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

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

(Stock Code : 00696)

ANNUAL REPORT 2018

CONTENTS

CORPORATE PROFILE

TravelSky Technology Limited (the "**Company**", or together with its subsidiaries, the "**Group**") is the dominant provider of information technology solutions for China's aviation and travel industry. The Group has been devoted to developing leading products and services that satisfy the needs of all the industry participants – ranging from commercial airlines, airports, air travel products and services suppliers to travel agencies, corporate clients, travelers and cargo shippers – to conduct electronic transactions and manage travel-related information. The core businesses of the Company include aviation information technology service, distribution information technology service, clearing and accounting and settlement service for aviation industry, etc.

The Company was incorporated in the People's Republic of China (the "**PRC**" or "**China**") on October 18, 2000. As of December 31, 2018, it had an equity interest in each of the following subsidiaries: Accounting Centre of China Aviation Limited Company ("**ACCA**"), TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd., TravelSky Technology Australia Pty. Ltd, TravelSky R&D USA, INC., TravelSky Technology (Taiwan) Limited, Beijing TravelSky Technology Limited, TravelSky Mobile Technology Limited, Beijing HangJu Credit Management Co., Ltd., Shanghai TravelSky Information Technology Limited, Guangzhou TravelSky Information Technology Limited, Hunan TravelSky Information Technology Limited, Inner Mongolia TravelSky Information Technology Limited, Henan TravelSky Information Technology Limited, Zhejiang TravelSky Information Technology Limited, TravelSky Technology Huadong Data Center Limited, TravelSky CARES (Beijing) Real Estate Limited, Beijing TravelSky Travel Service Limited, Hainan Civil Aviation Cares Co., Ltd., Cares Shenzhen Co., Ltd., Cares Hubei Co., Ltd., Cares Chongqing Information Technology Co., Ltd., Aviation Cares of Yunnan Information Co., Ltd., Civil Aviation Cares of Xiamen Ltd., Civil Aviation Cares of Qingdao Ltd., Civil Aviation Cares Technology of Xi'an Ltd., Civil Aviation Cares Technology of Xinjiang Ltd., InfoSky Technology Co., Ltd., Shanghai Yeexing E-Business Limited, Beijing TravelSky Birun Technology Co., Ltd., Guangxi TravelSky Cloud Data Service Co., Ltd. and Guangzhou Skyecho Information Technology Limited. The Company also held an equity interest in each of the following associated companies: Shanghai Civil Aviation East China Cares System Integration Co., Ltd., Shenyang Civil Aviation Cares of Northeast China, Ltd., Aviation Cares of Southwest Chengdu, Ltd., Heilongjiang TravelSky Airport Technology Limited, Yunnan TravelSky Airport Technology Limited, Shanghai Dongmei Aviation Tourism Online Co., Ltd., Dalian TravelSky Airport Technology Limited, Hebei TravelSky Airport Technology Limited, Guangzhou Airport AirSpan Information Technology Co., Ltd. and Yantai TravelSky Airport Technology Limited and held interest in joint stock company, China Merchants RenHe Life Insurance Company Limited.

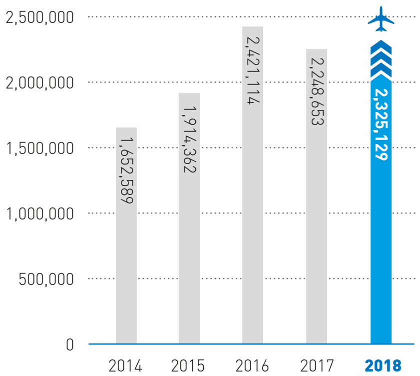
The Group had 7,411 employees as of December 31, 2018.

The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 00696) on February 7, 2001. The Company received notices given by certain shareholders below in relation to change of name in January 2018, among which, the names of China TravelSky Holding Company, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company were changed to China TravelSky Holding Company Limited, China Southern Air Holding Company Limited, China Eastern Air Holding Company Limited and China National Aviation Holding Company Limited, respectively. As of the date of this report, the largest shareholder of the Company is China TravelSky Holding Company Limited, which holds an equity interest of approximately 29.29% in the Company. A total of approximately 38.84% of the equity interest in the Company is held by 14 domestic shareholders, including the holding companies of the three largest Chinese commercial airlines, namely, China Southern Air Holding Company Limited, China Eastern Air Holding Company Limited and China National Aviation Holding Company Limited. The remaining 31.87% of the equity interest in the Company is held by holders of its H shares.

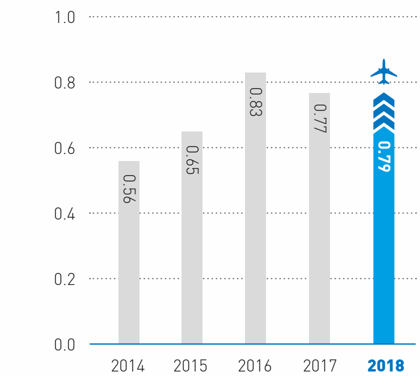
The Company has established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market (OTC) on December 27, 2002.

FINANCIAL HIGHLIGHTS

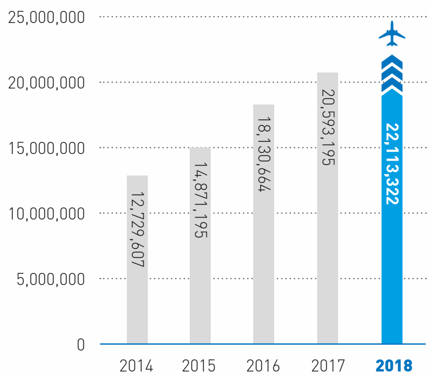
Profit Attributable to Owner of the Parent
RMB'000



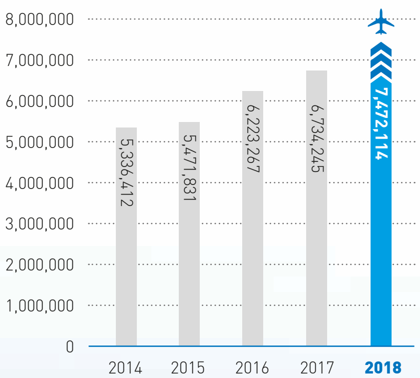
Earnings Per Share
RMB



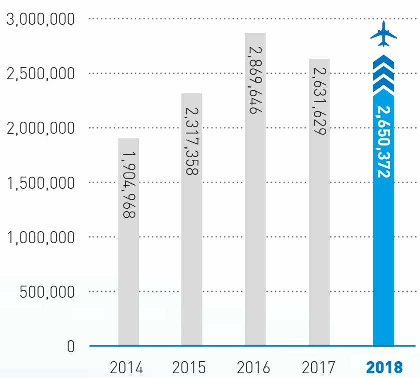
Total Assets
RMB'000



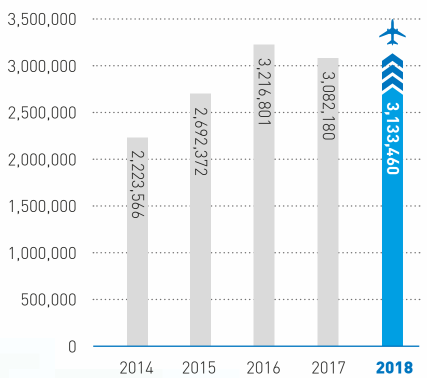
Revenues
RMB'000



Profit before Taxation
RMB'000



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



STATEMENT OF THE BOARD

DEAR SHAREHOLDERS,

The year 2018 marks the beginning of the implementation of the spirit of the Nineteenth National Congress of the Communist Party of China. It is the key year for the success of building a well-off society in an all-round way and the implementation of the 13th Five-Year Plan. It is also the 40th anniversary of reform and opening up and the starting year for the new journey of building a strong country with a strong civil aviation industry. Faced with the complicated economic situation and arduous tasks, the Group insisted on managing corporation according to laws, promoting transformation and upgrading, accelerating quality and efficiency improvement and implementing innovation-driven development. Also, it has continued to consolidate its security foundation, strengthen measures for risk prevention. Meanwhile, it has made progress in market development, made breakthroughs in scientific and technological innovation, orderly pushed forward the key tasks of reform, and achieved good growth of various business indicators. What's more, it has successfully completed multiple key supporting tasks during the periods of Boao Forum for Asia, Shanghai Cooperation Organization Qingdao Summit, Beijing Summit of the Forum on China-Africa Cooperation Forum, 12th Davos Tianjin Summit, 1st Shanghai Import Expo and the 12th Air Exhibition.

