be approved	76,437.45	129,744.41
Total	76,437.45	129,744.41

5.16 Construction in progress**5.16.1 Construction in progress and project materials**

Item	As at December 31, 2023			As at December 31, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	20,897,853.51		20,897,853.51	39,949,545.68		39,949,545.68
Project materials						
Total	20,897,853.51		20,897,853.51	39,949,545.68		39,949,545.68

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.16 Construction in progress (Continued)****5.16.2 Breakdown of construction in progress**

Item	As at December 31, 2023			As at December 31, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
China Aviation Information Technology Industrial Park Construction Project (Phase II)	9,813,270.39		9,813,270.39	39,949,545.68		39,949,545.68
(Yuzhuang) Second Road Electricity Project	11,084,583.12		11,084,583.12			
Total	20,897,853.51		20,897,853.51	39,949,545.68		39,949,545.68

5.16.3 Changes in major items of construction in progress in 2023

Items	Budget	As at December 31, 2022	Increase in 2023	Transfer into fixed assets in 2023	Other decreases in 2023	As at December 31, 2023	Proportion of the project's cumulative investment in the budget (%)	Project progress	Cumulative amount of interest capitalization	Of which: the amount of interest capitalized in the current period	Current interest capitalization rate (%)	Sources of funds
China Aviation Information Technology Industrial Park Construction Project (Phase II)		39,949,545.68	4,968,516.14		35,104,791.43	9,813,270.39	1.05	1.05				Own capital
(Yuzhuang) Second Road Electricity Project	44,290,000.00		11,084,583.12			11,084,583.12	25.03	25.03				Own capital
Total			16,053,099.26		35,104,791.43	20,897,853.51						

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.17 Right-of-use assets**

Items	Buildings and constructions	Others	Total
1. Original book value			
(1) As at December 31, 2022	255,775,182.77	220,126.73	255,995,309.50
(2) Increase in 2023	91,699,504.78		91,699,504.78
- New lease	91,526,378.01		91,526,378.01
- Re-evaluation adjustment	173,126.77		173,126.77
(3) Decrease in 2023	11,103,323.97	184,510.72	11,287,834.69
- Expiration of lease	7,650,085.95	184,510.72	7,834,596.67
- Effect of foreign exchange	-1,646,411.62		-1,646,411.62
- Re-evaluation adjustment	4,821,773.74		4,821,773.74
- Early termination	277,875.90		277,875.90
(4) As at December 31, 2023	336,371,363.58	35,616.01	336,406,979.59
2. Accumulated depreciation			
(1) As at December 31, 2022	86,923,796.38	75,216.94	86,999,013.32
(2) Increase in 2023	109,643,151.76	137,489.97	109,780,641.73
- Provision	107,641,185.99	137,489.97	107,778,675.96
- Re-evaluation adjustment	2,001,965.77		2,001,965.77
(3) Decrease in 2023	8,387,742.33	184,510.72	8,572,253.05
- Expiration of lease	7,518,893.21	184,510.72	7,703,403.93
- Effect of foreign exchange	-1,057,607.80		-1,057,607.80
- Re-evaluation adjustment	1,774,805.77		1,774,805.77
- Early termination	151,651.15		151,651.15
(4) As at December 31, 2023	188,179,205.81	28,196.19	188,207,402.00
3. Provision for impairment			
(1) As at December 31, 2022	2,153,517.57		2,153,517.57
(2) Increase in 2023			
(3) Decrease in 2023	-126,578.52		-126,578.52
- Effect of foreign exchange	-126,578.52		-126,578.52
(4) As at December 31, 2023	2,280,096.09		2,280,096.09
4. Book value			
(1) As at December 31, 2023	145,912,061.68	7,419.82	145,919,481.50
(2) As at December 31, 2022	166,697,868.82	144,909.79	166,842,778.61

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.18 Intangible assets****5.18.1 Breakdown of intangible assets**

Items	Land use rights	Patents	Non-patented technology	Software	Total
1. Original book value					
(1) As at December 31, 2022	2,026,569,129.00	1,125,608.94	58,256,439.64	2,199,637,852.60	4,285,589,030.18
(2) Increase in 2023	35,000,000.00	64,142.38	10,144,037.78	1,058,280,048.00	1,103,488,228.16
- Purchase	35,000,000.00	64,142.38	3,000,698.29	274,667,021.71	312,731,862.38
- Internal R&D			7,143,339.49	783,613,026.29	790,756,365.78
(3) Decrease in 2023				16,610,766.54	16,610,766.54
- Disposal				20,850,527.52	20,850,527.52
- Lapsed and derecognized portion				60,000.00	60,000.00
- Effect of foreign exchange				-4,299,760.98	-4,299,760.98
(4) As at December 31, 2023	2,061,569,129.00	1,189,751.32	68,400,477.42	3,241,307,134.06	5,372,466,491.80
2. Accumulated depreciation					
(1) As at December 31, 2022	647,789,645.26	111,484.00	47,541,722.52	1,851,994,286.23	2,547,437,138.01
(2) Increase in 2023	50,891,460.47	113,630.00	5,650,307.76	340,162,291.78	396,817,690.01
- Provision	50,891,460.47	113,630.00	5,650,307.76	340,162,291.78	396,817,690.01
(3) Decrease in 2023				18,925,022.71	18,925,022.71
- Disposal				20,850,527.52	20,850,527.52
- Lapsed and derecognized portion				60,000.00	60,000.00
- Effect of foreign exchange				-1,985,504.81	-1,985,504.81
(4) As at December 31, 2023	698,681,105.73	225,114.00	53,192,030.28	2,173,291,555.30	2,925,389,805.31
3. Provision for impairment					
(1) As at December 31, 2022					
(2) Increase in 2023					
(3) Decrease in 2023					
(4) As at December 31, 2023					
4. Book value					
(1) As at December 31, 2023	1,362,888,023.27	964,637.32	15,208,447.14	1,068,075,578.76	2,447,136,686.49
(2) As at December 31, 2022	1,378,779,483.74	1,014,124.94	10,714,717.12	347,643,566.37	1,738,151,892.17

Intangible assets formed through in-house research and development accounted for 14.72% of the intangible asset balance at the end of the period.

5.18.2 Intellectual property with uncertain useful lives

None.

NOTES TO FINANCIAL STATEMENTS

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.19 Goodwill****Changes in goodwill**

Name of the investee or matters forming goodwill	As at December 31, 2022	Increase in 2023		Decrease in 2023		As at December 31, 2023
		Formed from the business combination		Disposal	Others	
Original book value						
Guangzhou Skyecho Information Technology Limited	260,400.76					260,400.76
OpenJaw Technologies Limited	152,334,357.62					152,334,357.62
Sub-total	152,594,758.38					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	260,400.76					260,400.76

5.20 Long-term deferred expenses

Item	As at December 31, 2022	Increase in 2023	Amortization in 2023	Other decreases	As at
					December 31, 2023
Various types of renovation and transformation works	5,457,759.52	1,041,121.30	2,175,513.14		4,323,367.68
Total	5,457,759.52	1,041,121.30	2,175,513.14		4,323,367.68

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5.21 Deferred tax assets and deferred tax liabilities**5.21.1 Deferred tax assets before offset**

Item	As at December 31, 2023		As at December 31, 2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	972,313,450.49	146,529,416.97	686,062,176.64	103,016,040.73
Employee compensation payable accrued more than actually paid	148,392,851.11	22,258,927.67	166,904,361.60	25,035,654.24
Amortization of intangible assets	904,987,192.12	135,749,790.61	783,275,261.90	117,492,257.17
Accrued expenses	1,274,308,625.39	191,146,293.81	923,696,511.94	138,554,108.16
Fixed assets depreciation	183,460.24	30,270.94	203,668.36	33,605.28
Contract liabilities	434,153,064.08	65,122,959.61	359,799,696.33	53,969,954.45
Changes in fair value of financial assets held for trading	42,216,878.06	6,297,891.88	39,172,600.00	5,875,890.00
Temporary differences due to lease liabilities	154,478,997.39	23,250,110.69	173,764,614.62	26,192,270.69
Offset amount	-140,606,170.53	-21,090,925.58	-166,804,590.80	-25,020,688.62
Total	3,790,428,348.35	569,294,736.60	2,966,074,300.59	445,149,092.10

5.21.2 Deferred tax liabilities before offset

Item	As at December 31, 2023		As at December 31, 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of financial instruments held for trading and other non-current financial assets	108,014,269.31	16,202,140.40	39,702,204.75	5,955,330.71
Taxable difference arising from asset evaluation increment	31,479,791.23	7,649,911.62	35,253,161.83	8,509,261.04
Temporary difference arising from accelerated depreciation of fixed assets	36,918,619.89	6,140,442.12	41,009,683.56	6,151,452.53
Amortization of intangible assets	43,994,544.16	5,499,318.02	41,552,206.56	5,194,025.82
Temporary differences due to lease liabilities	140,285,150.24	21,184,352.87	166,401,929.79	25,117,654.33
Offset amount	-140,606,170.53	-21,090,925.58	-166,804,590.80	-25,020,688.62
Total	220,086,204.30	35,585,239.45	157,114,595.69	25,907,035.81

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.21 Deferred tax assets and deferred tax liabilities (Continued)****5.21.3 Details of unrecognized deferred tax assets**

Item	As at December 31, 2023	As at December 31, 2022
Deductible temporary differences		860,022.63
Deductible losses	48,714,491.70	19,089,167.17
Total	48,714,491.70	19,949,189.80

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

Year	As at December 31, 2023	As at December 31, 2022	Remark
2024	13,560,021.46		
2025	945,771.08		
2026	8,901,294.12	3,845,181.67	
2027	2,073,366.07	2,073,366.07	
2028	4,931,070.14	4,931,070.14	
2029	3,144,399.65	3,144,399.65	
2030	2,485,606.98	2,485,606.98	
2031	415,383.77	415,383.77	
2032	2,194,158.89	2,194,158.89	
2033	10,063,419.54		
Total	48,714,491.70	19,089,167.17	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.22 Other non-current assets**

Item	As at December 31, 2023			As at December 31, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Bank deposits beyond one year	514,671,917.81		514,671,917.81	103,885,611.11		103,885,611.11
Total	514,671,917.81		514,671,917.81	103,885,611.11		103,885,611.11

Note: The time deposit is a RMB time deposit certificate held by China Construction Bank. The annual interest rate of the deposit certificate is 3.1%, the term is 1,097 days, and it cannot be canceled before maturity.

5.23 Assets with restricted ownership or use

Item	As at December 31, 2023				As at December 31, 2022			
	Carrying amount	Book value	Type of restriction	Restrictions	Carrying amount	Book value	Type of restriction	Restrictions
Cash and cash equivalents	91,023,178.72	91,023,178.72	Other	Time or call deposits for security, performance bonds, property preservation, access deposits for payments	101,553,365.80	101,553,365.80	Other	Time or call deposits for security, performance bonds, property preservation
Other non-current assets	514,671,917.81	514,671,917.81	Other	Ring-fenced funds and interest thereon				
Total	605,695,096.53	605,695,096.53			101,553,365.80	101,553,365.80		

5.24 Short-term borrowings**5.24.1 Classification of short-term borrowings**

Item	As at December 31, 2023	As at December 31, 2022
Credit borrowings	751,589,902.50	
Total	751,589,902.50	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.24 Short-term borrowings (Continued)****5.24.1 Classification of short-term borrowings (Continued)**

Antu Jinxin Commercial Factoring Co., Ltd., the grandson of the company, borrowed RMB200 million from the Business Department of China CITIC Bank Beijing Branch, of which RMB33.3879 million was borrowed for a period from November 14, 2023 to May 10, 2024; the loan period of RMB16.9662 million is from November 15, 2023 to May 10, 2024; the loan period of RMB34.0926 million is from November 21, 2023 to May 10, 2024; the loan period of RMB98.0000 million is from November 30, 2023 to May 10, 2024; the loan period of RMB14.4643 million is from December 6, 2023 to May 10, 2024; the loan period of RMB3.0891 million is from December 7, 2023 to May 10, 2024, and the borrowing rate was a floating rate.

Antu Jinxin Commercial Factoring Co., Ltd., the grandson of the company, borrowed RMB351.5899 million from the Beijing Shunyi Branch of Bank of Shanghai Co., Ltd., of which RMB31.5899 million was borrowed for a period from December 11, 2023 to March 10, 2024; The loan period of RMB320 million is from December 26, 2023 to March 25, 2024, and the interest rate is a floating interest rate.

Antu Jinxin Commercial Factoring Co., Ltd., the grandson of our company, borrowed RMB200 million yuan from the business department of Shanghai Pudong Development Bank Tianjin Free Trade Zone Branch. The loan period is from December 14, 2023 to June 13, 2024, and the interest rate is Floating rate.

5.24.2 Short-term borrowings that have been due but not paid

None.

5.25 Accounts payable**5.25.1 Presentation of accounts payable (based on invoice dates)**

Item	As at December 31, 2023	As at December 31, 2022
Within 1 year (including 1 year)	1,352,452,862.59	1,239,973,358.98
1-2 years (including 2 years)	490,747,069.40	672,887,352.28
2-3 years (including 3 years)	240,435,788.72	132,786,037.24
Over 3 years	161,923,454.06	137,836,847.30
Total	2,245,559,174.77	2,183,483,595.80

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.25 Accounts payable (Continued)****5.25.2 Significant account payables with aging over one year**

Item	As at December 31, 2023	Reason for no payment or carry-forward
Shanghai CAAC Huadong Kaiya System Integration Co., Ltd.	82,808,074.80	Business is conducted on a continuous rolling basis
Chengdu Civil Aviation Southwest Cares Co., Ltd.	26,017,834.78	Business is conducted on a continuous rolling basis
Chengdu Civil Aviation Southwest Cares Co., Ltd. Guizhou Branch	16,455,629.53	Business is conducted on a continuous rolling basis
Heilongjiang TravelSky Airport Network Co., Ltd.	15,532,742.43	Business is conducted on a continuous rolling basis
Guangzhou North Mechanical & Electrical Development Co.	14,479,200.00	Business is conducted on a continuous rolling basis
Total	155,293,481.54	

5.26 Contract liabilities**5.26.1 Details of contract liabilities**

Item	As at December 31, 2023	As at December 31, 2022
System integration service contract	890,290,731.73	614,311,797.11
Total	890,290,731.73	614,311,797.11

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.26 Contract liabilities (Continued)****5.26.2 Significant contractual liabilities aged over one year**

Item	As at December 31, 2023	Reasons for non-reimbursement or carry-over
China Eastern Airlines Corporation Limited	93,784,195.97	Performance obligations not yet completed
Air China Limited	72,317,028.14	Performance obligations not yet completed
China Southern Airlines Company Limited	62,858,608.44	Performance obligations not yet completed
Sichuan Airlines Co., Ltd.	41,007,459.01	Performance obligations not yet completed
Total	269,967,291.56	

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

Item	Changed amount	Reason for change
System integration service contract	275,978,934.62	Increase in unfinished business for the year
Total	275,978,934.62	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.27 Employee compensation payable****5.27.1 Presentation of employee benefits payable**

Item	As at December 31, 2022	Increase in 2023	Decrease in 2023	As at December 31, 2023
Short-term compensation	193,553,105.60	2,031,571,603.01	2,004,524,528.19	220,600,180.42
Post-employment benefits				
— defined contribution plans	22,686,640.28	287,239,048.48	295,468,323.12	14,457,365.64
Dismissal benefits		1,281,417.93	1,241,885.69	39,532.24
Other benefits due within one year				
Others	27,654,862.60	-5,894,996.86	16,559,027.65	5,200,838.09
Total	243,894,608.48	2,314,197,072.56	2,317,793,764.65	240,297,916.39

5.27.2 Presentation of short-term compensation

Item	As at December 31, 2022	Increase in 2023	Decrease in 2023	As at December 31, 2023
(1) Salaries, bonuses, allowances and subsidies	113,933,384.76	1,583,499,495.65	1,573,205,637.28	124,227,243.13
(2) Employee welfare		107,316,917.83	107,316,917.83	2,343,057.95
(3) Social insurance premiums	1,898,204.76	148,544,796.31	148,099,943.12	2,343,057.95
Including: medical insurance premium	781,394.26	137,430,889.26	136,959,568.35	1,252,715.17
Work-related injury insurance premium	143,744.79	3,742,536.80	3,763,527.93	122,753.66
Maternity insurance premium	973,065.71	7,293,753.77	7,299,230.36	967,589.12
Other		77,616.48	77,616.48	
(4) Housing provident funds	3,149,260.16	141,949,496.00	142,134,339.48	2,964,416.68
(5) Labor union expenditures and employee education funds	74,572,255.92	50,260,897.22	33,767,690.48	91,065,462.66
(6) Short-term compensated absences				
(7) Short-term profit sharing plan				
(8) Other short-term remuneration				
Total	193,553,105.60	2,031,571,603.01	2,004,524,528.19	220,600,180.42

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.27 Employee compensation payable (Continued)****5.27.3 Presentation of defined contribution plans**

Item	As at December 31, 2022	Increase in 2023	Decrease in 2023	As at December 31, 2023
Basic endowment insurance premium	3,723,977.24	198,386,355.16	199,178,411.79	2,931,920.61
Unemployment insurance premium	-28,930.37	5,935,363.81	6,127,406.84	-220,973.40
Enterprise annuity payment	18,991,593.41	82,917,329.51	90,162,504.49	11,746,418.43
Total	22,686,640.28	287,239,048.48	295,468,323.12	14,457,365.64

5.28 Taxes payable

	As at December 31, 2023	As at December 31, 2022
Taxes and surcharges		
Value-added tax	15,203,893.76	19,891,823.91
Corporate income tax	155,385,237.30	168,975,461.11
Individual income tax	83,887,997.99	66,837,333.18
Urban maintenance and construction tax	4,473,796.18	3,405,407.49
House property tax	1,304,637.49	1,253,923.97
Educational surcharge	3,463,343.01	2,254,537.62
Land use tax	144,183.28	141,938.41
Others	755,814.71	1,229,322.94
Total	264,618,903.72	263,989,748.63

5.29 Other payables

Item	As at December 31, 2023	As at December 31, 2022
Interest payable		
Dividends payable	26,683,436.78	40,832,375.30
Other payables	1,620,721,937.94	1,693,218,125.79
Total	1,647,405,374.72	1,734,050,501.09

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5.29 Other payables (Continued)**5.29.1 Dividends payable**

Item	As at December 31, 2023	As at December 31, 2022
Ordinary share dividends	26,683,436.78	40,832,375.30
Total	26,683,436.78	40,832,375.30

5.29.2 Other payables*(1) Presentation in terms of nature*

Item	As at December 31, 2023	As at December 31, 2022
E-commerce payment business	1,165,956,391.00	1,265,788,620.03
Settlement and clearing business payment	343,392,553.18	305,164,378.98
Current amounts	48,863,736.59	78,928,902.24
Social insurance and provident funds	17,120,953.34	17,562,137.87
Guaranteed deposits and deposits, etc.	45,388,303.83	25,774,086.67
Total	1,620,721,937.94	1,693,218,125.79

(2) Important other payables with aging over one year

Item	As at December 31, 2023	Reasons for non-reimbursement or carry-over
Enterprise Business Online (Beijing) Data Technology Co.	6,698,103.66	Unsettled

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.30 Non-current liabilities maturing within one year**

Item	As at December 31, 2023	As at December 31, 2022
Lease liabilities due within one year	109,423,596.99	74,247,974.88
Total	109,423,596.99	74,247,974.88

5.31 Other current liabilities

Item	As at December 31, 2023	As at December 31, 2022
Output VAT to be carried forward	44,307,925.16	28,718,825.46
Total	44,307,925.16	28,718,825.46

5.32 Long-term borrowings

Item	As at December 31, 2023	As at December 31, 2022
Credit borrowings	200,213,888.89	200,213,888.89
Total	200,213,888.89	200,213,888.89

Note: The newly added loan in this period is the national project fund received by the parent company of the company. According to the requirements of the relevant documents of the State-owned Assets Supervision and Administration Commission of the State Council, it is a credit loan injected into the company in the form of entrusted loan. The loan principal is RMB200,000,000.00, and the loan period is From March 22, 2023 to March 21, 2025, the annual interest rate is 3.50%, interest is paid quarterly, and the principal is repaid in one lump sum.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.33 Lease liabilities**

Item	As at December 31, 2023	As at December 31, 2022
Lease payments	56,446,451.17	109,504,037.38
Less: financing charges unrecognized	5,865,425.87	9,493,012.27
Total	50,581,025.30	100,011,025.11

5.34 Long-term payables

Item	As at December 31, 2023	As at December 31, 2022
Long-term payables		
Special payables	420,237.65	420,237.65
Total	420,237.65	420,237.65

Special payables

Item	As at December 31, 2023	As at December 31, 2022
Item 1	395,709.35	395,709.35
Item 2	24,528.30	24,528.30
Total	420,237.65	420,237.65

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.35 Provisions**

Item	As at December 31, 2022	Increase in 2023	Decrease in 2023	As at December 31, 2023	Forming reason
Payment of business risk reserve	20,000.00			20,000.00	
Total	20,000.00			20,000.00	

Note: Beijing Yake Technology Development Co., Ltd., a subsidiary of the Group, accrues payment business risk reserves according to its internally issued Yakefa "2020" No. 21 "Payment Business Risk Reserve Management Measures". According to the management measures, The company withdraws a risk reserve of RMB5,000.00 every six months, with a maximum limit of RMB20,000.00. The management measures were promulgated in July 2020 and will be implemented from the date of promulgation.

5.36 Deferred income

Item	As at December 31, 2022	Increase in 2023	Decrease in 2023	As at December 31, 2023
Government grants	26,123,865.57	191,000.00	25,093,683.07	1,221,182.50
Total	26,123,865.57	191,000.00	25,093,683.07	1,221,182.50

5.37 Share capital

Item	As at December 31, 2022	Changes in 2023 ("+" for increase and "-" for decrease)				As at December 31, 2023
		New shares issued	Conversion Share of reserves into share	Others	Sub-total	
Total shares	2,926,209,589.00					2,926,209,589.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.38 Capital reserves**

Item	As at		Decrease in 2023	As at December 31, 2023
	December 31, 2022	Increase in 2023		
Capital (share capital) premium	833,156,399.12			833,156,399.12
Other capital reserves	358,881,026.40			358,881,026.40
Total	1,192,037,425.52			1,192,037,425.52

5.39 Other comprehensive income

Item	As at December 31, 2022	Amount before income tax in the current period	2023				As at December 31, 2023
			Less: amount previously included in the other comprehensive income and currently transferred to the profit or loss	Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	
1. Other comprehensive income that cannot be reclassified into profit or loss	-33,296,710.00	-1,947,089.56	-803,040.00	-1,144,049.56		-34,440,759.56	
Including: Other comprehensive income not transferable to profit or loss under the equity method		3,406,510.44		3,406,510.44		3,406,510.44	
Changes in fair value of other equity instrument investments	-33,296,710.00	-5,353,600.00	-803,040.00	-4,550,560.00		-37,847,270.00	
2. Other comprehensive income that will be reclassified into profit or loss	-17,833,688.12	572,712.03	1,537,781.11	-965,069.08		-18,798,757.20	
Including: Translation differences of foreign currency financial statements	-17,833,688.12	572,712.03	1,537,781.11	-965,069.08		-18,798,757.20	
Total of other comprehensive income	-51,130,398.12	-1,374,377.53	1,537,781.11	-803,040.00	-2,109,118.64	-53,239,516.76	

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For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.40 Surplus reserves**

Item	As at		Decrease in 2023	As at December 31, 2023
	December 31, 2022	Increase in 2023		
Statutory surplus reserves	2,210,591,805.73	116,981,122.04		2,327,572,927.77
Discretionary surplus reserves	1,855,356,659.15	38,865,081.58		1,894,221,740.73
Total	4,065,948,464.88	155,846,203.62		4,221,794,668.50

Note: The increase in this period is based on the resolution of the 25th meeting of the seventh board of directors on March 24, 2023 and the resolution of the annual general meeting of shareholders held on June 15, 2023. The discretionary surplus reserve accrued at 10% of the parent company's net profit And the statutory surplus reserve accrued at 10% of the parent company's net profit.

As a result of the retrospective adjustment required by ASBE Explanation No. 16, the surplus reserve at the beginning of the year was affected by RMB49,034.16.

5.41 General risk reserves

Item	As at		Decrease in 2023	As at December 31, 2023
	December 31, 2022	Increase in 2023		
General risk reserves	9,863,800.26	3,397,133.06		13,260,933.32
Total	9,863,800.26	3,397,133.06		13,260,933.32

Note: The general risk reserves are accrued by the subsidiary of the Company Antu Jinxin Commercial Factoring Co., Ltd. from net profit, the amount determined at 1% of the balance of risk assets at the end of the period is deducted from the amount that has been accrued in the book, 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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 (Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.42 Retained earnings**

Item	Year 2023	Year 2022
Retained profit at the end of the previous year before adjustment	11,086,449,688.61	10,701,137,663.18
Total adjustment to retained profit at the beginning of the year (“+” for increase and “-” for decrease)		333,951.42
Retained profit at the beginning of the year after adjustment	11,086,449,688.61	10,701,471,614.60
Plus: Net profit attributable to shareholders of parent company	1,398,952,067.33	627,051,775.42
Less: Withdrawal of statutory surplus reserves	116,981,122.04	38,912,998.33
Withdrawal of discretionary surplus reserves	38,865,081.58	40,040,413.72
Withdraw general risk reserve	3,397,133.06	2,178,761.96
Common stock dividends payable	155,089,108.22	160,941,527.40
Retained profit at the end of the period	12,171,069,311.04	11,086,449,688.61

Details of adjustment to retained profit at the beginning of the year:

As a result of the retrospective adjustment required by ASBE Explanation No. 16, the adjustment to retained profit at the beginning of the year was affected by RMB333,951.43.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.43 Operating income and operating costs****5.43.1 Operating Revenues and Operating Costs**

Item	Year 2023		Year 2022	
	Revenue	Cost	Revenue	Cost
Primary business	6,936,392,941.04	3,302,163,491.89	5,177,501,250.66	3,074,370,827.88
Other business	47,453,919.73	14,355,416.29	32,604,520.43	15,500,118.37
Total	6,983,846,860.77	3,316,518,908.18	5,210,105,771.09	3,089,870,946.25

Details of operating income:

Item	Year 2023	Year 2022
Aviation information technology services	3,850,794,933.58	1,546,646,054.41
Settlement and clearing services	447,324,276.48	294,177,232.78
System integration services	994,304,443.09	1,697,757,303.29
Data network services	390,020,871.21	411,631,340.09
Other income	1,301,402,336.41	1,259,893,840.52
Including: Income from technical services	617,024,589.40	742,735,616.20
Payment business income	225,177,406.69	150,261,373.52
Income from leasing, operation, and maintenance services	215,848,467.32	183,806,865.64
Logistics business income	74,792,204.36	76,432,295.41
Data service income	73,457,046.61	59,663,826.30
Total	6,983,846,860.77	5,210,105,771.09

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.44 Taxes and surcharges**

Item	Year 2023	Year 2022
Urban construction and maintenance tax	15,112,629.52	10,428,217.41
Educational surcharges	8,371,874.94	5,634,313.55
Local educational surcharges	5,582,387.50	3,759,191.14
House property tax	48,366,466.18	46,693,945.97
Resource tax	13,657.20	527,428.60
Land use tax	571,736.43	603,899.23
Stamp tax	3,256,684.18	4,259,357.27
Vehicle and vessel tax	194,787.75	178,837.50
Others	395,130.09	273,938.33
Total	81,865,353.79	72,359,129.00

5.45 Selling and distribution expenses

Item	Year 2023	Year 2022
Labor costs	62,677,041.93	65,588,365.65
Technical support and maintenance fees	37,804,613.00	31,750,552.13
Payments of business cost	6,232,358.84	2,362,299.08
Business entertainment fees	3,818,037.13	2,356,073.13
Expenses for business trips	4,890,084.24	1,637,050.46
Depreciation expenses of fixed assets	720,574.87	885,746.00
Depreciation expenses of right-of-use assets	633,925.80	764,747.07
Integration projects	164,365.90	659,903.13
Vehicle fees	645,974.04	506,168.25
Line rental fees	450,623.37	390,527.12
Other costs	11,112,889.71	140,101.89
Total	129,150,488.83	107,041,533.91

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.46 General and administrative expenses**

Item	Year 2023	Year 2022
Labor costs	593,117,367.58	520,895,686.86
Depreciation expenses of fixed assets	118,567,351.79	122,691,369.09
Depreciation expenses of right-of-use assets	61,036,702.47	58,926,640.41
Amortization of intangible assets	56,273,295.99	55,161,515.45
Technical support and maintenance fees	38,069,530.44	30,209,787.49
Utility bills	16,674,107.46	17,155,041.72
Consulting fees	13,463,847.02	16,190,314.28
Property management fees of office building	11,170,020.86	11,024,858.60
Telephone fees	5,921,903.68	8,025,397.04
Audit fees	7,611,367.96	6,734,586.33
Other costs	140,086,736.09	74,511,368.66
Total	1,061,992,231.34	921,526,565.93

5.47 Financial expenses

Item	Year 2023	Year 2022
Interest expenses	15,194,992.81	12,415,189.01
Including: Interest expenses of lease liabilities	8,000,604.88	7,909,789.73
Less: Interest income	158,733,781.05	159,361,788.44
Gains or losses on foreign currency exchange	-9,760,290.38	-17,564,788.78
Others	1,564,912.00	1,516,453.38
Total	-151,734,166.62	-162,994,934.83

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.48 Other income**

Item	Year 2023	Year 2022
Government grants	47,831,129.81	51,015,008.18
Additional deduction of input tax	22,791,672.14	25,462,334.04
Withholding of personal income tax fees	2,080,099.43	549,161.38
Directly exempted of VAT		69,952.91
Others	1,802.64	30,168.32
Total	72,704,704.02	77,126,624.83

5.49 Investment income

Item	Year 2023	Year 2022
Long-term equity investments income calculated under the equity method	25,347,126.31	-19,420,802.79
Investment income from disposal of long-term equity investment	360,983.05	377,736.88
Investment income from financial assets held for trading during the holding period	55,849,657.55	49,640,000.44
Total	81,557,766.91	30,596,934.53

5.50 Gains from changes in fair value

Source of income from changes in fair value	Year 2023	Year 2022
Financial assets held for trading	-6,708,219.17	1,929,443.49
Other non-current financial assets	75,020,283.73	34,876,879.60
Total	68,312,064.56	36,806,323.09

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.51 Losses from credit impairment**

Item	Year 2023	Year 2022
Bad debts of notes receivable	9,386,642.56	-7,107,881.70
Bad debts of accounts receivable	294,528,984.89	65,614,046.58
Bad debts of other receivables	548,974.39	
Total	304,464,601.84	58,506,164.88

5.52 Losses from assets impairment

Item	Year 2023	Year 2022
Losses from impairment of contract assets	-1,596,085.06	263,530.55
Losses from impairment of advances to suppliers	808,250.00	2,754,505.57
Total	-787,835.06	3,018,036.12

5.53 Gains from disposal of assets

Item	Year 2023	Year 2022	Amount included in non-recurring profit or loss in the current period
Disposal of fixed assets (Note)	2,648,599.98	135,806,277.22	2,648,599.98
Disposal of right-of-use assets	10,180.49	175,397.46	10,180.49
Total	2,658,780.47	135,981,674.68	2,658,780.47

Note: A property was disposed of during the period, resulting in a gain on disposal of RMB2,649,978.43, and a loss on disposal of RMB1,378.45 on the sale of a vehicle.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.54 Non-operating income**

Item	Year 2023	Year 2022	Amount included in non-recurring profit or loss in the current period
Gains from damage and scrapping of non-current assets	213,731.69	572,653.61	213,731.69
Indemnities (Note)	18,398,055.60	42,389,496.35	18,398,055.60
Payable not to be Paid		23,395.20	
Others	3,289,643.97	5,911,915.48	3,289,643.97
Total	21,901,431.26	48,897,460.64	21,901,431.26

Note: Due to the supplier's unwillingness to perform in accordance with the contract resulting in a breach of contract, the supplier chose to make liquidated damages to the Company, and received liquidated damages of US\$2,715,500.00, equivalent to RMB18,398,055.60 for the current period.

5.55 Non-operating expenses

Item	Year 2023	Year 2022	Amount included in non-recurring profit or loss in the current period
Donations	12,069,063.95	12,073,627.78	12,069,063.95
Inventory losses	6,561.54		6,561.54
Losses from the damage and scrapping of non-current assets	1,126,273.81	196,895.58	1,126,273.81
Others	1,135,403.42	1,064,347.09	1,135,403.42
Total	14,337,302.72	13,334,870.45	14,337,302.72

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.56 Income tax expenses****5.56.1 List of income tax expenses**

Item	Year 2023	Year 2022
Current income tax expenses	275,463,820.34	135,882,372.79
Deferred income tax expenses	-111,203,721.70	-80,595,940.63
Total	164,260,098.64	55,286,432.16

5.56.2 Adjustment process of accounting profits and income tax expenses

Item	Year 2023
Total profits	1,612,136,146.25
Income tax expenses calculated at statutory or applicable tax rate	241,820,421.94
Effect of different tax rates applicable to subsidiaries	8,573,960.69
Influence of adjustments to the income tax for the prior years	-59,096,412.66
Influence of non-taxable income	-19,637,544.89
Influence of non-deductible costs, expenses and losses	29,396,835.01
Influence of using the deductible losses related to deferred tax assets unrecognized in previous periods	
Influence of unrecognized deferred tax assets and deductible temporary differences or losses in current period	711,817.67
Additional deduction for R&D expenses	-37,485,966.31
Others	-23,012.81
Income tax expenses	164,260,098.64

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.57 Earnings per share****5.57.1 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 2023	Year 2022
Consolidated net profit attributable to the common stockholder of the Company	1,398,952,067.33	627,051,775.42
Weighted average of the Company's outstanding common stock	2,926,209,589.00	2,926,209,589.00
Basic earnings per share	0.48	0.21
Including: Basic earnings per share from continuing operations	0.48	0.21
Basic earnings per share from discontinued operations		

As at December 31, 2022 and December 31, 2023, the Company has no potential dilutive ordinary shares.