Cui Zhixiong
Chairman

The year 2019 marks the Seventieth Anniversary of the founding of the People's Republic of China. It is the key year to build a well-off society in an all-round way and achieve the goals of the first century. It provides valuable historical development opportunities for the Group to further consolidate its market position, expand its business, and give full play to its industry experience and technological advantages. We continue to be faced with many challenges: global economic slowdown, increased instabilities and uncertainties, complex and severe external environment. Downward pressure of the domestic economy has intensified, and the increasing speed of consumption slowed down. On the other hand, civil aviation industry has been increasingly concerned in respect of safety, convenience and quality of travel, and its requirements on cost, quality, efficiency, environment and other aspects have been continuously improved.

For this purpose, the Group will continue to firmly focus on its development strategy to work hard in key areas and links of reform, promote the optimization of its operation and management system as a whole, and scientifically plan its key reform tasks. At the same time, it will also continue to adhere to making progress while maintaining stability, clarify the development pattern, focus on strategic priorities, accelerate the improvement of core capacity and continuously strengthen the followings: Firstly, the foundation of operation and maintenance. Build a new operation and maintenance system adapted to the current open environment and the development of new technologies in the future by improving the ability of operation and maintenance support. Secondly, the source of scientific research and entrepreneurship. Enhance the sustainable competitive advantage by enhancing the ability of scientific research and development. Thirdly, the key market areas for prosperity. Improve its market competitiveness so as to play a more important role in industry trend research and judgment, industry standard construction, overall product planning and so on. Fourthly, its service. By improving customer service capabilities, build a service system for meeting market needs and customer needs.

Finally, on behalf of the board of directors, I would like to take this opportunity to extend my gratitude to all shareholders, investors, customers, directors and supervisors for the trust and support they have bestowed upon us as well as to all our staff for their enthusiasm and achievements. The Group will stay true to the mission, strive ahead with sheer endeavor to accelerate the implementation of strategies, to better serve its customers and the public, and create greater value for the shareholders as well as the society.

Cui Zhixiong
Chairman

March 28, 2019

BUSINESS REVIEW

2018 BUSINESS REVIEW

As the leading provider of information technology solutions for China's aviation and travel industry, the Company stands at a core-sector along the value chain of China's aviation and travel service distribution. The Company has been devoted to serving the needs of all industry participants ranging from commercial airlines, airports, travel products and services providers, travel agencies, travel service distributors or agents, corporate clients, travelers and cargo shippers, as well as major international organizations such as International Air Transport Association ("**IATA**") and government bodies, with the scope of services covering the provision of critical information systems on flight control, air ticket distribution, check-in, boarding and load planning, accounting, settlement and clearing system, etc.. With over three decades of tenacious research and development, the Company has built up a complete industry chain for aviation and travel information technology service, established a relatively comprehensive, competitively priced product line of aviation and travel information technology service with robust functionality, aiming to help all industry participants to expand their businesses, improve service quality, minimize operational costs and enhance operational efficiency, and ultimately bring benefits to travelers.

AVIATION INFORMATION TECHNOLOGY SERVICES

The Company's aviation information technology ("**AIT**") services, which consist of series of products and solutions, are provided to 41 Chinese commercial airlines and over 350 foreign and regional commercial airlines. The AIT services comprise Electronic Travel Distribution ("**ETD**") services (including inventory control system ("**ICS**") services, computer reservation system ("**CRS**") services) and airport passenger processing system ("**APP**") services, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product services to support aviation alliance, solutions for developing e-ticket and e-commerce, data service to support decisions of commercial airlines as well as information management system service to improve ground operational efficiency.

In 2018, the Group's Electronic Travel Distribution (ETD) system processed approximately 643.9 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 9.8% over the same period in 2017. Among which, the processed flight bookings on commercial airlines in China increased by approximately 10.2%, while those on foreign and regional commercial airlines increased by approximately 1.7%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Company reached 149, with sales percentage through direct links exceeding 99.8%. In 2018, apart from the adoption of our APP services by all major commercial airlines in the PRC, more foreign and regional commercial airlines were using the Company's APP system services, multi-host connecting program services and the Angel Cue platform connecting services, resulting in the increase of the number of such users to 154, with approximately 18.8 million of passenger departures processed in 105 airports.

Xiao Yinhong
Executive Director,
General Manager

In 2018, the Company further closely aligned the research and development focus with the industrial trend and customers' demand and continued to enhance its aviation-related information technology services and its extended services, with an aim to fulfill the demand of commercial airlines for the information technology solutions on travel convenience, e-commerce, auxiliary services and international services. As a strategic partner of the Fast Travel project of IATA, the commonly used self-service check-in system (CUSS) has been launched in 183 major domestic and international airports, and the online check-in service has been applied in 316 airports at home and abroad. Such products and services, together with the mobile check-in service and SMS check-in service, processed a total of approximately 296 million departing passengers. The number of users of our self-developed mobile application, "Umetrip", has witnessed stable growth, with Shanghai Pudong, Changsha and other airports carrying out "airport zone" cooperation, creating a number of airport application innovative products, and improving the quality of service for passengers, commercial airlines and airports. The Company provided full-process convenient clearance technology solutions for China's commercial airlines, to help improving their passengers' experiences in various services, such as, security check and boarding. There have been 229 airports in China using the convenient business of "aviation information inquires". Among such airports, the ones with 10 million of passenger throughput annually have all realized the whole process of electronic services. This has successfully guaranteed 225 million trips of passengers of China's civil aviation industry to experience the whole process of this "paperless" convenient business. The Company and Cathay Pacific Airlines Limited have reached a strategic cooperation on a new distribution capability (NDC) project in the area of B2C e-commerce solutions (TRP) of the airlines. Such project has been put into operation in Hong Kong Airlines Limited, Chengdu Airlines Limited and other commercial airlines. Airlines add-on service sales solutions ("**Easy add value (增值易)**" product platform) have constantly improved product ease of use. The agent rate calculation, additional service changes and other functions has been put into operation. The transaction of add-on service – electronic miscellaneous bills (EMD) continues to increase. Responding to the "The Belt and Road Initiative" strategy, we have continued to expand overseas market. The Company's system has successfully introduced 4 overseas commercial airlines customers such as Royal Air Russia. Independently designed, researched and developed low-cost aviation solutions have been officially put into production for the first customer – Cambodian Sky Angkor Airlines. Following the national strategy of vigorously developing general aviation industry, we have expanded the scope of passenger tickets business from civil aviation industry to general aviation industry and there have been 6 general aviation customers beginning to use the Company's system.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

The Group provided accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation corporations through Accounting Centre of China Aviation Limited Company (中國航空結算有限責任公司) ("**ACCA**"), a wholly-owned subsidiary of the Company. As the downstream businesses of the Group's principal activities in air travel service distribution and sales, the above businesses strongly strengthened industry chain for the Group's information technology business in the air transportation and travel industry. Apart from being the world's largest service provider of IATA Billing and Settlement Plan (BSP) Data Processing ("**BSP DP**"), ACCA is also the largest provider of outsourced services and system products in revenue settlement and clearing in the air transportation industry in China. Its major customers include domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organizations and IATA.

In 2018, the Group has continued to consolidate and expand its accounting, settlement and clearing market, fully promoted value-added products of passenger transport settlement system, and gained new customers in cargo transport and airport business areas. Meanwhile, the system research and development and production were carried out as scheduled. The third generation of settlement system started research and development work of an order-based revenue settlement system that meets NDC/ONE ORDER industry standards and meets e-commerce retail demand of commercial airlines. Such system has been put into production in Sichuan Airlines Co., Ltd. With development led by scientific and technological innovation, the settlement company has acquired the qualifications of hi-tech enterprises, obtained the evaluation certificate of software enterprises, and was appraised as "2018 top 100 enterprises in comprehensive strength class in software and information service industry of Beijing". In 2018, there were approximately 957.6 million transactions processed with the accounting, settlement and clearing system of the Group and approximately 395.7 million BSP tickets processed with our BSP data processing services. In the same period, passenger, cargo and mail revenue, miscellaneous fees as well as international and domestic clearing amount settled by agents amounted to approximately USD10.67 billion, and the transaction amount of the electronic payment system was approximately RMB99.75 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

The Group's travel service distribution network comprises over 70,000 sales terminals owned by more than 8,000 travel agencies and travel service distributors, with high-level networking and direct links to all Global Distribution Systems ("**GDSs**") around the world and 149 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localized services to travel agencies and travel service distributors through more than 40 local distribution centres across China and 9 overseas distribution centres across Asia, Europe, North America and Australia. The network processed over 542.3 million transactions throughout the year with transaction amount up to RMB513 billion.

In 2018, the Group continued to develop overseas distribution channels while increasing R&D and production of, and expanding the market of, the key products of distribution of information technology services. FareSky, an international freight rates calculation system, has been put into operation for all users. Search One, an international flight ticket and freight rates search product, has been extended to Cathay Pacific Airlines Limited. "1etrip (行啊)", an enterprise travel solution, has increased rapidly in the number of the legs of flight to be sold. In Australia and New Zealand, we have joined BSP and signed overseas sales agreements with 12 Chinese commercial airlines to be prepared for expanding sales channels for overseas markets.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2018, the Group continued to enhance research and development and promotion of airport information technology service and product, secured the market share of the traditional departure front end service and product, actively participated in construction projects of domestic airport information system. The departure front end system of the new-generation APP dominated China's large and medium-sized airports. Furthermore, the system assisted commercial airlines in providing various services for passengers, such as, boarding, transit and connection, in 164 overseas or regional airports. The number of departure passengers receiving such services reached approximately 43.9 million, accounting for 91.6% of the number of passengers returning from overseas of such commercial airlines. As to Beijing Daxing International Airport Project, the preparation for, and implementation of, the production system deployment has been completed as scheduled. The Airport Shared Connectivity and Infrastructure Integration (ASCII) has been extended to 22 new, rebuilt and expanded airports in Urumqi, Shanghai Hongqiao, Ningbo, Qingdao and etc.. The Company has promoted the construction of "Facial Recognition & ID Authentication" product for security inspection. With a combination of biometric technology and security inspection information system, such product has helped realize the comparison of passenger's insensitive facial recognition to their identity in the security inspection corridor, not only greatly improving the accuracy and professionalism of airport security inspection certification, but also improving the operation efficiency of airport security inspection. Airport operation command platform has been widely used in Shenzhen, Changsha, Qingdao, Urumqi, Dalian, Mianyang and other airports. This will help promote the intelligent development of airport operation.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2018, the Group, as per the national "The Belt and Road Initiative" strategy and air transport safety policy, continued to improve and promote air cargo transport logistics information technology service and product. The Group has successfully bid several freight system projects, including Qingdao Airport, Guangzhou Baiyun Airport and Beijing Daxing International Airport. In 2018, the systematically processed air waybills reached approximately 17.4 million pieces, representing a year-on-year growth of 0.6%.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2018, the Group continued to expand customer base in the public information technology service sector with an emphasis on state-owned enterprises, governmental authorities, financial and internet enterprises, and quicken steps to put key projects at the new data centre in Shunyi, Beijing into operation.

INFRASTRUCTURE

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

In 2018, ICS, CRS, APP and the core open system of the Group operated smoothly. Milestone results have been achieved as to relocation of computer room successfully. The new data centre in Shunyi, Beijing, was opened for use step by step, and it has the ability to provide external services. Efforts were made to promote the construction of key national projects, and significant progress was made in the demonstration projects on industry information security. The relevant ministries put the project into production as scheduled. New achievements have been made in the construction of the scientific research platform, and the "key labs for intelligent technology application in civil aviation passenger services" and "development base for science and technology innovation application technology of civil aviation" have been awarded the licenses by Civil Aviation Administration of China. 4 scientific research projects participated by the Group including "large-scale distributed passenger service information system with high-availability key technology research" have been approved by the relevant superior organizations for acceptance. The Group has improved the quality of operation and maintenance services to a new level, enhanced safety and long-term measures, built up unified command system, broke through the bottleneck of basic resources, enriched system monitoring tools, carried out targeted security investigation and emergency drills, and effectively guaranteed the daily safe operation of civil aviation passenger information systems, as well as during the key periods, such as Chinese Spring Festival Travel Rush and various domestic and international grand events.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the ease of having brief understanding in the situation of the Company, we have selected some key indicators, which can reflect the profitability, solvency and cash liquidity of the Company, to comprehensively reflect the financial position and operating results of the Company. The following discussion and analysis should be read in conjunction with the financial information of the Group contained in the consolidated financial statements (together with the notes thereto) reproduced in this year's results announcement. The consolidated financial statements have been prepared in accordance with IFRSs. The following discussions on the summary of historical results do not represent a prediction as to the future business operations of the Group.

SUMMARY

For Year 2018, profit before taxation of the Group was approximately RMB2,650.4 million, representing an increase of approximately 0.7% over that in the year ended December 31, 2017 ("**Year 2017**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB3,133.5 million, representing an increase of approximately 1.7% over that in Year 2017. Profit attributable to owners of the Company was approximately RMB2,325.1 million, representing an increase of approximately 3.4% over that in Year 2017.

The basic and diluted earnings per share of the Group in Year 2018 were RMB0.79.

TOTAL REVENUE

The total revenue of the Group in Year 2018 amounted to approximately RMB7,472.1 million, representing an increase of approximately RMB737.9 million, or 11.0%, from approximately RMB6,734.2 million in Year 2017. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 55.7% of the Group's total revenue in Year 2018, as compared to 57.6% for Year 2017. Aviation information technology service revenue increased by 7.3% from RMB3,878.5 million in Year 2017 to RMB4,160.1 million in Year 2018. The main sources of the revenue were Inventory Control System ("**ICS**") service, Computer Reservation System ("**CRS**") service and Airport Passenger Processing ("**APP**") service, as well as other extended information technology services related to the above core businesses provided by the Group to commercial airlines. The increase of revenue was mainly due to the increase in the number of air travelers.

- Accounting, settlement and clearing services revenue accounted for 7.8% of the Group's total revenue in Year 2018, as compared to 8.2% for Year 2017. Accounting, settlement and clearing services revenue increased by 4.4% from RMB555.2 million in Year 2017 to RMB579.4 million for Year 2018. The main source of the revenue was accounting, settlement and clearing service provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The increase of revenue was primarily due to the increase in business volume of accounting, settlement and clearing services.

- System integration service revenue accounted for 12.7% of the Group's total revenue in Year 2018, as compared to 11.1% for Year 2017. System integration service revenue increased by 27.2% from RMB744.3 million in Year 2017 to RMB946.9 million for Year 2018. The main source of the revenue was the hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The increase of revenue was primarily due to the increase in the number of contracted projects.

- Data network revenue and other revenue accounted for 23.8% of the Group's total revenue in Year 2018, as compared to 23.1% for Year 2017. Data network revenue and other revenue increased by 14.7% from RMB1,556.2 million in Year 2017 to RMB1,785.7 million for Year 2018. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels, air freight logistics information technology service provided to commercial airlines, airports and cargo shippers, as well as airport information technology service, public information technology services and other businesses provided by the Group. The increase of revenue was mainly due to the increase in revenue from data network services and other information technology services.