5.58 Supplementary information to the income statement with expenses classified by nature

Operating costs, selling and distribution expenses, general and administrative expenses, research and development expenses, and financial expenses in income statement are classified by nature and listed as below:

Item	Year 2023	Year 2022
Labor costs	2,063,687,210.11	1,804,289,207.12
Depreciation and amortization expenses	1,008,742,210.45	1,017,419,710.39
Costs of sales of software and hardware	348,292,817.08	728,432,414.51
Technical support and maintenance fees	711,041,088.76	631,664,221.65
Commission and promotion expenses	728,829,412.71	233,137,549.19
Internet usage fees	80,994,998.55	91,176,731.34
Other operating costs	429,112,543.69	314,032,844.25
Financial expenses	-151,734,166.62	-162,994,934.83
Total	5,218,966,114.73	4,657,157,743.62

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.59 Items of statement of cash flows****5.59.1 Cash relating to operating activities****(1) Other cash receipts relating to operating activities**

Item	Year 2023	Year 2022
Government grants received	16,479,304.44	16,635,322.35
Interest income received from bank deposits	102,068,354.70	116,317,161.23
Guarantee funds and quality guarantee deposits received	27,807,109.43	93,187,462.86
Current accounts received	22,485,198,116.80	968,248,152.70
Other non-operating income received	2,383,677.04	42,683,048.57
Collections and payments received	149,284,767.47	79,933,011.13
Others	116,938,577,380.18	43,282,995,253.34
Total	139,721,798,710.06	44,599,999,412.18

(2) Other cash payments relating to operating activities

Item	Year 2023	Year 2022
General and administrative expenses paid	59,515,916.47	181,043,713.89
Selling and distribution expenses paid	51,965,920.14	46,942,805.31
Research and development expenses paid	227,597,345.83	163,405,307.08
Bank charges paid	1,492,790.73	3,504,594.66
Non-operating expenses paid	168,254.12	1,763,493.29
Security deposit paid	15,711,738.10	50,414,279.05
Current accounts between entities paid	23,189,773,771.01	1,069,189,746.58
Others	117,859,361,935.10	42,576,737,012.51
Total	141,405,587,671.50	44,093,000,952.37

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5.59 Items of statement of cash flows (Continued)**5.59.2 Cash relating to financing activities****(1) Other cash receipts relating to financing activities**

Item	Year 2023	Year 2022
Lease contract terminated in advance to recover the rent		20,600.00
Total		20,600.00

(2) Other cash payments relating to financing activities

Item	Year 2023	Year 2022
Lease liabilities paid	106,578,028.17	87,551,837.92
Others	12,000,000.00	13,730,861.61
Total	118,578,028.17	101,282,699.53

Note: Others are poverty alleviation funds for expenditure.

(3) Changes in liabilities arising from financing activities

Item	As at December 31, 2022	Increase in 2023		Decrease in 2023		As at December 31, 2023
		Cash movements	Non-cash movements	Cash movements	Non-cash movements	
Short-term borrowings		3,607,468,924.55		2,855,879,022.05		751,589,902.50
Lease liabilities	174,258,999.99		98,685,927.48	103,623,846.55	9,204,573.59	160,116,507.33
Long-term borrowings	200,213,888.89		7,097,222.22	7,097,222.22		200,213,888.89

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.60 Supplementary information to the statement of cash flow****5.60.1 Supplementary information to the statement of cash flows**

Supplementary information	Year 2023	Year 2022
1. Net profit adjusted to cash flows from operating activities		
Net profit	1,447,875,971.33	679,852,412.63
Plus: Losses from credit impairment	304,464,601.84	58,506,164.88
Provisions for impairment of assets	-787,835.06	3,018,036.12
Depreciation expenses of fixed assets	499,765,226.23	546,019,943.06
Depreciation of productive biological assets		
Depletion of oil and gas assets		
Amortization of right-of-use assets	107,778,675.96	85,026,049.74
Amortization of intangible assets	399,104,546.81	392,423,938.87
Amortization of long-term deferred expenses	2,175,513.14	2,839,083.72
Losses from disposal of fixed assets, intangible assets and other long-term assets ("—" for gains)	-2,658,780.47	-135,981,674.68
Losses from scrapping of fixed assets ("—" for gains)	912,542.12	-375,758.03
Losses from changes in fair value ("—" for gains)	-68,312,064.56	-36,806,323.09
Financial expenses ("—" for gains)	15,194,992.81	24,484,545.88
Investment losses ("—" for gains)	-81,557,766.91	-30,596,934.53
Decreases in deferred tax assets ("—" for increases)	-124,145,644.50	-88,478,899.51
Increases in deferred tax liabilities ("—" for decreases)	9,678,203.64	4,147,038.01
Decreases in inventories ("—" for increases)	-4,429,082.65	-20,096,706.06
Decreases in operating receivables ("—" for increases)	-1,546,168,838.10	-442,989,224.63
Increases in operating payables ("—" for decreases)	-821,462,945.37	295,318,855.72
Others		
Net cash flow from operating activities	137,427,316.26	1,336,310,548.10
2. Net change in cash and cash equivalents		
Ending balance of cash	7,276,531,274.65	7,475,848,342.25
Less: Beginning balance of cash	7,475,848,342.25	6,339,602,541.52
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-199,317,067.60	1,136,245,800.73

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.60 Supplementary information to the statement of cash flow (Continued)****5.60.2 Breakdowns of cash and cash equivalents**

Item	As at December 31, 2023	As at December 31, 2022
I. Cash	7,276,531,274.65	7,475,848,342.25
Including: Cash on hand	16,950.85	27,346.58
Unrestricted digital currency	1,321,820.12	2,000,912.23
Unrestricted bank deposit	7,274,343,086.82	7,472,155,199.56
Unrestricted other monetary asset	849,416.86	1,664,883.88
II. Cash equivalents		
Including: Bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	7,276,531,274.65	7,475,848,342.25
Including: Cash and cash equivalents with restricted use right by parent company or subsidiaries of the Group		

Monetary funds not classified as cash and cash equivalents :

Item	As at December 31, 2023	As at December 31, 2022	Reasons for not being cash and cash equivalents
Performance bond	74,205,505.08	91,735,599.70	Restricted and unable to use
Time deposits or call deposits for security purposes	5,536,605.29	9,817,766.10	Restricted and unable to use
Property preservation bond	10,775,011.90		Restricted and unable to use
Payment gateway margin	506,056.45		
Total	91,023,178.72	101,553,365.80	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.61 Foreign currency monetary items**

Item	Foreign currency balance at end of period	Exchange rate	Converted RMB balance at the end of the period
Cash and bank balances			218,337,492.09
Including : USD	27,197,797.95	7.0827	192,633,843.54
EUR	1,917,169.48	7.8592	15,067,418.38
HKD	10,196,028.21	0.9062	9,239,640.76
Other foreign currency	56,356,390.76		1,396,589.41
Accounts receivable			235,973,401.39
Including : USD	18,220,063.07	7.0827	129,047,240.71
EUR	3,041,112.21	7.8592	23,900,709.08
HKD	78,661,044.71	0.9062	71,282,638.72
Other foreign currency	53,064,216.00		11,742,812.88

5.62 Lease**5.62.1 The company as the lessee**

Item	Year 2023	Year 2022
Interest expense arising from lease liabilities	8,000,604.88	7,909,789.73
Short-term lease expenses that are simplified treated to the cost of related assets or current profits and losses	1,468,040.00	1,680,932.82
Lease expenses for low value assets that are simplified treated to the cost of related assets or current profits and losses (exclude short-term lease for low value assets)	452,217.60	
Cash outflows in relation to lease	108,552,520.17	87,710,253.76

The Company's potential future cash outflows that are not included in the measurement of lease liabilities arise primarily from leases that have been committed to by lessees but have not yet commenced.

NOTES TO FINANCIAL STATEMENTS

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(Amounts are expressed in RMB unless otherwise stated)

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS**(CONTINUED)****5.62 Lease (Continued)****5.62.1 The company as the lessee (Continued)**

The Company's anticipated cash outflows from leases in future years, committed but not commenced, are as follows:

Remaining lease term	Undiscounted lease payments
Within 1 year	111,694,216.48
1-2 years	41,361,278.26
2-3 years	10,122,816.91
Over 3 years	
Total	163,178,311.65

5.62.2 The company as the lessor**(1) Operating lease**

	Year 2023	Year 2022
Income from operating leases	47,227,504.63	32,534,061.71

Undiscounted lease receipts to be received after the balance sheet date are as follows:

Remaining lease term	Year 2023	Year 2022
Within 1 year	42,147,897.65	52,997,332.19
1-2 years	41,158,947.34	49,590,441.47
2-3 years	38,175,517.49	48,351,062.85
3-4 years	37,905,281.70	46,193,515.01
4-5 years	56,297,531.61	43,332,763.87
Over 5 years	1,713,747.37	73,030,125.96
Total	217,398,923.16	313,495,241.35

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

6 RESEARCH & DEVELOPMENT EXPENDITURES**6.1 R&D expenditures**

Item	Year 2023			Year 2022		
	Research and development expenses	Development expenditures	Total	Research and development expenses	Development expenditures	Total
Labor costs	537,543,297.21	247,909,206.22	785,452,503.43	465,485,230.76	225,058,822.10	690,544,052.86
Technical support fees	291,530,795.41	180,901,179.45	472,431,974.86	201,403,873.40	175,685,911.55	377,089,784.95
Depreciation expenses of fixed assets	13,256,132.44		13,256,132.44	16,814,277.43		16,814,277.43
Amortization of intangible assets	11,302,434.64		11,302,434.64	11,415,531.28		11,415,531.28
Amortization of right-of-use assets	4,465,135.95		4,465,135.95	4,122,376.48		4,122,376.48
Amortization of renovation costs	320,053.49		320,053.49	486,880.91		486,880.91
Line rental fees						
Other costs	4,620,803.86	3,263,706.99	7,884,510.85	1,985,462.10	284,114.55	2,269,576.65
Total	863,038,653.00	432,074,092.66	1,295,112,745.66	701,713,632.36	401,028,848.20	1,102,742,480.56

NOTES TO FINANCIAL STATEMENTS

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 (Amounts are expressed in RMB unless otherwise stated)

6 RESEARCH & DEVELOPMENT EXPENDITURES (CONTINUED)**6.2 Development expenditures**

Item	As at December 31, 2022	Increase in 2023		Decrease in 2023		As at December 31, 2023
		Internal development expenditures	Others	Recognized as an intangible asset	Others	
Item 1	23,636,523.47	27,466.74		23,663,990.21		
Item 2	103,417,298.89	127,740,518.19		231,157,817.08		
Item 3	20,614,544.45	23,757,961.56		44,372,506.01		
Item 4	14,543,107.75	17,943,275.32		32,486,383.07		
Item 5	13,026,591.89	16,065,102.51		29,091,694.40		
Item 6	22,680,989.66	32,545,617.99		55,226,607.65		
Item 7	44,441,499.68	25,842,345.55		70,283,845.23		
Item 8	86,541,139.57	106,449,303.27		192,990,442.84		
Item 9	16,197,684.84	10,118,854.47		26,316,539.31		
Item 10	4,089,345.68	9,018,451.84		13,107,797.52		
Item 11	8,577,198.11			8,577,198.11		
Item 12	14,793,800.00	3,603,841.51		18,397,641.51		
Item 13	2,812,054.66	17,668,189.27		20,480,243.93		
Item 14		1,213,519.67				1,213,519.67
Item 15		6,952,135.01				6,952,135.01
Item 16		8,994,749.83				8,994,749.83
Item 17		4,409,677.50				4,409,677.50
Item 18	3,494,001.84			3,494,001.84		
Item 19	971,463.35			971,463.35		
Item 20	1,914,640.61			1,914,640.61		
Item 21		3,989,133.95				3,989,133.95
Item 22		15,733,948.48		15,733,948.48		
Subtotal	381,751,884.45	432,074,092.66		788,266,761.15		25,559,215.96
Less: Provisions for impairment						
Total	381,751,884.45	432,074,092.66		788,266,761.15		25,559,215.96

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6 RESEARCH & DEVELOPMENT EXPENDITURES (CONTINUED)**6.2 Development expenditures (Continued)****The situation of important capitalized R&D projects**

Item	End-of-period R&D progress	Estimated completion time	How economic benefits are expected to arise	The point at which the capitalization begins	The specific basis for determining the point at which capitalization begins
Item 15	At present, the Company's science and technology department is organizing the project completion review	The project has been completed in January 2024 and the project completion report has been formed	Form the corresponding products and subsequently put them into the market	2023/1/1	After the approval of the Company's project, capitalization began
Item 16	At present, the Company's science and technology department is organizing the project completion review	The project has been completed in January 2024 and the project completion report has been formed	Form the corresponding products and subsequently put them into the market	2023/1/1	After the approval of the Company's project, capitalization began
Item 17	At present, the Company is still continuing research and development	The project is expected to be completed by the end of 2024	Form the corresponding products and subsequently put them into the market	2023/1/1	After the approval of the Company's project, capitalization began

7 CHANGE OF THE CONSOLIDATION SCOPE**Changes in the scope of consolidation due to other reasons**

The subsidiaries of TravelSky Technology USA Limited and Taiwan TravelSky Limited have been cancelled in the current period.

NOTES TO FINANCIAL STATEMENTS

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8 EQUITY IN OTHER ENTITIES

8.1 Equity in the subsidiaries Equity in joint venture arrangements or associates

8.1.1 Structure of the enterprise group

Name of subsidiary	Principal place of business operation and registration	Business type	Registered capital (in 10 thousand)	Nature of Business	Shareholding ratio (%)		Way of acquisition
					Directly	Indirectly	
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	Chongqing, China	Limited liability company	1,480.00	Provision of electronic travel distribution, airport passenger processing and cargo management services; and sales and installation of related information systems	51.00		Investment
Hunan TravelSky Technology Limited	Changsha, China	Limited liability company (sole proprietorship invested or controlled by a non-natural person)	3,000.00	Planning and construction, operation management, technical support, product development and e-commerce of computer reservation, departure and freight transportation and other application systems	100.00		Investment
Xi'an Civil Aviation Cares Technology Co., Ltd.	Xi'an, China	Limited liability company (sole proprietorship invested or controlled by a non-natural person)	1,500.00	Computer software and hardware development and data network services	51.00		Investment
Hubei Civil Aviation Cares Co., Ltd.	Wuhan, China	Other limited liability companies	1,500.00	Provision of electronic travel distribution, airport passenger processing and cargo management services; and sales and installation of related information systems	62.50	7.68	Investment
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	Urumqi, China	Limited liability company (state-owned holding)	1,000.00	Computer software and hardware development and data network services	51.00		Investment
Shenzhen Civil Aviation Cares Co., Ltd.	Shenzhen, China	limited liability company	6,100.00	Provision of e-tourism distribution and freight management services; and the sale and installation of relevant information systems	61.47		Investment

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(Amounts are expressed in RMB unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (CONTINUED)**8.1 Equity in the subsidiaries Equity in joint venture arrangements or associates (Continued)****8.1.1 Structure of the enterprise group (Continued)**

Name of subsidiary	Principal place of business operation and registration	Business type	Registered capital (in 10 thousand)	Nature of Business	Shareholding ratio (%)		Way of acquisition
					Directly	Indirectly	
Shanghai TravelSky Technology Limited	Shanghai, China	Limited liability company (sole proprietorship invested or controlled by a non-natural person)	400.00	Computer software and hardware development and data network services	100.00		Investment
Xiamen Civil Aviation Cares Co., Ltd.	Xiamen, China	other limited liability companies	2,000.00	Computer software and hardware development and data network services	51.00		Investment
Qingdao Civil Aviation Cares Co., Ltd.	Qingdao, China	other limited liability companies	5,000.00	Computer software and hardware development and data network services	51.00		Investment
Yunnan Civil Aviation Cares Information Co., Ltd.	Kunming, China	Limited liability company (sole proprietorship invested or controlled by a non-natural person)	2,000.00	Computer software and hardware development and data network services	100.00		Investment
Hainan Civil Aviation Cares Co., Ltd.	Haikou, China	other limited liability companies	1,000.00	Provision of e-tourism distribution and freight management services; and the sale and installation of relevant information systems	68.94		Investment
Guangzhou TravelSky Technology Limited	Guangzhou, China	Limited liability company (sole proprietorship)	40,000.00	Computer software and hardware development and data network services	100.00		Investment
China Aviation Accounting Co., Ltd.	Beijing, China	Limited liability company (sole proprietorship)	75,978.52	Settlement, liquidation services and related information system development and support services	100.00		Investment
Beijing Yake Technology Development Co., Ltd.	Beijing, China	Limited liability company (sole proprietorship)	15,612.16	Technology promotion service, computer software technology development, computer system engineering design and installation	100.00		Investment