OPERATING EXPENSES

Operating expenses for Year 2018 amounted to RMB5,152.7 million, representing an increase of RMB891.8 million, or 20.9%, from RMB4,260.9 million in Year 2017. The change in operating expenses is reflected as follows:

- Depreciation and amortization increased by 20.7%, mainly due to transfer from construction in progress to fixed assets and the increase of the equipment the Group;

- Staff costs increased by 10.8%, primarily due to the average number of staff continued to grow during the year, while the cost of social insurance and other cost increased;

- Operating lease payments decreased by 43.8%, mainly due to the reduction of the Group's leased office area;

- Technical support and maintenance fees increased by 31.1%, mainly due to the intensifying research and development efforts of the Group in new products and new technology; and

- Commission and promotion expenses increased by 37.1%, mainly due to expanding business promotion of the Group.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group decreased by approximately RMB154.0 million, or approximately 6.2%, from approximately RMB2,473.4 million in Year 2017 to approximately RMB2,319.4 million in Year 2018.

TAXATION

Under the Corporate Income Tax Law of the People's Republic of China ("**CIT Law**"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. The latest review was conducted in October 2017, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as one of the "High and New Technology Enterprises", and was entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019 as a "High and New Technology Enterprise".

In addition to the recognised identification of "High and New Technology Enterprise" and entitlement of a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the year, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded. The Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout since Year 2006 to Year 2017.

Pursuant to the Notice on Issues Concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (Cai Shui [2016] No. 49) (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》(財稅[2016]49號)) issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Industry and Information Technology of the People's Republic of China on May 4, 2016, the Company had made an application to the relevant authorities for a preferential corporate income tax rate of 10% for the financial year 2017, and the excess income tax rate of 5% paid in Year 2017 and approved by the relevant tax authorities has been refunded in December 2018 (please refer to the announcement of the Company dated December 20, 2018), which has been reflected in the consolidated financial statements of the Company for the Year 2018. The application for a preferential tax rate of 10% for the Year 2018 will commence in Year 2019, hence the Company has calculated the expenses on corporate income tax for the Year 2018 using the preferential tax rate of 15%.

The Company's subsidiaries in the PRC are entitled to different corporate income tax rates, ranging from 15% to 25% under the CIT Law. Under the relevant provisions, with effect from September 1, 2012, all of the revenue from the Group's provision of aviation information technology services and accounting, settlement and clearing services in Beijing shall be subject to value-added tax instead of business tax, and with effect from August 1, 2013, such tax reform was implemented throughout China.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As a result of the above factors, the profit attributable to equity holders of the Company increased by approximately 3.4% from approximately RMB2,248.7 million in Year 2017 to approximately RMB2,325.1 million in Year 2018.

PROFIT AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 31 to the consolidated financial statements) from the profit distributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2018, amounted to RMB6,885.2 million (as at December 31, 2017: RMB6,014.4 million).

DISTRIBUTION OF PROFIT

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

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

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

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

In Year 2018, the appropriation of 10% of profit after taxation at IAS Financial Statements of the Company to the discretionary surplus reserve fund for the year ended December 31, 2017 was approved at the annual general meeting (the "**AGM**") held on June 28, 2018. The amount was accounted for in shareholder's equity as a distribution of retained earnings for Year 2018.

The proposed appropriation of 10% of profit after taxation at PRC GAAP Financial Statements of the Company amounted to RMB196.5 million to the discretionary surplus reserve fund for the year ended December 31, 2018 is subject to shareholders' approval at the forthcoming AGM. Therefore, the amount will be recorded in the Group's consolidated financial statements for the year ended December 31, 2019.

DIVIDEND

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

On March 28, 2019, the Board proposed the distribution of a final cash dividend of RMB787.2 million, which representing RMB0.269 per share (tax inclusive) for Year 2018 ("**Final Dividend**") as calculated based on the total number of shares in issue of the Company of 2,926,209,589 shares as at the date of this report. Upon distribution of the above Final Dividend, the distributable profit as at December 31, 2018 is approximately RMB6,098.0 million (as at December 31, 2017: RMB5,274.1 million).

The Company will submit the above Final Dividend distribution proposal to the AGM. If such proposal is approved at the AGM, the Final Dividend for Year 2018 is expected to be paid on or before September 30, 2019. The date of the AGM has not been fixed, and detailed arrangements in relation to the AGM (including the date and book closure period) will be disclosed by the Company in due course. Further, upon conclusion of the AGM, the Company will publish an announcement on the matters related to the Final Dividend, including, among other things, the amount of Final Dividend per share in Hong Kong dollar, book closure period, ex-date, dividend payment date and dividend tax.

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2018	2017
	RMB'million	RMB'million
Net cash flow generated from operating activities	**2,140.7**	3,062.6
Net cash flow used in investing activities	**598.7**	2,167.1
Net cash flow used in financing activities	**763.8**	664.6
Net increase in cash and cash equivalents	**778.2**	230.9
Effect of foreign exchange rate changes on cash and cash equivalents	**10.0**	(4.7)

The Group's working capital for Year 2018 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB2,140.7 million. As at December 31, 2018, the Group did not have any short-term and long-term bank borrowings, nor use any financial instruments for hedging purpose. As at December 31, 2018, cash and cash equivalents of the Group amounted to RMB4,346.5 million, of which 93.7%, 4.7% and 0.4% were denominated in Renminbi, U.S. dollar and Hong Kong dollar, respectively.

RESTRICTED BANK DEPOSITS

As at December 31, 2018, restricted bank deposits in the amount of RMB39.8 million (as at December 31, 2017: RMB41.2 million) mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure certain integration projects.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2018, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited in commercial banks and in accordance with applicable laws and regulations.

EXCHANGE RISK

The Group's foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in foreign currencies. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB1,096.9 million in Year 2018, representing a decrease of approximately RMB222.9 million as compared to that of approximately RMB1,319.8 million in Year 2017. The capital expenditure of the Group in Year 2018 consisted principally of daily operation, maintenance, research and development and upgrading of computer system, as well as the construction of the new operating centre in Beijing.

As at December 31, 2018, the sources of funding for the capital expenditure commitments of the Group which will include existing capital on hand and internal cash flow generated from operating activities amounted to RMB2,356.6 million, which will be mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, as well as the construction of new operating centre in Beijing. The Board estimates that the sources of funding of the Group will be sufficient for such capital expenditure commitments and the capital requirement of daily operations. The Group did not have any financing plan in respect of such capital expenditure commitments.

NEW OPERATING CENTRE IN BEIJING

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

As at the end of 2018, the Phase I work of the new operating centre in Beijing has accumulated an expenditure of approximately RMB2.75 billion, representing approximately 75.2% of the construction budget of the Phase I work. The expenditure in Year 2018 was approximately RMB70 million. In Year 2019, the required expenditure for the Phase I work of the new operating centre in Beijing is expected to be approximately RMB660 million, which has been included in the capital expenditure commitments of the Company.

MAJOR INVESTMENTS

– Discloseable Transactions – Formation of Two Joint Stock Companies

On May 20, 2016, the Company entered into the share subscription agreements separately in relation to the formation of two joint ventures, namely China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**") and China Merchants RenHe Property and Casualty Insurance Company Limited ("**CMRH P&C**"). The registered capital of CMRH Life and CMRH P&C are both RMB5 billion, which will be contributed by the shareholders of each of the two joint ventures in cash. The Company will contribute RMB875 million to each of CMRH Life and CMRH P&C and will hold 17.5% equity interest in each of CMRH Life and CMRH P&C upon completion of the transactions. The formation of these joint ventures is conditional upon obtaining the approval by regulatory authorities and the completion of other applicable approval procedures.

The operation approval had been obtained from regulatory authorities by CMRH Life, and the industrial and commercial registration had been completed on July 4, 2017. As at December 31, 2018, the operation of CMRH Life was running smoothly.

As stated in the announcement of the Company dated August 20, 2018, as certain condition(s) precedent under the share subscription agreement entered into for the establishment of CMRH P&C (the "**Share Subscription Agreement**") were not satisfied, the Share Subscription Agreement has terminated in accordance with its terms. The upfront fee incurred in the establishment of CMRH P&C (the "**CMRH P&C Upfront Fee**") has been audited, and the balance of the CMRH P&C Upfront Fee will be returned to each party of the Share Subscription Agreement in proportion to their respective shareholding in CMRH P&C in due course. The Company has received the balance of the CMRH P&C Upfront Fee to be refunded on October 15, 2018.