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8 EQUITY IN OTHER ENTITIES (CONTINUED)

8.1 Equity in the subsidiaries Equity in joint venture arrangements or associates (Continued)

8.1.1 Structure of the enterprise group (Continued)

Name of subsidiary	Principal place of business operation and registration		Business type	Registered capital (in 10 thousand)	Nature of Business	Shareholding ratio (%)		Way of acquisition
						Directly	Indirectly	
Antu Jinxin Commercial Factoring Co., Ltd.	Beijing, China	Tianjin, China	Limited liability company (sole proprietorship)	13,000.00	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	100.00		Investment
Infosky Information Technology Co., Ltd.	Beijing, China		Limited liability company (Sino-foreign joint venture)	\$2,548.00	Provision of freight management services and related software and technology development; provision of technical support, training and information services	94.62	5.38	Investment
TravelSky Cares (Beijing) Real Estate Co., Ltd.	Beijing, China		Limited liability company (sole proprietorship)	1,000.00	Real estate development and sales, self-developed commercial housing contracting, labor service subcontracting and investment management	100.00		Investment
Beijing TravelSky Travel Agency Co., Ltd.	Beijing, China		Limited liability company (sole proprietorship)	7,200.00	Domestic travel business and inbound travel business	100.00		Investment
Travelsky Yunzhi Technology (Beijing) Co., Ltd.	Beijing, China		Limited liability company (sole proprietorship)	5,000.00	Computer system services, data processing, computer and communication equipment leasing, technical services and technical consulting	100.00		Investment
Inner Mongolia TravelSky Technology Limited	Hohhot, China		Limited liability company (sole proprietorship invested or controlled by a non-natural person)	500.00	Computer and auxiliary equipment, sales, leasing, maintenance and technical consulting; computer system services and tourist information consulting	100.00		Investment

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(Amounts are expressed in RMB unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (CONTINUED)**8.1 Equity in the subsidiaries Equity in joint venture arrangements or associates (Continued)****8.1.1 Structure of the enterprise group (Continued)**

Name of subsidiary	Principal place of business operation and registration	Business type	Registered capital (in 10 thousand)	Nature of Business	Shareholding ratio (%)		Way of acquisition
					Directly	Indirectly	
Zhejiang TravelSky Technology Limited	Hangzhou, China	Limited liability company (foreign-invested enterprise and domestic-funded joint venture)	3,734.73	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	51.00		Business combination under common control
Henan TravelSky Technology Limited	Zhengzhou, China	Limited liability company (sole proprietorship invested or controlled by a non-natural person)	1,000.00	Contracting of computer software and hardware engineering projects; technical consultation and service; system integration	100.00		Investment
Beijing TravelSky Technology Limited	Beijing, China	Limited liability company (sole proprietorship)	5,001.00	Technology development, technology services, and technology transfer; sales of computers, software and auxiliary equipment	100.00		Investment
Guangzhou Skyecho Information Technology Co., Ltd.	Guangzhou, China	other limited liability companies	200.00	Software and information technology services	51.00		Business combination not under common control
TravelSky Digital Intelligence Technology (Beijing) Co., Ltd.	Beijing, China	Limited liability company (sole proprietorship)	5,000.00	Technology development, technology consulting, technology services, technology transfer, technology promotion and software development	100.00		Investment
TravelSky International Limited	Hong Kong, China	Sole proprietorship	HK\$1,236.00	Commercial services	100.00		Investment

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(Amounts are expressed in RMB unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (CONTINUED)**8.1 Equity in the subsidiaries Equity in joint venture arrangements or associates (Continued)****8.1.1 Structure of the enterprise group (Continued)**

Name of subsidiary	Principal place of business operation and registration	Business type	Registered capital (in 10 thousand)	Nature of Business	Shareholding ratio (%)		Way of acquisition
					Directly	Indirectly	
TravelSky Technology (Singapore) Pte. Ltd.	Singapore	Sole proprietorship	S\$7,158.08	Hardware consulting and system consulting	100.00		Investment
TravelSky Technology (Europe) GMBH	Frankfurt, Germany	Sole proprietorship	€50.00	Technology service and technology support	100.00		Investment
OpenJaw Technologies Limited	Dublin, Ireland	Sole proprietorship	€25.21	Technology service and technology support	100.00		Business combination not under common control

8.1.2 Major non-wholly-owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders in 2023	Dividends		Balance of minority interest as at December 31, 2023
			declared to be distributed to minority shareholders in 2023	declared to be distributed to minority shareholders in 2023	
Shenzhen Civil Aviation Cares Co., Ltd.	38.53	10,578,090.30	2,916,660.43		156,597,938.70
Xiamen Civil Aviation Cares Co., Ltd.	49.00	8,756,193.03	980,000.00		101,106,656.03
Qingdao Civil Aviation Cares Co., Ltd.	49.00	9,226,399.69	3,920,000.00		62,958,107.72

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(Amounts are expressed in RMB unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (CONTINUED)**8.1 Equity in the subsidiaries Equity in joint venture arrangements or associates (Continued)****8.1.3 Key financial information of major non-wholly-owned subsidiaries**

Name of subsidiaries	As at December 31, 2023						As at December 31, 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Civil Aviation Cares Co., Ltd.	421,765,013.34	47,885,025.10	469,650,038.44	63,056,465.15	153,941.28	63,210,406.43	393,231,753.69	50,162,020.85	443,393,774.54	56,695,873.48	143,005.47	56,838,878.95
Xiamen Civil Aviation Cares Co., Ltd.	206,814,797.55	60,326,741.31	267,141,538.86	60,679,143.47	122,281.04	60,801,424.51	224,050,508.74	64,695,426.90	288,745,935.64	98,271,464.89	4,138.09	98,275,602.98
Qingdao Civil Aviation Cares Co., Ltd.	274,417,265.72	22,467,445.07	296,884,710.79	155,453,284.61	12,945,492.05	168,398,776.66	298,440,387.17	23,961,580.93	322,421,968.10	190,830,167.70	13,935,253.39	204,765,421.09

Name of subsidiaries	Year 2023					Year 2022			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities		Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shenzhen Civil Aviation Cares Co., Ltd.	151,279,096.49	27,454,736.42	27,454,736.42	2,878,238.51		132,840,811.66	25,220,143.73	25,220,143.73	8,865,313.41
Xiamen Civil Aviation Cares Co., Ltd.	106,708,900.22	17,869,781.69	17,869,781.69	3,465,108.08		138,091,137.51	21,099,515.60	21,099,515.60	1,023,103.41
Qingdao Civil Aviation Cares Co., Ltd.	196,836,849.33	18,829,387.12	18,829,387.12	-7,388,801.01		266,096,338.46	19,075,116.10	19,075,116.10	-2,341,149.69

8.2 Equity in joint venture arrangements or associates**8.2.1 Major joint ventures or associates**

Name of joint ventures or associates	Principal place of business and registration place	Business Nature	Shareholding ratio (%)		Accounting treatment method of the investments in joint ventures or associates	Whether Strategic for Company's activities
			Directly	Indirectly		
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shanghai, China	Information System Integration Services	41.00		Equity method	Yes
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Shenyang, China	Information System Integration Services	46.00		Equity method	Yes
Heilongjiang TravelSky Airport Network Co., Ltd.	Harbin, China	Information System Integration Services	50.00		Equity method	Yes
Dalian TravelSky Airport Network Co., Ltd.	Dalian, China	Information System Integration Services	50.00		Equity method	Yes
TravelSky Mobile Technology Co., Ltd.	Beijing, China	Technology Development; Technology Promotion	23.83		Equity method	Yes

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(Amounts are expressed in RMB unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (CONTINUED)

8.2 Equity in joint venture arrangements or associates (Continued)

8.2.2 Principal financial information of major joint ventures

	As at December 31, 2023/Year 2023		As at December 31, 2022/Year 2022	
	Heilongjiang TravelSky Airport Network Co., Ltd.	Dalian TravelSky Airport Network LLC	Heilongjiang TravelSky Airport Network Co., Ltd.	Dalian TravelSky Airport Network LLC
Current assets	60,775,824.81	58,052,578.91	72,847,613.31	51,373,150.64
Including: cash and cash equivalents	13,057,833.71	32,498,920.25	10,584,403.19	14,514,382.06
Non-current assets	1,069,669.51	9,993,681.71	1,843,129.61	9,100,393.54
Total assets	61,845,494.32	68,046,260.62	74,690,742.92	60,473,544.18
Current liabilities	16,247,343.64	10,735,898.13	31,973,592.21	7,994,766.24
Non-current liabilities	144,274.70		409,798.33	
Total liabilities	16,391,618.34	10,735,898.13	32,383,390.54	7,994,766.24
Non-controlling interest equity Equity attributable to the shareholders of the parent company	45,453,875.98	57,310,362.49	42,307,352.38	52,478,777.94
Net asset shares calculated according to the shareholding ratios	22,726,937.99	28,655,181.25	21,153,676.19	26,239,388.97
Adjustment matters Book value of the equity investment in joint ventures	22,726,937.99	28,655,181.25	21,153,676.19	26,239,388.97
Operating income	33,865,505.40	32,276,385.62	38,262,226.44	26,951,270.21
Financial expenses	-138,948.43	-62,204.88	-99,937.86	-70,971.04
Income tax expenses	1,681,331.96	1,683,097.13	1,577,836.36	66,099.15
Net profit	4,523,022.32	4,831,584.55	4,463,676.36	156,149.00
Total comprehensive income	4,523,022.32	4,831,584.55	4,463,676.36	156,149.00
Dividends received from joint ventures in the current period	2,250,000.00			

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For the year ended December 31, 2023

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8 EQUITY IN OTHER ENTITIES (CONTINUED)**8.2 Equity in joint venture arrangements or associates (Continued)****8.2.3 Key financial information of major associates**

	As at December 31, 2023/Year 2023			As at December 31, 2022/Year 2022		
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shenyang Civil Aviation Northeast Cares Co., Ltd.	TravelSky Mobile Technology Co.,Ltd.	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shenyang Civil Aviation Northeast Cares Co., Ltd.	TravelSky Mobile Technology Co.,Ltd.
Current assets	443,403,818.35	266,424,076.81	323,567,537.70	401,593,615.88	243,893,566.44	261,909,155.02
Non-current assets	204,683,117.19	110,990,760.89	38,340,566.99	214,489,202.51	113,448,426.33	12,909,921.23
Total assets	648,086,935.54	377,414,837.70	361,908,104.69	616,082,818.39	357,341,992.77	274,819,076.25
Current liabilities	278,009,768.35	45,009,530.98	227,352,894.90	216,527,606.92	58,411,272.64	163,066,070.91
Non-current liabilities	36,661,513.29	5,528,643.03	15,699,415.47	67,322,239.32	5,755,409.67	379,750.00
Total liabilities	314,671,281.64	50,538,174.01	243,052,310.37	283,849,846.24	64,166,682.31	163,445,820.91
Non-controlling interest equity						
Equity attributable to the shareholders of parent company	333,415,653.90	326,876,663.69	118,855,794.32	332,232,972.15	293,175,310.46	111,373,255.34
Net asset shares calculated according to the shareholding ratios	136,700,418.10	150,363,265.30	28,317,393.00	133,011,974.38	134,860,642.81	3,410,747.47
Adjustment matters	-42,114,179.24		173,685,716.80	-43,049,462.84		222,673,154.64
— Unrealized profit from internal trading	-42,114,179.24			-43,049,462.84		
— Others			173,685,716.80			222,673,154.64
Book value of the equity investment in associates	94,586,238.86	150,363,265.30	202,003,109.79	89,962,511.54	134,860,642.81	226,083,902.11
Operating income	273,937,319.12	333,359,790.98	214,033,767.03	243,283,170.48	342,742,897.94	173,733,825.40
Net profit	2,577,836.00	33,701,353.23	-89,378,436.14	1,878,659.45	36,803,773.61	-101,719,343.26
Other comprehensive income	404,845.75					
Total comprehensive income	2,982,681.75	33,701,353.23	-89,378,436.14	1,878,659.45	36,803,773.61	-101,719,343.26
Dividends received from associates in the current period	738,000.00			2,558,400.00	4,140,000.00	

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For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

8 EQUITY IN OTHER ENTITIES (CONTINUED)**8.2 Equity in joint venture arrangements or associates (Continued)****8.2.4 Summary of financial information on insignificant joint ventures or associates**

	As at December 31, 2023/ Year 2023	As at December 31, 2022/ Year 2022
Joint ventures:		
Total investment book value	34,941,670.17	27,116,347.32
Total amount calculated based on the following shareholding proportions		
— Net profit	8,239,252.45	16,034,296.09
— Other comprehensive income		
— Total comprehensive income	8,239,252.45	16,034,296.09
Associates:		
Total investment book value	208,512,915.84	190,279,213.51
Total amount calculated based on the following shareholding proportions		
— Net profit	21,109,519.23	44,970,629.66
— Other comprehensive income		
— Total comprehensive income	21,109,519.23	44,970,629.66

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For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

9 GOVERNMENT GRANTS**9.1 The type, amount and presentation of government subsidies****9.1.1 Government subsidies included in the profit or loss for the current period***Asset-related government grants*

Item listed on the statement of financial position	Amount	Amount included in the current profit or loss or used to offset the related costs or losses		Item in the current profit or loss or used to offset the related costs or losses
		Year 2023	Year 2022	
Deferred income		24,555,555.57	29,466,666.66	Other income
Total		24,555,555.57	29,466,666.66	

Income-related government grants

Item included in the current profit or loss or used to offset the related costs or losses	Amount	Amount included in the current profit or loss or used to offset the related costs or losses	
		Year 2023	Year 2022
Enterprise support and subsidies	10,081,356.85	10,081,356.85	12,000,999.88
Tax refunds	4,058,555.62	4,058,555.62	1,005,543.64
Patent grants and awards	6,297,534.27	6,297,534.27	7,515,108.00
Deferred earnings are carried in	1,759,310.00	538,127.50	26,690.00
Awards	2,300,000.00	2,300,000.00	1,000,000.00
Total	24,496,756.74	23,275,574.24	21,548,341.52

9.2 Liabilities involving government subsidies

Liability item	As at December 31, 2022	The amount of new subsidy in this period	The amount of other income transferred in the current period	As at December 31, 2023	Asset-related/ income-related
Deferred income	26,123,865.57	191,000.00	25,093,683.07	1,221,182.50	Income-related

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10 RISKS RELATED TO FINANCIAL INSTRUMENTS**10.1 Risks arising from financial instruments**

The Company is exposed to various financial risks in the course of its operations: credit risk, liquidity risk and market risk (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.

10.1.1 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 arises mainly from cash and cash equivalents, notes receivable, accounts receivable, contract assets, other receivables, and debt instruments that are not included in the scope of impairment assessment and are measured at fair value and whose changes are included in current profit and loss. Investments and derivative financial assets, etc. On the balance sheet date, the book value of the company's financial assets has represented its maximum credit risk exposure.

The Company's cash and cash equivalents are mainly bank deposits placed with reputable state-owned banks and other large and medium-sized listed banks with high credit ratings, which the Company believes that they have no significant credit risk and will almost never incur significant losses due to bank's defaults.

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10 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**10.1 Risks arising from financial instruments (Continued)****10.1.1 Credit risk (Continued)**

In addition, for notes receivable, accounts receivable, receivables financing, contract assets and other receivables, etc. the Company has set the 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 other factors such as the current market conditions, evaluated the credit qualifications of customers and set credit term. 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.

10.1.2 Liquidity risk

Liquidity risk refers to the risk of capital shortage arising when the enterprise performs the settlement obligation by way of the delivery of funds 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.

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10 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**10.1 Risks arising from financial instruments (Continued)****10.1.2 Liquidity risk (Continued)**

10.1.2.1 Various financial liabilities of the Company should be presented at undiscounted contractual cash flows on the maturity date as follows:

Item	As at December 31, 2023				The total amount of the undiscounted contract	Total
	Within one year or immediate repayment	1-2 years	2-5 years	Over 5 years		
Short-term borrowings	759,667,559.68				759,667,559.68	751,589,902.50
Accounts payable	1,419,482,809.30	760,194,055.79	60,997,520.71	4,884,788.97	2,245,559,174.77	2,245,559,174.77
Other payables	1,452,030,857.87	20,750,684.62	72,216,465.61	75,723,929.84	1,620,721,937.94	1,620,721,937.94
Long-term borrowings	7,097,222.22	201,769,444.45			208,866,666.67	200,213,888.89
Lease liabilities	104,718,417.67	39,595,304.07	9,825,474.68		154,139,196.42	160,004,622.29
Total	3,742,996,866.74	1,022,309,488.93	143,039,461.00	80,608,718.81	4,988,954,535.48	4,978,089,526.39

Item	As at December 31, 2022				The total amount of the undiscounted contract	Total
	Within one year or immediate repayment	1-2 years	2-5 years	Over 5 years		
Accounts payable	1,319,011,063.84	780,682,517.66	80,933,970.79	2,856,043.51	2,183,483,595.80	2,183,483,595.80
Other payables	1,537,584,324.80	30,197,161.69	47,458,274.23	77,978,365.07	1,693,218,125.79	1,693,218,125.79
Long-term borrowings	7,311,111.11	7,116,666.67	201,555,555.56		215,983,333.34	200,213,888.89
Lease liabilities	74,247,974.88	76,197,198.86	23,813,826.25		174,258,999.99	174,258,999.99
Total	2,938,154,474.63	894,193,544.88	353,761,626.83	80,834,408.58	4,266,944,054.92	4,251,174,610.47

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10 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**10.1 Risks arising from financial instruments (Continued)****10.1.2 Liquidity risk (Continued)**

10.1.2.2 The repayment period of bank borrowings and other financing is analysed as follows:

Item	As at December 31, 2023		As at December 31, 2022	
	Bank borrowing	Other financing	Bank borrowing	Other financing
Within one year	751,589,902.50	109,423,596.99		74,247,974.88
1-2 years	200,213,888.89	40,578,846.61		76,197,198.86
2-5 years		10,002,178.69	200,213,888.89	23,813,826.25
Over 5 years				
Total	951,803,791.39	160,004,622.29	200,213,888.89	174,258,999.99

10.1.3 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 price risks.

10.1.3.1 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 at December 31, 2023, with other variables held constant, if the borrowing rate calculated on a floating rate basis increases or decreases by 100 basis points, the company's net profit will decrease or increase by RMB6,388,514.17 (December 31, 2022: RMB0.00). Management believes that 100 basis points reasonably reflects the reasonable range of possible changes in interest rates over the next year.

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10 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)**10.1 Risks arising from financial instruments (Continued)****10.1.3 Market Risk (Continued)***10.1.3.2 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 2022 and prior period, the Company did not sign any forward foreign exchange contract or currency swap contract.

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	As at December 31, 2023			As at December 31, 2022		
	US Dollar	Other foreign currencies	Total	US Dollar	Other foreign currencies	Total
Cash and cash equivalents	192,633,843.54	25,703,648.55	218,337,492.09	227,829,085.80	46,257,727.85	274,086,813.65
Accounts receivable	129,047,240.71	106,926,160.68	235,973,401.39	133,019,028.66	92,263,539.80	225,282,568.46
Total	321,681,084.25	132,629,809.23	454,310,893.48	360,848,114.46	138,521,267.65	499,369,382.11

As at December 31, 2023, if all other variables remain unchanged, if the RMB appreciates or depreciates against the U.S. dollar by 1%, the company will decrease or increase its net profit by RMB3,861,642.59 (December 31, 2022: RMB4,244,639.75). The management believes that 1% reasonably reflects the reasonable range of possible changes in the RMB against the US dollar in the next year.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

10 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

10.1 Risks arising from financial instruments (Continued)

10.1.3 Market Risk (Continued)

10.1.3.3 Other price risk

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 risk arises primarily from investments in various equity instruments. There is the risk of changes in the prices of equity instruments.

As at December 31, 2023, in the case that other variables remained the same, if the value of equity instruments increase or decrease by 2%, the Company will increase or decrease the net profits of RMB13,377,356.33 and other comprehensive income of RMB14,118,054.60 (December 31, 2022: Net profits of RMB9,005,133.41; other comprehensive income of RMB14,209,065.80). The management believes that 2% reasonably reflects the scope of potential changes in the equity instruments for the next year.

10.2 Risk management of hedging operations

The Company has no hedging business.

10.3 Transfer of financial assets

None.

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For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

11 DISCLOSURE OF FAIR VALUE

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are unadjusted quoted prices 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.

11.1 Fair value of assets and liabilities measured at fair value as at December 31, 2023

Item	Fair value as at December 31, 2023			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		3,504,856,849.32		3,504,856,849.32
1. Financial assets measured at fair value through the current profit or loss		3,504,856,849.32		3,504,856,849.32
(1) Debt instrument investment		3,504,856,849.32		3,504,856,849.32
2. Financial assets designated as measured at fair value through profit or loss for the current period				
◆ Investment in other equity instruments			830,473,800.00	830,473,800.00
◆ Other non-current financial assets			786,903,313.48	786,903,313.48
1. Financial assets measured at fair value through the current profit or loss			786,903,313.48	786,903,313.48
(1) Investment in equity instruments			786,903,313.48	786,903,313.48
2. Financial assets designated as measured at fair value through profit or loss for the current period				
Total assets with continuous measurement of fair value		3,504,856,849.32	1,617,377,113.48	5,122,233,962.80

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For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

11 DISCLOSURE OF FAIR VALUE (CONTINUED)**11.2 Qualitative and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of Level 2 on a going and non-going concern**

Item	Fair value as at December 31, 2023	Valuation techniques	Major parameters	
			Qualitative information	Quantitative information
Structured Deposits	3,504,856,849.32	Market approach	The applicable time deposit interest rate is determined based on the market exchange rate pricing issued as at December 31, 2023.	

11.3 Qualitative and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of Level 3 on a going and non-going concern

Items	Fair value as at December 31, 2023	Valuation techniques	Major parameters	
			Unobservable input value	Quantitative information (weighted average)
China Merchants RenHe Life Insurance Company Limited	830,473,800.00	Transaction case comparison method	Price-to-book ratio	1.8
Investment in China Mobile Equity Fund (Hebei Xiong'an) Partnership investment	786,903,313.48	Comparative law of listed companies	Liquidity discount	30%

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
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11 DISCLOSURE OF FAIR VALUE (CONTINUED)

11.4 Analysis on the measurement items measured at fair value of level 3 on a going concern, adjustment information between the book value as at the end of the last year and the book value as at the end of last period and sensitivity of unobservable parameters

11.4.1 Analysis on the measurements items measured at fair value of Level 3 reconciliation items

Item	As at December 31, 2022	Transfer to Level 3	Transfer from Level 3	Current profit or loss		Purchases, issuances, sales, and settlements				As at December 31, 2023	For assets held at the end of the reporting period, current unrealized gains or changes included in profit or loss
				Included in the current profit or loss	Included other comprehensive income	Purchases	Issuances	Sales	Settlements		
◆ Investment in other equity instruments	835,827,400.00				-5,353,600.00					830,473,800.00	
◆ Other non-current financial assets	529,713,729.75			75,020,283.73		182,169,300.00				786,903,313.48	
Financial assets measured at fair value through the current profit or loss	529,713,729.75			75,020,283.73		182,169,300.00				786,903,313.48	
– Equity instrument investment	529,713,729.75			75,020,283.73		182,169,300.00				786,903,313.48	
Total	1,365,541,129.75			75,020,283.73	-5,353,600.00	182,169,300.00				1,617,377,113.48	
Including: Gains and losses related to financial assets				75,020,283.73							
Gains and losses related to non-financial assets											

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For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS**12.1 Parent company of the Company**

Name of parent company	Registration place	Nature of business	Registered capital (10 thousand RMB)	Shareholding ratio of the parent company in the Company (%)	Voting 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.	300,000.00	29.55	29.55

The Company's ultimate controller: the State-owned Assets Supervision and Administration Commission of the State Council.

12.2 Subsidiaries of the Company

See the Note 8 "Equity in other entities" for the details of major subsidiaries the Company.

12.3 Joint ventures and associates of the Company

See the Note 8 "Equity in other entities" for the details of major joint ventures or associates of the Company.

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For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.4 Other related parties**

Name of other related party	Relationship with the Company
Air China Co., Ltd.	Subsidiaries of shareholders of the Company
Shenzhen Airlines Co., Ltd.	A shareholder of the Company
China Southern Airlines Co., Ltd.	Subsidiaries of shareholders of the Company
Xiamen Airlines Co., Ltd.	A shareholder of the Company
China Eastern Airlines Co., Ltd.	A shareholder of the Company
Shanghai Airlines Co., Ltd.	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
CCTS Co., Ltd.	Associate company of the shareholders of the Company
TravelSky Cloud Data Co., Ltd.	Same ultimate controller

Note: As at December 31, 2023, Air China Co., Ltd. became the controlling shareholder of Shandong Airlines Co., Ltd., and the balance of related parties as at December 31, 2023 and the amount of related transactions in 2023 were merged into and disclosed in Air China Co., Ltd. and its affiliates.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.5 Related-party transactions****12.5.1 Related party transactions on purchase and sales of goods, rendering and receipt of labor services***Purchase of goods/receipt of services*

Related party	Content of related-party transactions	Year 2023	Year 2022
Heilongjiang TravelSky Airport Network Co., Ltd.	Technology support fee/ Procurement of goods	27,298,123.87	29,707,145.20
Chengdu Civil Aviation Southwest Cares Co., Ltd.	Technology support fee/ Procurement of goods	148,479,007.70	91,868,047.92
Yunnan TravelSky Airport Network Co., Ltd.	Technology support fee/ Procurement of goods	42,085,639.05	22,947,088.39
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Technology support fee	356,195,395.34	233,595,526.39
Dalian TravelSky Airport Network LLC	Technology support fee/ Procurement of goods	6,086,819.75	728,091.50
China Eastern Airlines Co., Ltd. and its subsidiaries	Technology support fee	73,154.72	140,106.41
Beijing TravelSky Borun Technology Co., Ltd.	Technology support fee	18,931,653.11	13,220,001.13
Guangzhou Airport Hangyi Information Technology Co., Ltd.	Technology support fee	146,754.71	
Xinjiang Hangxin Tianyi Technology Innovation Co., Ltd.	Technology support fee	20,757,188.63	35,444,832.88
Tibet TravelSky Technology Co., Ltd.	Technology support fee		7,405,270.55
Yantai TravelSky Airport Network Co., Ltd.	Technology support fee	3,163,566.21	243,867.93
Hebei TravelSky Airport Network Co., Ltd.	Technology support fee	3,244,942.73	5,126,835.82
Shanghai CAAC Huadong Kaiya System Integration Co., Ltd.	Technology support fee	103,189,203.54	176,877,550.97
TravelSky Mobile Technology Co., Ltd.	Technology support fee/ Procurement of goods	12,915,317.11	42,474,834.42
China Communications Co., Ltd.	Technology support fee/ Procurement of goods	26,142,075.88	2,168,077.68
China Southern Airlines Co., Ltd. and its subsidiaries	Technology support fee	789,646.39	260,702.07
Hainan Airlines Holding Co., Ltd. and its subsidiaries	Technology support fee		1,822.92
Air China Corporation Limited and its subsidiaries	Technology support fee	2,265,173.36	1,521,154.97
Shanghai Dongmei Online Travel Agency Co., Ltd.	Ticketing service fee	220.00	999.00
TravelSky Cloud Data Co., Ltd.	Technology support fee	6,952,069.16	26,934,614.35

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For the year ended December 31, 2023
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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.5 Related-party transactions (Continued)

12.5.1 Related party transactions on purchase and sales of goods, rendering and receipt of labor services (Continued)

Sales of goods/rendering of services

Related party	Content of related-party transactions	Year 2023	Year 2022
Air China Co., Ltd. and its subsidiaries	Aviation Information Technology Service	800,022,049.22	382,089,026.06
China Southern Airlines Company Limited and its subsidiaries	Aviation Information Technology Service	789,123,022.42	446,954,297.77
China Eastern Airlines Corporation Limited and its subsidiaries	Aviation Information Technology Service	681,051,659.42	352,771,431.54
Hainan Airlines Holding Co., Ltd. and its subsidiaries	Aviation Information Technology Service	449,116,419.74	193,904,644.89
Sichuan Airlines Co., Ltd. and its subsidiaries	Aviation Information Technology Service	213,823,812.79	129,267,290.05
Shandong Airlines Co., Ltd. and its subsidiaries	Aviation Information Technology Service		74,209,586.25
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Rendering of services	28,917,582.80	27,829,861.80
Yunnan TravelSky Airport Network Co., Ltd.	Rendering of services	3,585,723.83	36,451,846.97
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Rendering of services	4,136,334.15	3,692,123.92
Dalian TravelSky Airport Network LLC.	Rendering of services	5,148,175.61	1,017,304.93
Hebei TravelSky Airport Network Co., Ltd.	Rendering of services	417,205.72	4,595,538.46
Yantai TravelSky Airport Network Co., Ltd.	Rendering of services	64,905.68	68,396.26
Chengdu Civil Aviation Southwest Cares Co., Ltd. and its subsidiaries	Rendering of services	8,583,250.73	12,668,479.79
Heilongjiang TravelSky Airport Network Co., Ltd.	Rendering of services	958,771.09	3,207.56
TravelSky Mobile Technology Co., Ltd.	Rendering of services	55,650,146.91	38,675,738.83
Shanghai Dongmei Online Travel Agency Co., Ltd.	Rendering of services	58,028.30	91,526.59
Xinjiang Hangxin Tianyi Technology Innovation Co., Ltd.	Rendering of services	3,654,953.00	1,309,734.53
TravelSky Cloud Data Co., Ltd.	Rendering of services		1,998,592.96
Guangzhou Airport Hangyi Information Technology Co., Ltd.	Rendering of services	28,301.89	

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.5 Related-party transactions (Continued)****12.5.2 Related-party lease**

The Company acted as lessee:

Name of lessor	Type of leased assets	Year 2023					Year 2022				
		Simplified treatment of rental costs for short-term leases and leases of low-value assets	Variable lease payments not included in the lease liabilities	Interest expenses incurred on lease liabilities	Increased Right-of-use assets		Simplified treatment of rental costs for short-term leases and leases of low-value assets	Variable lease payments not included in the lease liabilities	Interest expenses incurred on lease liabilities	Increased Right-of-use assets	
China TravelSky Holding Company Co., Ltd	Buildings		52,169,603.68	3,195,808.58	146,907,225.01			52,169,603.69	5,275,302.13	146,907,225.01	
TravelSky Cloud Data Co., Ltd.	Buildings		34,581,613.41	3,400,672.52	95,309,460.57			12,823,624.57	491,844.57	59,785,024.60	
TravelSky Cloud Data Co., Ltd.	Others		129,667.54	1,359.66				58,892.83	2,689.99	184,510.72	

12.5.3 Loans from and to related parties

Related party	Amount of money on loan	Starting date	Due date	Remarks
Loans from related parties				
China TravelSky Holding Company Limited	200,213,888.89	March 22, 2022	March 21, 2025	Long-term borrowing principal plus accrued interest

12.5.4 Asset transfer and debt restructuring of related parties

Related party	Content of related-party transactions	Year 2023	Year 2022
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	The 3rd and 4th floors of Building No. 3 of Science and Technology Oasis		146,920,000.00

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.5 Related-party transactions (Continued)

12.5.5 Remuneration of key management personnel

Item	Year 2023	Year 2022
Remuneration of key management personnel	5,138,082.76	6,736,363.34

12.5.6 Remuneration of directors and supervisors

As at December 31, 2023, details of the remuneration (including tax) of directors and supervisors were as below:

Item	Year 2023									
	Directors (Supervisors)		Salaries, bonuses, allowances and subsidies of employees (including the medical insurance, unemployment insurance, work-related injury insurance and maternity insurance paid by the Company)			Employee performance bonus (discretionary bonus)	Housing provident funds (payments by the Company)	Retired-related benefits (supplementary insurance and enterprise annuity for the aged)	Stock appreciation right	Total (including tax)
	Directors (Supervisors) Emoluments/ Basic salary	meeting allowance (including the balance of cashing out the work allowance)	Directors (Supervisors) Bonus/Premium	Directors (Supervisors) insurance and maternity insurance paid by the Company	Employee performance bonus (discretionary bonus)	Housing provident funds (payments by the Company)	Retired-related benefits (supplementary insurance and enterprise annuity for the aged)	Stock appreciation right	Total (including tax)	
	Directors (Supervisors) Emoluments/ Basic salary	meeting allowance (including the balance of cashing out the work allowance)	Directors (Supervisors) Bonus/Premium	Directors (Supervisors) insurance and maternity insurance paid by the Company	Employee performance bonus (discretionary bonus)	Housing provident funds (payments by the Company)	Retired-related benefits (supplementary insurance and enterprise annuity for the aged)	Stock appreciation right	Total (including tax)	
Executive directors										
Huang Rongshun* (President)			281,922.12	345,820.00	47,358.00	119,340.00			794,440.12	
Liu Jianping(ii)			171,468.32	154,560.00	31,090.00	74,611.76			431,730.08	
Non-executive directors										
Zhao Xiaohang*										
Xi Sheng*										
Luo Lajun*										
Independent non-executive directors										
Liu Zehong	60,000.00	13,333.33							73,333.33	
Chen Yongde	70,000.00	23,000.00							93,000.00	
Xu Hongzhi	60,000.00	6,666.67							66,666.67	
Cao Shiqing (iii)		13,333.33							13,333.33	
Liu Xiangqun (ii)		13,333.33							13,333.33	
Supervisors										
Ding Wanzhi (Chairman), (Staff representative supervisor) (iii)					286,180.00				286,180.00	
Liang Shuang (Staff representative supervisor)			490,982.12	280,410.00	47,358.00	119,154.00			937,904.12	
Yang Jun*										
Bai Bin* (iv)										
Tang Lichao* (iv)										
Zhu Yan (Independent Supervisor) (vi)	30,000.00								30,000.00	
Total	220,000.00	69,666.66	944,372.56	1,046,970.00	125,806.00	313,105.76			2,739,920.98	

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.5 Related-party transactions (Continued)

12.5.6 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 prior year and the advance performance bonus for the current year.