INVESTMENT IN FINANCIAL ASSETS

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

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

– Financial Assets at Fair Value through Profit or Loss

Name of investment	Business nature	Percentage of shareholding as at December 31, 2018 %	Percentage of shareholding as at December 31, 2017 %	Fair value as at December 31, 2018 RMB'000	Fair value as at December 31, 2017 RMB'000	Gain for the year ended December 31, 2018 RMB'000	Gain for the year ended December 31, 2017 RMB'000
Unlisted investment fund (measured at fair value) – Bosera wealth management product	Fund	N/A	N/A	161,944	878,381	48,643	28,381

– Financial Assets at Fair Value through Other Comprehensive Income

Name of investment	Business nature	Percentage of shareholding as at December 31, 2018 %	Percentage of shareholding as at December 31, 2017 %	Fair value as at December 31, 2018 RMB'000	Fair value as at December 31, 2017 RMB'000	Gain for the year ended December 31, 2018 RMB'000	Gain for the year ended December 31, 2017 RMB'000
Unlisted equity investment (measured at fair value) – CMRH Life	Life insurance	17.5	17.5	875,000	N/A	-	N/A

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

1. **Bosera wealth management product**

   The Group held the entrusted wealth management products issued by Bosera Asset Management Company Ltd. with a principal amount of RMB850 million. The investment portfolio of the fund mainly comprised of cash assets, monetary market fund, assets with fixed returns, etc.. The Group has signed a termination agreement in respect of such fund in September 2018, and the liquidation procedures of which are pending. The principal and gains recovered during 2018 were RMB765.08 million in total, and all remaining balance was expected to be recovered in 2019. The expected annual rate of return of the Company was approximately 4.5%.

2. CMRH Life

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

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

(b) The fair values of such major investment as at December 31, 2018 and its scale relative to the total assets of the issuer:

The Group invested RMB875 million in China Merchants RenHe Life Insurance Company Limited, accounting for 4.0% of the total assets of the Group.

(c) The performance of such major investment in Year 2018:

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB406,766,390.9 in Year 2018, mainly due to higher investments in the first year to expand business and conduct marketing since the Year 2018 was the first full year of CMRH Life after its opening of business. CMRH Life proactively expanded business, continuously improved management system, and enhanced various capacities in the first year of opening business, and fully fulfilled various operating indicators for that year, with total written premiums and number of branches leading the life insurance companies opened during the same period. The "overall risk rating (classified supervision)" was rated as the optimal class A by regulatory institution for four consecutive quarters. It also steadily drove the implementation of various strategies such as digital strategy and medical and endowment strategy.

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

The Company always adheres to the prudent principle for investment. As described in the announcement of the Company on May 20, 2016, the Company agreed to give up its partial or entire pre-emptive rights to subscribe for additional shares of CMRH Life, which may be offered on or after the third anniversary of the business operation date of CMRH Life under the CMRH Life's shareholders agreement. Upon the completion of the possible aforementioned capital increase, the equity interests held by the Company in CMRH Life will probably be diluted from 17.5% to the proportion as agreed by each party of CMRH Life, but not lower than 7%. Pursuant to the aforementioned shareholders agreement, the subscription price for additional shares shall be determined on an arm's length basis with unanimous consent from, respectively, all parties of the CMRH Life. The Company will determine the acceptable range of the subscription price based on the principle that the value of the investment on state-owned assets should be maintained and increased, coupled with the market and economic situation as well as the Company's own needs at that time.

According to the information provided by CMRH Life to the Company, the space for future development in the PRC life insurance industry is still large as the insurance penetration and insurance density remain relatively low when compared with that in overseas developed countries and regions. In recent years, under the regulatory guideline of "refocusing on protection function", the operating environment of the industry continuously optimizes and develops in a more healthy way. As an insurance company controlled by state-owned enterprises, CMRH Life has confirmed the operating policies of "leading with science and technologies and creating first class by innovation", which will give full play to the rich resources in medical and endowment, big data and internet, explore innovation and cooperation, and continue to drive the expansion of scale and rising of value.

– Financial Assets at Amortised Cost

As at December 31, 2018, the Group held certificates of deposits issued by Bank of Hangzhou, Bank of Beijing and Minsheng Bank of RMB600 million, RMB200 million and RMB900 million, respectively, with a total amount of RMB1.70 billion. The annual interest rates of such certificates of deposits vary from 4.3% to 4.8%. Such certificates of deposits have a maturity period ranging from 183 to 395 days and are non-cancellable before maturity. The Group also held structural deposits of RMB200 million and RMB900 million issued by China CITIC Bank and Ping An Bank, respectively. Such structural deposits are at an annual interest rate of 4.0% and with a term of 391 to 396 days. Managed fund of RMB300 million issued by Bank of Hangzhou is at an annual interest rate of 5.0% and with a term of 391 days.

CHARGE ON ASSETS

As at December 31, 2018, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at December 31, 2018, the Group had no material contingent liabilities.

GEARING RATIO

As at December 31, 2018, the gearing ratio of the Group was approximately 21.2% (as at December 31, 2017: 23.0%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2018.

EMPLOYEES

As at December 31, 2018, the total number of employees of the Group was 7,411. Staff costs amounted to approximately RMB1,818.4 million for Year 2018 (Year 2017: RMB1,640.6 million), representing approximately 35.3% of the total operating expenses of the Group for Year 2018.

The Group has different rates of remuneration for different employees (including executive directors and staff supervisors), according to their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations, as amended from time to time. The remuneration of the employees of the Group includes salaries, bonuses and fringe benefits provided in compliance with relevant regulations of the PRC, as amended from time to time, such as medical insurance, pension, unemployment insurance, maternity insurance and housing funds.

In 2007, the Group implemented a corporate annuity scheme (or "**supplementary pension plan**") in accordance with relevant policies of the PRC. According to the corporate annuity scheme, the Group is required to make provision for monthly corporate annuity fees with reference to the total actual salary each month in the previous year and the ratio approved by the relevant authorities of the PRC. It also needs to deposit the annuities in the custody account of corporate annuity fund opened by its custodian. In Year 2018, the aggregate corporate annuity expenses of the Group amounted to approximately RMB44.0 million (Year 2017: RMB28.0 million).

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board has adopted the code provisions as stipulated in the Corporate Governance Code (the "**Code Provision(s)**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and its latest amendments from time to time, as the Company's code of corporate governance practices.

In compliance with the principles set out in the Corporate Governance Code, the Board is committed to implementing effective corporate governance policies to ensure that all decisions are made in good faith and in accordance with the principles of transparency, fairness and integrity. With necessary and effective counterbalance, the Group continues to improve its corporate governance structure, so as to raise the quality of supervision and management, and to meet the expectation of its shareholders and the relevant parties.

In Year 2018, the Company fully complied with the Code Provisions.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions of the Company's directors and supervisors.

Having made specific enquiries of all directors, no director failed to comply with the relevant requirements of the Model Code in 2018.

THE BOARD

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

In August 2018, as approved by the general meeting, Mr. Li Yangmin and Mr. Yuan Xin'an, the former non-executive directors of the sixth session of the Board, ceased to be the non-executive directors of the Company. Meanwhile, Mr. Tang Bing and Mr. Han Wensheng were elected to act as the non-executive directors of the Company at the general meeting. To the knowledge of the Board, Mr. Li Yangmin resigned due to other work arrangements in China Eastern Holding Company Limited and Mr. Yuan Xin'an retired from China Southern Air Holding Company Limited due to his age. Meanwhile, the Board appointed Mr. Tang Bing and Mr. Han Wensheng as the members of the Strategy and Investment Committee (Legal Compliance Committee) ("**Strategic Committee**") of the Company as Mr. Li Yangmin and Mr. Yuan Xin'an ceased to hold positions in the special committees of the Board since they ceased to act as directors of the Company. For details, please refer to the announcement of the Company dated August 29, 2018.