- (i) Resigned on September 26, 2023.

- (ii) Resigned on September 1, 2022.

- (iii) Resigned on January 16, 2023.

- (iv) Appointed on June 15, 2023.

- (v) Resigned on June 15, 2023.

- (vi) Resigned on June 30, 2023.

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.5 Related-party transactions (Continued)

12.5.6 Remuneration of directors and supervisors (Continued)

Item	Year 2022									
	Directors(Supervisors)		Salaries, bonuses, allowances and subsidies of employees (including the medical insurance, unemployment insurance, work-related injury insurance and maternity insurance paid by the Company)			Employee performance bonus (discretionary bonus)	Housing provident funds (payments by the Company)	Retired-related benefits (endowment insurance and supplementary enterprise annuity for the aged)	Stock appreciation right	Total (including tax)
	Directors (Supervisors) Emoluments/ Basic salary	meeting allowance (including the balance of cashing out the work allowance)	Directors (Supervisors) bonus/Premium	injury insurance and maternity insurance paid by the Company)	performance bonus (discretionary bonus)	Housing provident funds (payments by the Company)	insurance and supplementary enterprise annuity for the aged)	Stock appreciation right	Total (including tax)	
	Emoluments/ Basic salary	of cashing out the work allowance)	bonus/Premium	paid by the Company)	bonus)	Company)	for the aged)	right	tax)	
Executive directors										
Huang Rongshun* (President)			272,338.68		356,200.00	43,278.00	114,490.80		786,307.48	
Xiao Yinhong* (i)			157,870.83		136,731.00	24,148.00	66,088.60		384,838.43	
Liu Jianping* (ii)			83,762.28		540,800.00	15,304.00	36,809.76		676,676.04	
Non-executive directors										
Zhao Xiaohang*										
Xi Sheng*										
Luo Lajiang*										
Independent non-executive directors										
Liu Zehong (iii)	20,000.00								20,000.00	
Chen Yongde (iii)	23,333.33	6,000.00							29,333.33	
Xu Hongzhi (iii)	20,000.00								20,000.00	
Cao Shiqing (iv)	40,000.00	20,000.00							60,000.00	
Wei Weifeng (iv)	46,666.67	21,000.00							67,666.67	
Liu Xiangqun (iv)	40,000.00	20,000.00							60,000.00	
Supervisors										
Ding Wanzhi (Chairman), (Staff representative supervisor)			297,458.64		195,392.98	35,626.00	94,711.92		625,189.54	
Liang Shuang(Employee representative supervisor)			318,040.68		432,386.00	43,278.00	107,950.80		901,655.48	
Zhu Yan (Independent supervisors)	60,000.00								60,000.00	
Yang Jun* (v)										
Tang Lichao*										
Zeng Yiwei*(vi)										
Total	250,000.00	67,000.00	1,129,471.11		1,661,509.98	161,634.00	422,051.88		3,691,666.97	

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.5 Related-party transactions (Continued)****12.5.6 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. In addition, the performance bonus for these directors and employee supervisors in 2022 also includes part of the performance bonus for the previous year.
- (i) Resigned on September 28, 2022.
- (ii) Appointed on September 1, 2022.
- (iii) Appointed on September 1, 2022.
- (iv) Resigned on September 1, 2022.
- (v) Resigned on June 16, 2022.
- (vi) Appointed on June 16, 2022.

12.5.7 Remuneration of directors and the highest-paid persons***Five highest-paid persons***

Among the five highest-paid persons in the Group in 2023, there were 0 director (2022: 0 director). The remuneration information of 5 highest-paid persons in 2023 (2022: 5 directors) is as follows:

Item (Five highest-paid, non-director persons)	Year 2023	Year 2022
Salaries, bonuses, allowances and subsidies <i>Including: Employee performance bonus (Discretionary bonus)</i>	6,799,474.60	6,047,084.18
Housing provident funds paid by the Company	236,790.00	213,354.00
Endowment insurance and enterprise annuity paid by the Company	620,112.00	517,561.68
Sub-total	7,656,376.60	6,777,999.86
Stock appreciation right (shares) Fair value of each share of stock appreciation right Amount of stock appreciation right		
Total	7,656,376.60	6,777,999.86

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.5 Related-party transactions (Continued)****12.5.7 Remuneration of directors and the highest-paid persons (Continued)***Five highest-paid persons (Continued)*

The remuneration falls within the following scope:

Item	2023 (Number of persons)	2022 (Number of persons)
HKD 0 — HKD 1,000,000 (equivalent to RMB906,200) (2022 : RMB893,270)		
HKD 1,000,001 — HKD 1,500,000 (equivalent to RMB1,359,300) (2022 : RMB1,339,905)	5	5

On December 31, 2023, 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 (2022: None), and no director or supervisor has quitted or agreed to quite any payment (2022: None).

Senior management

Except for the salaries of Directors and Supervisors, as disclosed in Note 12.5.6, the remuneration (excluding stock appreciation rights) of the relevant senior management mentioned in the biographies of Directors, Supervisors, Senior Management and Company Secretary in this Annual Report is as follows:

Item (excluding stock appreciation rights)	2023 (Number of persons)	2022 (Number of persons)
HKD 0 — HKD 1,000,000 (equivalent to RMB906,200) (2022 : RMB893,270)	5	3
HKD 1,000,001 — HKD 1,500,000 (equivalent to RMB1,359,300) (2022 : RMB1,339,905)	2	4
Total (Number of persons)	7	7

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.6 Receivables from and payables to related parties****12.6.1 Receivables**

Item	Related party	As at December 31, 2023		As at December 31, 2022	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Air China Limited and its subsidiaries	885,574,329.73	5,268,985.83	411,339,722.46	2,695,980.99
	China Southern Airlines Company Limited and its subsidiaries	1,115,255,891.17	183,346,327.70	803,259,311.76	433,308.31
	China Eastern Airlines Corporation Limited and its subsidiaries	568,323,156.13	2,839,923.84	507,978,155.89	2,821,947.98
	Hainan Airlines Holding Co., Ltd. and its subsidiaries	291,698,884.88	84,419,344.19	94,932,943.41	18,033,598.31
	Sichuan Airlines Co., Ltd.	46,904,529.76	4,768.53	92,498,656.90	12,187.55
	Shandong Airlines Co., Ltd.			280,928,409.00	2,905,474.26
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	48,813,877.54	11.07	51,647,366.90	58.56
	Yunnan TravelSky Airport Network Co., Ltd.	36,743,305.34		52,772,930.85	
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	1,044,680.00		3,178,000.00	
	Dalian TravelSky Airport Network LLC	2,345,644.00		2,610,740.00	
	Hebei TravelSky Airport Network Co., Ltd.	4,213,440.00		4,962,000.00	
	Heilongjiang TravelSky Airport Network Co., Ltd.			800.00	
	Chengdu Civil Aviation Southwest Cares Co., Ltd. and its subsidiaries	30,076,812.18		55,494,026.05	
	TravelSky Mobile Technology Limited	93,018,050.70		46,580,896.68	
	Shanghai Dongmei Online Travel Agency Co., Ltd.	12,885.00		29,798.00	
	Xinjiang Hangxin Tianyi Technology Innovation Co., Ltd.	25,337,826.25		22,894,626.00	
	Yantai TravelSky Airport Network Co., Ltd.	9,800.00		24,600.00	
	TravelSky Cloud Data Co., Ltd.	5,606,099.17		2,118,508.53	
	China Communications Co., Ltd.	214,400.00		438,000.00	

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12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.6 Receivables from and payables to related parties (Continued)****12.6.1 Receivables (Continued)**

Item	Related party	As at December 31, 2023		As at December 31, 2022	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Notes receivable	Hainan Airlines Holding Co., Ltd. and its subsidiaries	110,854,021.41		171,148,173.75	
Advances to suppliers	China Eastern Airlines Corporation Limited and its subsidiaries			6,344.00	
	China Southern Airlines Company Limited and its subsidiaries			50,000.00	
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	35,575,942.55		19,269,779.42	
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	19,963,295.28		21,540,415.46	
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	2,388,789.00		42,386.80	
	Yunnan TravelSky Airport Network Co., Ltd.	453,600.00		3,928,609.43	
	TravelSky Mobile Technology Limited	1,300.00		2,218,867.92	
	China Communications Co., Ltd.	622,494.51		1,295,512.50	

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(Amounts are expressed in RMB unless otherwise stated)

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.6 Receivables from and payables to related parties (Continued)****12.6.1 Receivables (Continued)**

Item	Related party	As at December 31, 2023		As at December 31, 2022	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables					
	China Southern Airlines Company Limited and its subsidiaries	88,648,129.15		47,093,407.06	
	China Eastern Airlines Corporation Limited and its subsidiaries	171,716,285.29		88,225,544.56	
	Air China Limited and its subsidiaries	262,764,820.12		123,486,607.68	
	Hainan Airlines Holding Co., Ltd.	9,545.02			
	Sichuan Airlines Co., Ltd.	6,927,871.22		14,444,111.52	
	TravelSky Mobile Technology Limited	2,641,800.34		1,562,474.49	
	Yunnan TravelSky Airport Network Co., Ltd.	684,401.14		215,399.51	
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	3,190,222.82		1,567,693.47	
	Shanghai Dongmei Online Travel Agency Co., Ltd.	1,019,254.39		1,019,254.39	
	China TravelSky Technology Limited	511,427.94		755,409.44	
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	1,177,567.19		1,272,349.32	
	Dalian TravelSky Airport Network LLC			307,184.54	
	Guangzhou Air Port Air Wing Information Technology Co., Ltd.	4,691.75		147,209.26	
	Hebei TravelSky Airport Network Co., Ltd.	229,243.68		203,601.41	
	Heilongjiang TravelSky Airport Network Co., Ltd.	220,566.81		106,748.74	
	TravelSky Cloud Data Co., Ltd.	4,153,874.39		2,551,954.34	
	China Communications Co., Ltd.	4,603,775.89		3,551,129.33	
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	1,232,866.76			

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For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.6 Receivables from and payables to related parties (Continued)****12.6.1 Receivables (Continued)**

Item	Related party	As at December 31, 2023		As at December 31, 2022	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Contract assets					
	China Eastern Airlines Corporation Limited and its subsidiaries	1,130.00	1,130.00	27,208.80	27,208.80
	Air China Limited and its subsidiaries	404,190.00	8,863.66		
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	2,557,357.20		2,557,357.20	
	Dalian TravelSky Airport Network LLC	82,500.00			
	Heilongjiang TravelSky Airport Network Co., Ltd.	32,400.00			
	Xinjiang Hangxin Tianyi Technology Innovation Co., Ltd.	12,520.00		8,200.00	

NOTES TO FINANCIAL STATEMENTS

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(Amounts are expressed in RMB unless otherwise stated)

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)**12.6 Receivables from and payables to related parties (Continued)****12.6.2 Payables**

Item	Related party	As at December 31, 2023	As at December 31, 2022
Accounts payable			
	China TravelSky Holding Company Limited	968,475.59	968,475.59
	TravelSky Cloud Data Co., Ltd.	8,321,749.05	2,223,841.50
	China Communications Co., Ltd.	13,596,416.75	2,995,410.02
	Hebei Xiong'an Partnership (Limited Partnership)		3,308,824.00
	China Southern Airlines Company Limited and its subsidiaries	43,332.19	14,909.12
	Air China Limited and its subsidiaries	889,973.27	137,737.84
	Shandong Airlines Co., Ltd.		114,000.00
	Sichuan Airlines Co., Ltd.	14,000.00	14,000.00
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	140,389,470.57	171,764,690.31
	Hebei TravelSky Airport Network Co., Ltd.	3,393,829.04	5,851,558.77
	Yunnan TravelSky Airport Network Co., Ltd.	22,297,770.68	25,716,196.72
	Dalian TravelSky Airport Network LLC	1,889,607.52	1,812,017.52
	Heilongjiang TravelSky Airport Network Co., Ltd.	29,725,741.82	47,324,995.35
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	136,018,937.71	137,543,980.10
	Chengdu Civil Aviation Southwest Cares Co., Ltd. and its subsidiaries	116,640,452.74	150,255,333.65
	Yantai TravelSky Airport Network Co., Ltd.	125,088.52	91,126.26
	Beijing TravelSky Borun Technology Co., Ltd.	8,636,915.63	1,759,213.20
	TravelSky Mobile Technology Limited	19,395,792.63	25,112,749.04
	Shanghai Dongmei Online Travel Agency Co., Ltd.	7,535.00	7,420.00
	Xinjiang TravelSky E-surfing Science and Technology Co., Ltd	36,168,252.62	8,825,025.00
	Guangzhou Skyecho Information Technology Co., Ltd.	11,667.00	

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For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

12 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

12.6 Receivables from and payables to related parties (Continued)

12.6.2 Payables (Continued)

Item	Related party	As at December 31, 2023	As at December 31, 2022
Other payables			
	China Eastern Airlines Corporation Limited and its subsidiaries	27,208.80	1,274,050.44
	China Southern Airlines Company Limited and its subsidiaries	849,964.56	684,003.58
	Air China Limited and its subsidiaries	2,017.30	1,264,232.03
	Beijing TravelSky Borun Technology Co., Ltd.	822,758.40	822,758.40
	TravelSky Mobile Technology Limited	851,200.00	56,314,365.87
	China TravelSky Holding Company Limited	7,899,662.38	7,789,867.35
	Shanghai Dongmei Online Travel Agency Co., Ltd.	984.00	984.00
	China Communications Co., Ltd.	175,679.64	
	Chengdu Civil Aviation Southwest Cares Co., Ltd. and its subsidiaries	20,973.45	
Contract liabilities			
	China Southern Airlines Company Limited and its subsidiaries	89,850,128.85	64,066,670.03
	Air China Limited and its subsidiaries	144,607,322.78	86,615,560.00
	China Eastern Airlines Corporation Limited and its subsidiaries	217,092,583.11	151,077,768.81
	Hainan Airlines Holding Co., Ltd. and its subsidiaries	54,923,418.42	41,565,553.21
	Sichuan Airlines Co., Ltd.	51,319,649.63	41,007,459.01
	Shandong Airlines Co., Ltd.		11,879.14
	Chengdu Civil Aviation Southwest Cares Co., Ltd.		214,713.69
	Dalian TravelSky Airport Network LLC	126,756.76	2,450,338.67
	Shanghai Dongmei Online Travel Agency Co., Ltd.		233,423.64
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd	17,699.12	1,012,394.70
	Yantai TravelSky Airport Network Co., Ltd.		10,442.48
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	112,907.59	119,984.05
Long term borrowings			
	China TravelSky Holding Company Limited	200,213,888.89	200,213,888.89

12.7 Centralized Fund Management

None.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

13 SHARE-BASED PAYMENT**13.1 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 34,582,624 units of cash settled H share appreciation rights to a total of 484 incentive recipients. The H Share appreciation rights are valid for 7 years from 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.

On December 2, 2021, the Company issued an announcement that the board of directors decided to terminate the stock appreciation rights plan and the first grant plan. As at December 31, 2021, one-third of the first batch of stock appreciation rights (about 11,527,541 shares) become invalid due to failure to meet the performance standards, and the remaining number of stock appreciation rights that have been granted but not exercised is 23,055,083 shares.

On December 31, 2023, the fair value of the above-mentioned unexercised stock appreciation rights was not revalued at the end of the period due to the signing of the termination action document.

13.2 Cash-settled share-based payment

As at December 31, 2023, the Company has recorded accumulated liabilities arising from cash settled share based payment of RMB0.00, related expenses have been accrued to RMB89,584,824.07, and the related costs have been reduced by approximately RMB89,584,824.07, of which The labor cost of entering the company in the year of 2023 is RMB-23,496,460.61.

14 COMMITMENTS AND CONTINGENCIES**14.1 Significant commitments**

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, 2023, the Company made the actual capital contribution (Fund management fees are included) of RMB684,305,761.81.