The sixth session of the Board of the Company appointed the members of the relevant committees as follows: (i) Audit and Risk Management Committee (the "**Audit Committee**"): Dr. Ngai Wai Fung (Chief Member), Mr. Cao Shiqing and Mr. Liu Xiangqun; (ii) Remuneration and Evaluation Committee ("**Remuneration Committee**"): Mr. Cao Shiqing (Chief Member), Dr. Ngai Wai Fung and Mr. Liu Xiangqun; (iii) Nomination Committee: Mr. Cui Zhixiong (Chief Member), Mr. Cao Shiqing and Mr. Liu Xiangqun; (iv) Strategic Committee: Mr. Cui Zhixiong (Chief Member), Mr. Xiao Yinhong, Mr. Cao Jianxiong, Mr. Tang Bing and Mr. Han Wensheng. For details, please refer to the announcement of the Company dated August 29, 2018.

For 2018, the list of directors of the Company is set out below and the attendance of each of the directors for relevant meetings is as follows:

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for Audit Committee meetings	Attendance rate for Remuneration Committee meetings	Attendance rate for Nomination Committee meetings	Attendance rate for Strategic Committee meetings
Cui Zhixiong	Chairman, Executive Director; Chief Member of Nomination Committee; Chief Member of Strategic Committee	100%	100%	–	–	100%	–
Xiao Yinhong	Executive Director, General Manager; Member of Strategic Committee	100%	100%	–	–	–	–
Cao Jianxiong	Non-executive Director; Member of Strategic Committee	80% (Note 1)	20%	–	–	–	–
Tang Bing (Note 2)	Non-executive Director; Member of Strategic Committee	100%	100%	–	–	–	–
Han Wensheng (Note 2)	Non-executive Director; Member of Strategic Committee	100%	100%	–	–	–	–
Cao Shiqing	Independent Non-executive Director; Member of Audit Committee; Chief Member of Remuneration Committee; Member of Nomination Committee	100%	100%	100%	100%	100%	–
Ngai Wai Fung	Independent Non-executive Director; Chief Member of Audit Committee; Member of Remuneration Committee	100%	100%	100%	100%	–	–

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for Audit Committee meetings	Attendance rate for Remuneration Committee meetings	Attendance rate for Nomination Committee meetings	Attendance rate for Strategic Committee meetings
Liu Xiangqun	Independent Non-executive Director; Member of Audit Committee; Member of Remuneration Committee; Member of Nomination Committee	100%	100%	100%	100%	100%	–
Li Yangmin (Note 2)	Resigned Non-executive Director; Resigned member of Strategic Committee	0% (Note 1)	0%	–	–	–	–
Yuan Xin'an (Note 2)	Resigned Non-executive Director; Resigned member of Remuneration Committee; Resigned member of Strategic Committee	0% (Note 1)	0%	–	0%	–	–

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the director in 2018, excluding meetings by way of circulation of written proposals.

   During Year 2018, the Board held five physical meetings and three meetings by way of circulation of written proposals, and convened one annual general meeting, one domestic shareholders' meeting, one H shareholders' meeting and two extraordinary general meetings. The Audit Committee held three physical meetings. The Remuneration Committee held one physical meeting. The Nomination Committee held one physical meeting. The Strategic Committee held one meeting by way of circulation of written proposals.

   When director Cao Jianxiong, director Li Yangmin, director Yuan Xin'an failed to attend a Board meeting or a committee meeting in person, they appointed other directors to vote and express their views on their behalf by written authorization.

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

2. Director Li Yangmin, director Yuan Xin'an resigned on August 29, 2018, and director Tang Bing and director Han Wensheng took up their positions on August 29, 2018.

The Board is accountable to the general meeting in accordance with the Articles and performs the following duties: convening general meetings and reporting its work therein; implementing resolutions passed at the general meetings; determining business plans and investment plans; preparing the annual budgets and accounts; proposing to shareholders on the distribution of dividends and bonuses as well as increment and decrement of share capital; establishing proposals for amendment to the Articles; deciding other significant affairs and administrative issues of the Company other than issues to be resolved at the general meetings as stipulated in the PRC Company Law and the Articles; and exercising other power by virtue of office and obligations as delegated by the general meetings and the Articles.

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

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

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

The Company conducted systematical assessment on risk evaluation and assessment on internal control in the Company at the middle and end of 2018. The Board believes that during the report period, the Company has established internal control for businesses and matters included in evaluation range which was implemented effectively, so as to achieve the objectives of internal control of the Company and there is no material and significant defect. The aim of the Company's risk management and internal control system is to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurances against non-material misstatements or losses.

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

Last year, the Company identified top 10 major risks in various risk areas such as strategy, market, operation and finance, and formulated risk responding measures and solutions based on further analyzes of sources of risk and causes of risk. Both the possibility and extent of impact of risks were lowered, and there was no material risk claim occurred in Year 2018. The Company judges and analyzes on the changes in both the internal and external environment as well as its own business every year, and formulates effective responding measures in order to improve its management capabilities and prevent operational risks.

Procedures for risk identification, assessment and management:

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

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

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

The characteristics of the risk management and internal control system:

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

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

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

Headed by the General Manager, the management of the Company is responsible for overseeing the management of the Company's daily production and operation, coordinating the implementation of the Board resolutions, coordinating the implementation of the annual business plans and investment proposals, formulating plans for the internal management bodies, formulating plans for the branches of the Company, establishing the basic management system, formulating the basic constitution and performing other duties as delegated by the Board.

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

The Board includes three independent non-executive directors, representing one-third of the Board, which is in compliance with the requirements of Rules 3.10 and 3.10A of the Listing Rules. During the reporting period, the Company received from the three independent non-executive directors, namely Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun, annual confirmations of their independence submitted to the Company in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the above independent non-executive directors are independent.

In 2018, as required under Code Provision A.6.5, each director of the Company actively participated in continuous professional development to develop and refresh his knowledge and skills. This is to ensure that his contribution to the Board remains informed and relevant. In 2018, the Company Secretary provided each director with updates and amendments to the Listing Rules and other laws and regulations from time to time and arranged induction training for the newly appointed directors, including talks on directors' responsibilities by the legal advisor and trainings on directors' continuing obligations under the Listing Rules as well as the rules and requirements of the Guidelines on Disclosure of Inside Information.

In 2018, the compliance with Code Provision A.6.5 of each director according to the learning and training records provided by individual director is as follows:

Executive Directors	
Mr. Cui Zhixiong	A
Mr. Xiao Yinhong	A, B
Non-executive Directors	
Mr. Cao Jianxiong	A, B
Mr. Tang Bing	A, B
Mr. Han Wensheng	A, B
Independent Non-executive Directors	
Mr. Cao Shiqing	A, B
Dr. Ngai Wai Fung	A
Mr. Liu Xiangqun	A, B

Notes:

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

B: attending thematic training talks organised by professional bodies

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date/ Termination Date
Cao Jianxiong	Non-executive Director	October 18, 2016	October 17, 2019
Tang Bing	Non-executive Director	August 29, 2018	October 17, 2019
Han Wensheng	Non-executive Director	August 29, 2018	October 17, 2019
Cao Shiqing	Independent Non-executive Director	October 18, 2016	October 17, 2019
Ngai Wai Fung	Independent Non-executive Director	October 18, 2016	October 17, 2019
Liu Xiangqun	Independent Non-executive Director	October 18, 2016	October 17, 2019
Li Yangmin	Non-executive Director (resigned)	October 18, 2016	August 29, 2018
Yuan Xin'an	Non-executive Director (resigned)	October 18, 2016	August 29, 2018

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

BOARD COMMITTEES

Corporate Governance Functions

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

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

Audit Committee

The Audit Committee's role and functions are available at the Company's website. They mainly include: reviewing financial reports in respect of its completeness, accuracy and integrity; receiving reports from the management and auditors; making enquiries and receiving reasonable explanations to and from the Company's financial department and auditors on the Company's financial position; reviewing issues in respect of the Group's financial reporting, risk management and internal control and reporting the same to the Board.