Except for the case mentioned above, the Group has no other commitments required to be disclosed.

14.2 Contingencies

As at December 31, 2023, the Group had no significant contingencies required to be disclosed.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

15 POST BALANCE SHEET EVENTS**15.1 Significant non-adjusting events**

The Company increased its capital contribution to Yunnan Aerospace Information Airport Network Co., Ltd. with 100% equity interest in Yunnan Civil Aviation Kaiya Information Co., Ltd., a subsidiary of the Company, with an appraised value of RMB61.435.724.75, and completed the registration of industrial and commercial changes of the equity interest contributed on March 1, 2024, and Yunnan Civil Aviation Kaiya Information Co., Ltd. has ceased to be included in the scope of consolidation of the Company as from that date.

China Aviation Clearing Co., Ltd., a subsidiary of the Company, provides capital transfer guarantee for its subsidiary Beijing Yake Technology Development Co., Ltd. for BOP business. The capital transfer amount is RMB500 million. The capital transfer guarantee period is January 1, 2024 to December 31, 2024.

15.2 Profit distribution

Profit or dividend to be distributed (RMB)	468,193,534.24
Dividend to be distributed per 10 shares (RMB)	1.60

On March 27, 2024, the board of directors proposed to distribute a final cash dividend for 2023 totaling in RMB468,193,534.24, that is, RMB0.16 per share (tax included). The calculation is based on the Company's total issued shares of 2,926,209,589 shares at the balance sheet date. The distribution of the final dividend is subject to approval at the next annual general meeting of the Company.

16 OTHER SIGNIFICANT EVENTS**16.1 Correction of accounting errors in prior periods**

There were no corrections of accounting errors in previous periods made during the reporting period.

16.2 Annuity plan

All full-time employees of the group participate in the basic pension insurance formulated by the government in accordance with national policies. As at December 31, 2023, the Group paid the basic pension insurance premium according to the maximum 16% of the employees' basic salary not exceeding the upper limit specified by the government department, and the employees paid the basic pension insurance premium according to the proportion of their own salary specified by the government. After reaching the statutory retirement age, employees receive basic pension on a monthly basis. As at December 31, 2023, the Group's total basic endowment insurance premiums amounted to RMB198,386,355.16 (As at December 31, 2022: RMB171,784,279.85).

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

16 OTHER SIGNIFICANT EVENTS (CONTINUED)**16.2 Annuity plan (Continued)**

In addition, the Group has established an enterprise annuity plan. The expenses required for an enterprise annuity shall be jointly paid by the enterprise and the individual employees. Employees may voluntarily choose to join or not join the company's enterprise annuity plan. As at December 31, 2023, the total enterprise annuity expense of the Group was RMB82,917,329.51 (As of December 31, 2022: RMB68,232,811.88).

As at December 31, 2023, the Group had no forfeited contributions to reduce its contributions to the defined contribution annuity plan managed by the group in future years.

As at December 31, 2023, the Group did not have any defined benefit plan.

16.3 Segment information

The Group's business is mainly located in China. The Group operates business only in one 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 period ended December 31, 2023 and 2022.

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.

16.4 Auditor's Remuneration Statement

Items	As at December 31, 2023	As at December 31, 2022
Auditor's Remuneration	2,134,900.00	2,224,900.00
Total	2,134,900.00	2,224,900.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

17.1 Accounts receivable

17.1.1 Disclosure of accounts receivable by aging (based on invoice date)

	As at December 31, 2023	As at December 31, 2022
Aging		
Within 1 year	3,346,528,146.63	2,142,820,807.82
Including: Subitem within 1 year		
Within 6 months	2,332,336,415.06	1,583,396,513.58
7-12 months	1,014,191,731.57	559,424,294.24
1-2 years	852,245,158.67	1,132,256,137.95
2-3 years	259,453,447.66	431,067,192.13
3-4 years	149,825,773.92	295,995,002.96
4-5 years	125,268,958.38	91,129,723.76
Over 5 years	164,916,795.53	138,899,933.54
Sub-total	4,898,238,280.79	4,232,168,798.16
Less: Provision for bad debts	897,621,278.45	632,760,428.95
Total	4,000,617,002.34	3,599,408,369.21

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

Category	As at December 31, 2023					As at December 31, 2022				
	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	766,507,599.05	15.65	511,787,626.87	66.77	254,719,972.18	252,416,035.66	5.96	169,308,086.66	67.08	83,107,949.00
Provision for bad debts accrued on a portfolio basis	4,131,730,681.74	84.35	385,833,651.58	9.34	3,745,897,030.16	3,979,752,762.50	94.04	463,452,342.29	11.65	3,516,300,420.21
Total	4,898,238,280.79	100.00	897,621,278.45		4,000,617,002.34	4,232,168,798.16	100.00	632,760,428.95		3,599,408,369.21

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**17.1 Accounts receivable (Continued)****17.1.2 Disclosure under the methods of provision for bad debts by category (Continued)**

Provision for bad debts accrued on an individual basis:

Name	As at December 31, 2023				As at December 31, 2022	
	Accounts receivable	Provision for bad debts	Proportion of provision (%)	Reason for provision	Accounts receivable	Provision for bad debts
Customer 1	143,456,483.18	138,734,613.64	96.71	Operating difficulties	130,038,365.11	128,543,429.08
Customer 2	219,850,314.21	48,617,825.40	22.11	Poor financial situation	70,106,035.71	11,653,151.60
Customer 3	182,618,679.13	182,618,679.13	100.00	Recovery is at risk for long overdues		
Customer 4	71,400,071.04	65,788,881.34	92.14	Business conditions deteriorated		
Customer 5	37,637,075.97	25,768,033.42	68.46	Business conditions deteriorated		
Customer 6					11,297,308.04	7,810,359.19
Customer 7					5,563,813.60	1,521,121.10
Customer 8					4,865,900.00	4,033,971.62
Others	111,544,975.52	50,259,593.94	45.06		30,544,613.20	15,746,054.07
Total	766,507,599.05	511,787,626.87			252,416,035.66	169,308,086.66

Provision for bad debts accrued on a portfolio basis:

Item accrued on a portfolio basis:

Name	As at December 31, 2023		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from third-parties	1,459,845,438.08	385,833,651.58	26.43
Accounts receivable from related parties	2,671,885,243.66		
Total	4,131,730,681.74	385,833,651.58	

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(Amounts are expressed in RMB unless otherwise stated)

17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

17.1 Accounts receivable (Continued)

17.1.3 Provision, reversal or recovery of provision for bad debts in Year 2023

Items	As at		Changes in the current period			As at December 31, 2023
	December 31, 2022	Provision	Reversal or Recovery	Write-off or Charge-off	Other changes	
Provision for bad debts accrued on an individual basis	169,308,086.66	344,405,117.58	50,521.18	1,875,056.19		511,787,626.87
Provision for bad debts accrued on a portfolio basis	463,452,342.29	-77,618,690.71				385,833,651.58
Total	632,760,428.95	266,786,426.87	50,521.18	1,875,056.19		897,621,278.45

17.1.4 Accounts receivable actually write off in Year 2023

Item	Write-off amount
Accounts receivable actually written off	1,875,056.19

17.1.5 Top five of accounts receivable as at December 31, 2023, presented by debtors.

The sum amount of top five of accounts receivable presented by debtors is RMB2,300,808,996.93, accounting for 46.77% of the ending balance of accounts receivable, and the corresponding ending balance of allowance for bad debts is RMB232,051,762.54.

17.2 Other receivables

Item	As at December 31, 2023	As at December 31, 2022
Interest receivable		
Dividends receivable	53,533,370.76	91,347,823.90
Other receivables	319,300,463.19	300,500,125.33
Total	372,833,833.95	391,847,949.23

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**17.2 Other receivables (Continued)****17.2.1 Dividends receivable***(1) Details of dividends receivable*

Item (or investee)	As at December 31, 2023	As at December 31, 2022
Shenzhen Civil Aviation Cares Co., Ltd.	8,587,470.76	3,934,131.20
Chongqing Civil Aviation Cares Information Technology Co., Ltd.		14,832,319.01
Xinjiang Civil Aviation Kaiya Information Network Co., Ltd.	28,979,200.00	28,979,200.00
Qingdao Civil Aviation Cares Co., Ltd.	9,180,000.00	5,100,000.00
Yunnan Civil Aviation Cares Information Co., Ltd.		23,364,300.00
Zhejiang Civil Aviation Information Technology Co., Ltd.		5,718,273.69
Heilongjiang TravelSky Airport Network Co., Ltd.		1,500,000.00
Hubei Civil Aviation Cares Co., Ltd.	750,000.00	
Hainan Civil Aviation Cares Co., Ltd.	5,980,700.00	6,519,600.00
Guangzhou Skyecho Information Technology Co., Ltd.		1,400,000.00
Yantai TravelSky Airport Network Co., Ltd.	56,000.00	
Sub-total	53,533,370.76	91,347,823.90
Less: Provision for bad debts		
Total	53,533,370.76	91,347,823.90

NOTES TO FINANCIAL STATEMENTS

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17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

17.2 Other receivables (Continued)

17.2.2 Other receivables

(1) Disclosure by aging

Aging	As at December 31, 2023	As at December 31, 2022
Within 1 year	144,046,571.11	144,335,894.24
Including: subitem within 1 year		
Within 6 months	141,751,871.91	143,809,798.50
7-12 months	2,294,699.20	526,095.74
1-2 years	29,009,591.76	12,563,095.29
2-3 years	10,216,653.16	3,030,864.65
3-4 years	2,978,895.51	27,628,898.74
4-5 years	26,639,562.18	100,933,224.10
Over 5 years	106,409,189.47	12,008,148.31
Sub-total	319,300,463.19	300,500,125.33
Less: Provision for bad debts		
Total	319,300,463.19	300,500,125.33

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

Category	As at December 31, 2023					As at December 31, 2022					
	Book balance		Provision for bad debts			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											
Provision for bad debts on portfolio basis of credit risk characteristics	319,300,463.19	100.00			319,300,463.19					300,500,125.33	
Total	319,300,463.19	100.00			319,300,463.19					300,500,125.33	

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(Amounts are expressed in RMB unless otherwise stated)

17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**17.2 Other receivables (Continued)****17.2.2 Other receivables (Continued)****(2) Disclosure under the methods of provision for bad debts by category (Continued)**

Provision for bad debts on portfolio basis of credit risk characteristics:

Item accrued on a portfolio basis:

Portfolio	As at December 31, 2023		Proportion of provision (%)
	Other receivables	Provision for bad debts	
Related parties	234,190,647.45		
Third parties	85,109,815.74		
Total	319,300,463.19		

(3) Classification of other receivables by the nature of payment

Nature	As at December 31, 2023	As at December 31, 2022
Reserve funds	469,898.88	924,369.53
Insurance reserve funds of personnel stationed abroad	96,706,334.87	72,168,243.70
Advance payments	62,672,073.11	96,731,919.00
Deposit payments	7,145,163.40	5,175,756.40
Others	152,306,992.90	125,499,836.70
Total	319,300,463.16	300,500,125.33

(4) Top five of other receivable as at December 31, 2023, presented by debtors

The sum amount of top five of other receivables presented by debtors is RMB249,025,366.37, accounting for 77.98% of the balance of other receivables as at December 31, 2023. The ending balance of the corresponding provision for bad debts is RMB0.00.

17.3 Long-term equity investments

Category	As at December 31, 2023			As at December 31, 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiary	2,111,610,630.08		2,111,610,630.08	2,133,805,896.59		2,133,805,896.59
Investment in associates and joint ventures	539,786,209.41		539,786,209.41	493,022,527.81		493,022,527.81
Total	2,651,396,839.49		2,651,396,839.49	2,626,828,424.40		2,626,828,424.40

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
(Amounts are expressed in RMB unless otherwise stated)

17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

17.3 Long-term equity investments (Continued)

17.3.1 Investment in subsidiaries

Investees	Balance as at December 31, 2022	Impairment provision at the end of the previous year	Increase in 2023	Decrease in 2023	Balance as at December 31, 2023	Provision for impairment in 2023	Balance of
							provision for impairment as at December 31, 2023
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.	10,205,095.00				10,205,095.00		
Shenzhen Civil Aviation Cares Co., Ltd.	4,302,941.18				4,302,941.18		
Hubei Civil Aviation Cares Co., Ltd.	11,446,825.00				11,446,825.00		
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	4,998,000.00				4,998,000.00		
Yunnan Civil Aviation Cares Information Co., Ltd.	40,031,154.00				40,031,154.00		
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		
Xinjiang Civil Aviation Cares Technology 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		
TravelSky Yunzhi Technology (Beijing) 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 Digital Intelligence Technology (Beijing) Co., Ltd.	5,000,000.00				5,000,000.00		
TravelSky Technology (Singapore) Limited	353,594,927.55				353,594,927.55		
TravelSky International Limited	11,364,427.02				11,364,427.02		
TravelSky Technology (Europe) Limited	4,679,918.76				4,679,918.76		
TravelSky Technology USA Limited	9,738,500.00			9,738,500.00			
Taiwan TravelSky Limited	12,456,766.51			12,456,766.51			
Total	2,133,805,896.59			22,195,266.51	2,111,610,630.08		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Amounts are expressed in RMB unless otherwise stated)

17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**17.3 Long-term equity investments (Continued)****17.3.2 Investments in associates and joint ventures**

Investees	As at December 31, 2022	Provision for impairment as at December 31, 2022	Increase/decrease in 2023						As at December 31, 2023	Provision for impairment as at December 31, 2023	
			Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Changes in other equity	Cash dividends or profits declared to be distributed			Provision for impairment
1. Joint ventures											
Heilongjiang TravelSky Airport Network Co., Ltd.	21,153,676.19				2,323,261.80				750,000.00		22,726,937.99
Dalian TravelSky Airport Network LLC	26,239,388.97				2,415,792.28						28,655,181.25
Hebei TravelSky Airport Network Co., Ltd.	13,605,408.46				925,724.23						14,531,132.69
Shanghai Dongmei Online Travel Agency Co., Ltd.					12,966.80						12,966.80
Xinjiang Hangxin Tianyi Technology Innovation Co., Ltd.	13,510,938.86				6,886,631.82						20,397,570.68
Sub-total	74,509,412.48				2,323,261.80				750,000.00		22,726,937.99
2. Associates											
Beijing TravelSky Borun Technology Co., Ltd.	48,927,879.15				5,691,459.24						54,619,338.39
TravelSky Mobile Technology Limited	3,410,747.47				-3,410,747.47						
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	89,962,511.54				1,955,216.88	3,406,510.44			738,000.00		94,586,238.86
Shenyang Civil Aviation Northeast Cares Co., Ltd.	134,860,642.81				15,502,622.49						150,363,265.30
Chengdu Civil Aviation Southwest Cares Co., Ltd.	81,336,272.50				6,639,198.25						87,975,470.75
Yunnan TravelSky Airport Network Co., Ltd.	46,033,697.59				5,503,734.84						51,537,432.43
Guangzhou Airport Hangyi Information Technology Co., Ltd.	6,617,338.37				1,520,744.49				1,000,000.00		7,138,082.86
Yantai TravelSky Airport Network Co., Ltd.	7,364,025.90				50,565.51				172,000.00		7,242,591.41
Sub-total	418,513,115.33				33,452,794.23	3,406,510.44			1,910,000.00		453,462,420.00
Total	493,022,527.81				35,776,056.03	3,406,510.44			2,660,000.00		476,189,357.99

17.4 Operating revenue and operating costs**17.4.1 Operating Revenues and Operating Costs**

Item	Year 2023		Year 2022	
	Revenue	Cost	Revenue	Cost
Primary business	5,381,804,808.65	2,667,333,979.03	3,848,423,949.95	2,474,784,479.65
Other business	33,257,101.83	8,339,316.48	17,038,626.52	8,334,289.32
Total	5,415,061,910.48	2,675,673,295.51	3,865,462,576.47	2,483,118,768.97

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023
 (Amounts are expressed in RMB unless otherwise stated)

17 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

17.5 Investment income

Item	Year 2023	Year 2022
Long-term equity investment income calculated under the cost method	19,686,881.21	37,016,823.90
Long-term equity investment income calculated under the equity method	46,017,171.16	-16,610,358.84
Investment income from disposal of long-term equity investment	-2,691,552.70	-10,335,040.94
Income from held-for-trading financial assets during the holding period	55,849,657.55	49,640,000.44
Total	118,862,157.22	59,711,424.56

TRAVELSKY TECHNOLOGY LIMITED

March 27, 2024

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

As of the latest practicable date April 16, 2024 before the issue date of this report

DIRECTORS

Mr. Huang Rongshun, aged 58, the Chairman, an executive director and the General Manager of the Company, a research scholar who graduated from Beihang University* (北京航空航天大學), majoring in computer science and application, with a doctor's degree of management from Sichuan University* (四川大學). Mr. Huang is an expert entitled to Government Special Allowance by the State Council and has more than 30 years of research and management experience in China's civil aviation industry. From August 1987 to October 2014, Mr. Huang held positions in Second Institute of Civil Aviation Administration of China* (中國民用航空局第二研究所), being a deputy chief engineer and deputy general manager of its subsidiary, then served as the assistant to the head, deputy head, head and the secretary of the Party Committee. From October 2014 to June 2021, Mr. Huang acted as the dean (head) and deputy secretary of the Party Committee of China Academy of Civil Aviation Science and Technology (Aviation Safety Technology Center of Civil Aviation Administration)* (中國民航科學技術研究院(民航局航空安全技術中心)). From August 2018 to May 2021, Mr. Huang acted as the chief member of China Technology Committee of Air Freight and Ground Equipment Standardization* (全國航空貨運及地面設備標準化技術委員會). Mr. Huang has been serving as the director and deputy secretary of the Party Committee of China TravelSky Holding Company Limited* (中國民航信息集團有限公司), and the deputy secretary of the Party Committee of the Company since May 2021, and the general manager of China TravelSky Holding Company Limited since June 2021. Since August 2021, Mr. Huang has been serving as the Chairman and an executive director of the seventh session of the Board of the Company, and appointed as the chief member of the Nomination Committee and the Strategy Committee. Since April 2022, he has been serving as our General Manager. 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. Huang is a director of China TravelSky Holding Company Limited.

Mr. Sun Yuquan, aged 51, graduated from Nanjing University of Science and Technology majoring in accounting. He is a researcher-level senior engineer and a senior accountant. He served as the general manager of the finance department of China Rong Tong Asset Management Group Corporation Limited from July 2019 to February 2022. He has been serving as the chief accountant and a member of the Communist Party Group of China National Aviation Holding Corporation Limited* (中國航空集團有限公司) ("CNAHC") since February 2022. Since March 2022, he has been serving as a member of the Standing Committee of the Communist Party Committee of Air China Limited, and concurrently as the chairman of China National Aviation Capital Holding Co., Ltd. and the chairman of China National Aviation Media Co., Ltd. He has served as a non-executive director of Cathay Pacific Airways Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00293), since May 2022. He has been serving as the chief accountant of Air China Limited since March 2023. Since January 2024, Mr. Sun 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. CNAHC 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. Sun is an employee of CNAHC.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

As of the latest practicable date April 16, 2024 before the issue date of this report

Mr. Qu Guangji, aged 54, holds a bachelor's degree in economics from Xi'an Statistical Institute and has obtained a part-time master's degree in economics from Dongbei University of Finance and Economics and a part-time executive master's degree in business administration from Tsinghua University — Ecole des Ponts Paris Tech and Ecole Nationale de l'Aviation Civile. He is an economist. Mr. Qu started his career in July 1993 and served in various positions including the general manager and Deputy Secretary of the CPC General Committee of the capacity network division of Commercial Steering Committee of China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司) ("**China Southern Airlines**"), the general manager and Deputy Secretary of the CPC General Committee of the network income division of Commercial Steering Committee of China Southern Airlines, and the deputy director and Member of Party Committee of Commercial Steering Committee of China Southern Airlines. Mr. Qu served as the general manager and Deputy Secretary of the Party Committee of the Hubei branch of China Southern Airlines in April 2017; the executive vice president and Deputy Secretary of the Party Committee of Xinjiang branch of China Southern Airlines in March 2019; the general manager and Deputy Secretary of the Party Committee of Xinjiang branch of China Southern Airlines in July 2019; the general manager and Deputy Secretary of the Party Committee of Shenzhen branch of China Southern Airlines in August 2021; and the deputy general manager and Party Member of China Southern Air Holding Limited Company in July 2023. Since January 2024, Mr. Qu 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 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. Qu is an employee of China Southern Air Holding Limited Company.

Mr. Xi Sheng, aged 61, 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 from January 2018 to March 2023, and Executive Vice President and member of Standing Committee of the Party Committee of CEA from January 2021 to March 2023. 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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

As of the latest practicable date April 16, 2024 before the issue date of this report

Mr. Liu Zehong, aged 63, is a professor-level senior engineer. He graduated from China Electric Power Research Institute with a master's degree. Mr. Liu Zehong is committed to developing key technical know-how in ultra and extreme high voltage power transmission, research and development of core equipment and major engineering construction for a long time. From 2005 to 2011, Mr. Liu Zehong successively served as the deputy director of the Extreme High Voltage Office, the Construction and Operation Department and the Extreme High Voltage Department of State Grid Corporation of China* (國家電網有限公司) (formerly known as State Grid Corporation* (國家電網公司)). He served as the head of the Direct Current Construction Department of State Grid Corporation of China from 2011 to 2015, assistant to the general manager of State Grid Corporation of China in 2015, and a vice general manager (member of the Party Group) of State Grid Corporation of China from 2015 to 2021. Mr. Liu Zehong has been serving as an external Director of China Datang Corporation Ltd. since April 2022. From September 2022 to now, he is the resident Vice Chairman of the Global Energy Internet Development Cooperation Organization* (全球能源互聯網發展合作組織). Since September 2022 Mr. Liu has served as an independent non-executive Director of the Company's seventh session of the Board of Directors, a Chairman of the Remuneration Committee, a member of the Audit Committee, and a member of the Nominating Committee. Since January 2023 Mr. Liu has served as a member of the Company's Strategy Committee.

Mr. Chan Wing Tak Kevin, aged 58, Chinese nationality and a resident of Hong Kong Special Administrative Region, Mr. Chan has been a member of the 13th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference since January 2023. He is currently chief executive officer of Concentric Education Foundation (Hong Kong) and executive vice president of Chinese Banking Association of Hong Kong and he also serves as an independent non-executive director of China Communications Construction Company Limited (SEHK, Stock Code: 01800; SSE, Stock Code: 601800) and Royale Home Holdings Limited (SEHK, Stock Code: 01198). Mr. Chan Wing Tak Kevin has extensive experience in finance, securities and banking. He held positions as the head of research division of Nomura International (Hong Kong) Limited in China and Hong Kong and the director of banking department thereof in Asia region, the head of China and Hong Kong Financial Department of CLSA, a senior advisor of KPMG China and a member of the Listing Committee of the Hong Kong Stock Exchange, a member of Election Committee (Finance) of The Government and a member of the Chief Executive's Policy Unit (CEPU) Expert Group of the Hong Kong Special Administrative Region. Mr. Chan Wing Tak Kevin graduated from London School of Economics and Political Science with a master's degree in economics and has qualification of Fellow Certified Practising Accountant in Australia. Since September 2022, he has served as an independent non-executive Director, a Chief member of the Audit Committee, and a member of the Remuneration Committee of our seventh session of the Board of Directors.

Mr. Xu Hongzhi, aged 62, is a professor-level senior engineer and entitled to a special government allowance provided by the State Council. He graduated with a major in information processing from Electronic Engineering Department of Northwest Telecommunication Engineering Institute (currently known as Xidian University) and holds an executive master's degree in business administration of Xiamen University. Mr. Xu Hongzhi successively served as a teaching assistant of Department 2 of Changchun Institute of Posts and Telecommunications, a technician and engineer of the software division, the deputy head and the head of the research division of the 10th Institute of the Posts and Telecommunications Department and a deputy manager of the Engineering Department of Xi'an Datang Telecom Co., Ltd.* (西安大唐電信有限公司) from August 1983 to May 1996. He served as the deputy director of the 10th Institute of the Posts and Telecommunications Department from May 1996 to February 2001, the director and the secretary of party

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

As of the latest practicable date April 16, 2024 before the issue date of this report

committee of the 10th Institute of Telecommunications, Science and Technology from February 2001 to March 2003, the deputy head and a member of the Party Group of the Telecommunications, Science and Technology Research Institute from March 2003 to December 2017. He concurrently served as the head of the Data Telecommunications, Science and Technology Institute from January 2005 to June 2009, a vice general manager and a member of the standing committee of the Communist Party Committee of China Academy of Telecommunications Technology Co., Ltd. from December 2017 to June 2018, and a member of the standing committee of the Communist Party Committee and a vice general manager of China Information and Communication Technology Group Co., Ltd. from June 2018 to November 2021. He has been serving as an external director of GRINM Group Corporation Limited since June 2022. Since September 2022, he has served as an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nominating Committee of our seventh session of the Board of Directors.

SUPERVISORS

Mr. Zhang Xin, aged 43, graduated from Beijing Jiaotong University with a master's degree in Safety Technology and Engineering. In July 2005, he joined the system support department of the operation center of the Company, and is engaged in the operation and maintenance work. He is currently a senior engineer.

Mr. Yang Jun, aged 50, graduated from Xiamen University, majoring in finance, and holds a master's degree in business administration in aerospace management from RMIT University in Australia. From August 1997 to April 2005, Mr. Yang worked in the Planning and Finance Department of Xiamen Airlines Company Limited, and successively served as the deputy manager of Cost Management Division and manager of Expenses Write-off Division. From April 2005 to May 2007, Mr. Yang served as the deputy head of finance and manager of Planning and Finance Department of Xiamen Airlines Company Limited Nanchang Branch. From May 2007 to February 2020, Mr. Yang successively served as the manager and deputy general manager of the Enterprise Planning Division of Planning and Finance Department and the Party secretary of Xiamen Airlines Company Limited. He has been the general manager of Human Resources Department of Xiamen Airlines Company Limited since February 2020 and the chief accountant and Party secretary of Xiamen Airlines Company Limited since November 2021. Since June 2022, he served as a shareholder representative supervisor of the seventh session of the Supervisory Committee of the Company.

Mr. Bai Bin, 44 years old, graduated from Dongbei University of Finance and Economics, majoring in E-commerce. Mr. Bai has been the deputy general manager of the Information Technology Department of Hainan Airlines Holding Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601800) since April 2022. From December 2019 to April 2022, Mr. Bai served as the assistant director of Digital Transformation Office and the executive deputy general manager of the Aviation Digitalization Department of eKing Technology Co., Ltd. (listed on NEEQ, stock code: 831608); From August 2020 to June 2022, he served as a director of eKing Technology Co., Ltd.; From March 2015 to November 2019, he served as the deputy general manager of the Information Technology Department and the manager of the Planning and Standard Quality Center of Hainan Airlines Holding Co., Ltd.; From March 2012 to March 2015, he served as the deputy general manager of the Information Technology Department and the deputy general manager of the General Management Department of Jinhai Heavy Industry Co., Ltd. Since June 2023, he served as a shareholder representative supervisor of the seventh session of the Supervisory Committee of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

As of the latest practicable date April 16, 2024 before the issue date of this report

SENIOR MANAGEMENT

Mr. Li Jinsong, aged 54, a vice general manager and the chief financial officer of the Company, is a senior engineer. He graduated from Tsinghua University and holds a bachelor degree of engineering, master degree of business administration and a doctor of philosophy degree in law from Tsinghua University. He is currently a certified public accountant, lawyer and an arbitrator of the Beijing Arbitration Commission. Mr. Li served as a business manager of the Investment Management Department of China Huaqing Industrial Corporation* (中國華輕實業公司) from August 1990 to September 1995, the general manager of Liaoning Huaqing Inc.* (遼寧華輕實業有限責任公司) from September 1995 to September 2000, and the assistant to general manager of China Huaqing Industrial Corporation from September 2000 to March 2002. He served as a certified public accountant of Xinhua Accounting Firm* (新華會計師事務所) from March 2002 to February 2004, and served as associate professor and a member of the Academic Committee of Beijing National Accounting Institute from February 2004 to March 2007 (during this period, he was also a research scholar at the London School of Economics and Political Science). In March 2007, he held the position of general counsel of China TravelSky Holding Company. From August 2007 to December 2008, he also served as the general manager of Department of Corporate Audit Monitoring and Law Affairs* (公司審計監察與法律事務部) of China TravelSky Holding Company. From December 2008 to March 2014, Mr. Li has been the general counsel of the Company. Mr. Li served as the chief accountant of China Academy of Machinery Science and Technology* (機械科學研究總院) from March 2014 to September 2016. Since September 2016, Mr. Li has been serving as a member of the standing committee of Communist Party Committee of China TravelSky Holding Company Limited and the Company. Since November 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 59, 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 September 1998, 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 has been serving as a member of the standing committee of Communist Party Committee of China TravelSky Holding Company Limited, a member of the standing committee of Communist Party Committee and the vice general manager of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

As of the latest practicable date April 16, 2024 before the issue date of this report

Mr. Liang Haifeng, aged 52, 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 Operation department, 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.

COMPANY SECRETARY

Mr. Yu Xiaochun, aged 56, 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 latest practicable date April 16, 2023 before 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:

Huang Rongshun	<i>Chairman, Executive Director and General Manager</i>
Sun Yuquan	<i>Non-executive Director</i> (appointed on January 25, 2024)
Qu Guangji	<i>Non-executive Director</i> (appointed on January 25, 2024)
Xi Sheng	<i>Non-executive Director</i>
Liu Zehong	<i>Independent Non-executive Director</i>
Chan Wing Tak Kevin	<i>Independent Non-executive Director</i>
Xu Hongzhi	<i>Independent Non-executive Director</i>

AUDIT AND RISK MANAGEMENT COMMITTEE (SUPERVISION COMMITTEE)

Chan Wing Tak Kevin	<i>Chief Member (Chairman)</i>
Liu Zehong	<i>Member</i>
Xu Hongzhi	<i>Member</i>

REMUNERATION AND EVALUATION COMMITTEE

Liu Zehong	<i>Chief Member (Chairman)</i>
Chan Wing Tak Kevin	<i>Member</i>
Xu Hongzhi	<i>Member</i>

NOMINATION COMMITTEE

Huang Rongshun	<i>Chief Member (Chairman)</i>
Liu Zehong	<i>Member</i>
Xu Hongzhi	<i>Member</i>

CORPORATE INFORMATION

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STRATEGY AND INVESTMENT COMMITTEE (LEGAL COMPLIANCE COMMITTEE)

Huang Rongshun	<i>Chief Member (Chairman)</i>
Sun Yuquan	<i>Member</i> (appointed on January 25, 2024)
Qu Guangji	<i>Member</i> (appointed on January 25, 2024)
Xi Sheng	<i>Member</i>
Liu Zehong	<i>Member</i> (appointed on January 18, 2023)

DIRECTOR RESIGNED (INCLUDING HIS RESPECTIVE DUTY IN THE SPECIAL COMMITTEE)

Liu Jianping	<i>Executive Director</i> (appointed in September 1, 2022, resigned on September 26, 2023), <i>Member of the Strategy Committee</i> (appointed in September 1, 2022, resigned on September 26, 2023)
Zhao Xiaohang	<i>Non-executive Director</i> (appointed on June 27, 2019, resigned on January 25, 2024), <i>Member of the Strategy Committee</i> (appointed on June 27, 2019, resigned on January 25, 2024)
Luo Laijun	<i>Non-executive Director</i> (appointed on February 27, 2020, resigned on January 25, 2024), <i>Member of the Strategy Committee</i> (appointed on February 27, 2020, resigned on January 25, 2024)

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:

Zhang Xin	<i>Staff Representative Supervisor</i> (appointed by the staff representative meeting of the Company on January 17, 2024)
Yang Jun	<i>Supervisor</i>
Bai Bin	<i>Supervisor</i> (appointed on June 15, 2023)

SUPERVISORY RESIGNED

Ding Wanzhi	<i>Chairman of the Supervisory Committee</i> (appointed on February 27, 2020, resigned on January 16, 2023), <i>Staff Representative Supervisor</i> (appointed by the staff representative meeting of the Company on January 9, 2020, resigned on January 16, 2023)
Liang Shuang	<i>Staff Representative Supervisor</i> (appointed by the staff representative meeting of the Company on January 9, 2020, resigned on January 17, 2024)
Zhu Yan	<i>Independent Supervisor</i> (appointed on February 27, 2020, resigned on June 30, 2023)
Tang Lichao	<i>Supervisor</i> (appointed on February 26, 2021, resigned on June 15, 2023)

CORPORATE INFORMATION

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SENIOR MANAGEMENT

Huang Rongshun	<i>General manager, Chairman, Executive Director</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>
Yu Xiaochun	<i>Company Secretary (Secretary to the Board)</i>

SENIOR MANAGEMENT RESIGNED

Rong Gang	<i>Vice General Manager (appointed on December 12, 2008, resigned on April 28, 2023)</i>
Wang Jinping	<i>Vice General Manager (appointed on August 27, 2020, resigned on January 31, 2024)</i>
Zhu Xiaoxing	<i>Vice General Manager (appointed on August 29, 2008, resigned on December 28, 2023)</i>

REGISTERED ADDRESS

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PLACE OF LISTING

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Stock Code: 00696

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CORPORATE INFORMATION

As of the latest practicable date April 16, 2023 before the issue date of this report

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York Mellon

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

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CORPORATE INFORMATION

As of the latest practicable date April 16, 2023 before the issue date of this report

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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.



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