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

In 2018, the Audit Committee convened three meetings, and the attendance rate of all members at the meetings was 100%. The work of the Audit Committee during the year is mainly as follows:

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

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

3. conducted a half-year review and an annual review on the Company's connected transactions, and gave opinions and recommendations regarding the relevant internal management and control mechanism.

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

5. received reports on the preparation work of Environmental, Social and Governance Report (ESG Report) of the Company, and gave opinions and recommendations in respect of risk management on environment, social and governance.

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

Remuneration Committee

The role and duties of the Remuneration Committee are available at the Company's website. They mainly include: studying appraisal criteria for directors and senior management, giving advice and carrying out appraisal according to the Company's actual operation; studying and reviewing remuneration policies and proposals of directors and senior management, and evaluating their performance; advising the Board on the remuneration policies and frameworks of directors and senior management of the Company, and on the standard procedure of setting up such remuneration policy; and monitoring the implementation of the Company's remuneration scheme.

The Remuneration Committee appointed by the sixth session of the Board comprises three independent non-executive directors, namely Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun, and a non-executive director, namely Mr. Yuan Xin'an. Mr. Cao Shiqing serves as the Chief Member (chairman) of the Remuneration Committee. Mr. Yuan Xin'an resigned on August 29, 2018. At the same date, the Remuneration Committee appointed by the sixth session of the Board comprises three independent non-executive directors, namely Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun. Mr. Cao Shiqing serves as the Chief Member (chairman) of the Remuneration Committee. The term of each member of the committee is the same as his respective term as a director.

Pursuant to the approval obtained in the general meeting and the relevant rules and requirements issued by the domestic regulators as well as the obligations assumed by each of the directors, the current remuneration policies for directors approved by the sixth session of the Board of the Company are as follows: (i) the annual basic remuneration of each independent non-executive director is RMB60,000 (inclusive of tax). If he serves as a Chief Member of a committee, his annual remuneration shall be RMB70,000 (inclusive of tax). He may receive a meeting allowance of RMB3,000 or RMB2,000 (inclusive of tax) for each attendance at the Board meetings or committee meetings. If an independent non-executive director is a retired person-in-charge of a state-owned enterprise, then he is not entitled to receive the remuneration of directors pursuant to the aforementioned standards. Instead, he is entitled to receive a monthly work subsidy (basic salary) of RMB5,000 per person (inclusive of tax) and cannot receive any other monetary income from the Company; (ii) the basic annual remuneration of each independent supervisor is RMB60,000 (inclusive of tax), with no meeting allowance; (iii) with reference to the relevant regulatory requirements, except for independent directors and independent supervisors, other directors and supervisors (regardless of being Chairman of the Board and chairperson of the Supervisory Committee, or member or Chief Member of any relevant Committee) are not entitled to such remuneration, bonus and meeting subsidies; (iv) the adjustment procedures of remuneration standard: the remunerations of directors and supervisors are determined by the general meeting of the Company. The aforementioned adjustments of the current remuneration have to be submitted to the general meeting of the TravelSky Technology Limited for the consideration and approval in accordance with the instruction of supervisory authorities and relevant requirements of laws and regulations before implementation. In particular, the adjustment proposal of director remuneration has to be formulated by the Remuneration Committee of the Board of the TravelSky Technology Limited and submitted to the Board for consideration and approval.

In 2018, the Remuneration Committee held one meeting. All members attended the meeting and discussed the renewal of the liability insurance for directors and senior management.

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

Nomination Committee

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

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

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

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

The Board comprises 9 directors, of which at least one-half of the directors are external directors (including at least three independent non-executive directors). Directors shall be elected by way of ordinary resolution at the general meeting; in case more than 9 directors are approved, those who have got the highest votes shall be elected as directors. A director serves for a term of not more than 3 years and is subject to re-election upon expiry. Any director who has unexpired terms of office may be removed by way of ordinary resolution at the general meeting provided that the general meeting is conducted in accordance with the relevant laws and administrative rules.

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

In 2018, the Nomination Committee held one meeting, and the attendance rate of members at the meeting was 100%. During the reporting period, the Nomination Committee considered the relevant issues of change of two independent non-executive directors and the Company has also strictly complied with the nomination and recommendation policies for directors.

Strategic Committee

As described in the announcement of the Company dated August 29, 2018, the Strategic Committee was changed to the Strategy and Investment Committee (Legal Compliance Committee) and its terms of reference was detailed in the disclosure of the Company dated October 16, 2018. The Strategic Committee is responsible for studying and advising the Company on its long term development strategies and significant investment decisions, including major issues like significant investment financing plans, significant capital operations and asset operations which have an impact on the Company's development, as well as legal compliance issues. Its duties are available at the Company's website.

The sixth session of the Board continued to appoint the two executive directors, namely Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an to form the Strategic Committee. Mr. Cui Zhixiong is acting as the Chief Member (Chairman) of the Strategic Committee. Mr. Li Yangmin and Mr. Yuan Xin'an resigned on August 29, 2018. At the same date, the Strategic Committee appointed by the sixth session of the Board comprises the two executive directors, namely Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Cao Jianxiong, Mr. Tang Bing and Mr. Han Wensheng. Mr. Cui Zhixiong is acting as the Chief Member (Chairman) of the Strategic Committee. The term of each member of the committee is the same as his respective term as a director.

The Strategic Committee convened one meeting in 2018. During the reporting period, the Strategic Committee considered matters in relation to the change of name for this committee and the amendments to its terms of reference.

REMUNERATION OF EXTERNAL AUDITORS

The aggregate service fees paid to BDO Limited ("**BDO**", Certified Public Accountants in Hong Kong) and BDO China SHU LUN PAN (Certified Public Accountants LLP) ("**BDO China**", Certified Public Accountants in the PRC) for Year 2018 amounted to RMB2,304.9 thousand, comprising annual audit fee of approximately RMB1,705.6 thousand and non-audit service fees of approximately RMB599.3 thousand for the review of interim financial statements, compliance review of continuing connected transactions and compliance review of preliminary results announcements and others.

The Audit Committee recommended to re-appoint BDO and BDO China as the Group's international and PRC auditors respectively for Year 2019.

COMPANY SECRETARY

On October 18, 2016, the sixth session of the Board of the Company re-appointed Mr. Yu Xiaochun to serve as the company secretary. Mr. Yu completed 15 hours of relevant professional training in Year 2018.

POWER OF SHAREHOLDERS

Procedures for Convening an Extraordinary General Meeting

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

Procedures for Shareholders to Make Enquiries to the Board at Any Time

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

Procedures for Putting Forward a Proposal at the General Meeting

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

Shareholders may contact the Company via the following means:

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

INVESTOR RELATIONS

In January and June 2018, the Company made certain amendments to the Articles, including the specific operating rules relating to the governance of the Board and the change of names of sponsor-shareholders after approval by the general meeting. For details, please refer to the announcements dated January 30, 2018 and June 28, 2018, as well as the circulars dated December 12, 2017 and May 8, 2018.

SUPERVISORY COMMITTEE

The Supervisory Committee was established in accordance with the PRC Company Law and the Articles. The Supervisory Committee reviews the Company's financial position in accordance with the Articles and supervises the operation management activities of the Board and senior management. The Supervisory Committee is responsible for attending Board meetings, reviewing financial information submitted by the directors at the general meetings from time to time such as financial affairs and financial statements, and supervising the activities of the Board and other senior management in discharging their duties. In case of conflict of interest between the Company and any of its directors, the Supervisory Committee shall negotiate or initiate legal proceedings against such directors on behalf of the Company.

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

The sixth session of the Supervisory Committee of the Company comprises Mr. Huang Yuanchang, Mr. Xiao Wei, Ms. Zeng Yiwei, Mr. He Haiyan and Mr. Rao Geping. Mr. Rao Geping was an independent supervisor while Mr. Huang Yuanchang and Mr. Xiao Wei were staff representative supervisors. Mr. Huang Yuanchang acted as the chairman of the Supervisory Committee upon the election of the Supervisory Committee.

The list of supervisors of the Supervisory Committee of the Company and the attendance of each supervisor at meetings in 2018 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings	Attendance rate for general meetings	Attendance rate for Board meetings
Huang Yuanchang	Chairman of the Supervisory Committee, Staff Supervisor	100%	100%	100%
Xiao Wei	Staff Supervisor	100%	100%	80%
Zeng Yiwei	Supervisor	50% (Note 1)	0%	0%
He Haiyan	Supervisor	50% (Note 1)	40%	40%
Rao Geping	Independent Supervisor	50% (Note 1)	100%	80%

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the supervisor in 2018. The attendance rate for meetings by way of circulation of written proposals was not included in the above attendance rate.

   In 2018, the Supervisory Committee held two meetings; shall be present in five physical meetings of the Board; one annual general meeting, one domestic shareholders' meeting, one H shareholders' meeting and two extraordinary general meetings.

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

During Year 2018, the Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2017 and the interim results for the six months ended June 30, 2018, attended each Board meeting, supervised the operation and management activities of the Board and senior management, and made management recommendations to the management.

After making specific enquiries with the supervisors, all supervisors of the Supervisory Committee fully complied with the requirements of the Model Code in 2018.

By Order of the Board
Yu Xiaochun
Company Secretary

March 28, 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. REPORT DESCRIPTION

1.1 Reporting Guidelines

This report aims to provide information on the performance of environmental and social aspects of TravelSky Technology Limited (the "**Company**", or together with its subsidiaries, the "**Group**") during the fiscal year of 2018. This *Environmental, Social and Governance Report* (the "**ESG Report**" or the "**Report**") is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the "**Guide**") as contained in Appendix 27 *to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "**Main Board Listing Rules**") issued by The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and the *Guidelines to the State-owned Enterprises on Fulfilling Corporate Social Responsibilities* issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). The Group's environmental and social management approaches, strategies and relevant significance will be disclosed in respective sections of the Report.

1.2 Reporting Scope

This Report covers the period from 1 January 2018 to 31 December 2018 (the "**reporting period**"). Unless otherwise stated, this Report covers the Company and its subsidiaries.

1.3 Report Statement

The Board of Directors is fully responsible for the strategies and reporting on environmental, social and governance of the Group. This Report is prepared in accordance with the four reporting principles of the Guide which in terms of materiality, quantitative, balance, and consistency. The Group determines the key disclosures of this Report through materiality assessment and uses the same statistical methods from 2017 ESG Report to quantify the environmental and social performance. In addition, the Group has disclosed information in this Report on all the "comply or explains" provisions in the Guide.

1.4 Contact Information

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

office@travelsky.com

2. COMMUNICATION WITH STAKEHOLDERS

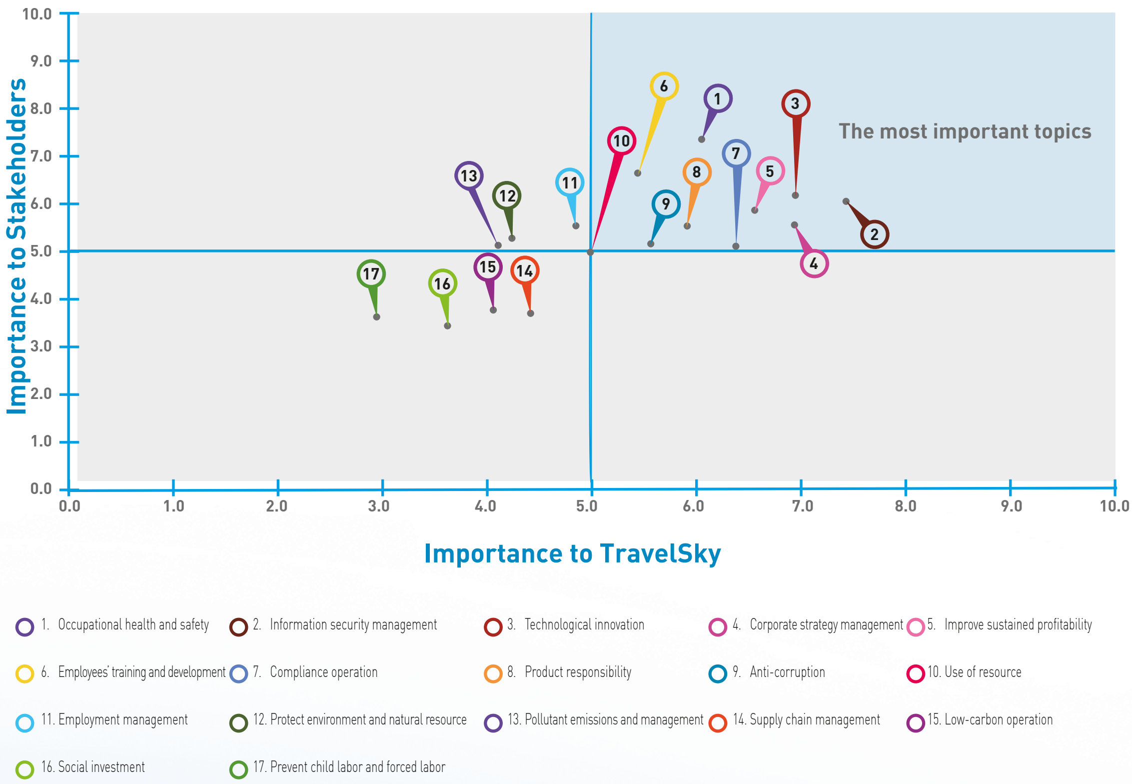
Effective communication with stakeholders helps the Group to understand market dynamics and to plan for its development strategies, which enables the Group to go forward and further on the sustainable development journey. The Group integrates opinions from various stakeholders into corporate sustainability management, wishing to respond to their concerns through this Report regarding the fulfillment of environmental and social responsibilities by the Group. At present, the stakeholders of the Group include investors, employees, clients, partners, peers, etc.

During the reporting period, the Group communicated with different stakeholders via various channels to understand their expectations.

Stakeholders	Expectations and Needs	Responding Channels
Investors	• Good return on investment • Transparency on information disclosure	• Launch performance conference and shareholders' meeting regularly • Timely disclosure on information • Improve investor relationship management
Government and Regulatory Agencies	• Comply with laws and regulations • Strengthen research and development on civil aviation information system	• Participate in the formation of industrial standards • Improve product research and development system
Clients	• Provide high quality and efficient aviation and travel information technology services • Keep improving service quality	• Improve customer communication mechanism • Improve the quality management system
Employees	• Provide favorable career development platform • Provide a healthy and safe working environment	• Provide market-competitive remuneration • Improve on safe production system
Suppliers	• Win-win situation	• Improve on supply chain management system
Peers	• Fair-competition • Promote industry progress	• Improve on product research and development system • Participate in industry development forums

In order to effectively respond to the expectations and concerns of stakeholders, for the first time, the Group conducted survey this year to understand the importance from stakeholders attach to the Group's sustainable development topics. There were total of 4,482 employees and administrative personnel participated in the survey. The Group will gradually improve the stakeholder communication system and consider including more stakeholder parties to participate in the materiality assessment in the future. It has been confirmed by analysis that the importance of each topic has been sorted in order from 1 to 17, and topics identified as highly important will be highlighted in subsequent chapters. In addition to the preparation of this Report, the results of materiality assessment are also considered for applying in future plan of sustainable development, aiming to deal with the topics that are most important to both stakeholders and the Group, so as to effectively promote corporate sustainable development.

Materiality Assessment on the ESG Topics of TravelSky



Material Topics[1] (materiality sorted from high to low)	Corresponding Chapters in the Report
1. Occupational health and safety	• People-oriented operation
2. Information security management	• Technological operation
3. Technological innovation	• Technological operation
4. Corporate strategy management	• Each chapter in this Report
5. Improve sustained profitability	• Technological operation
6. Employees' training and development	• People-oriented operation
7. Compliance operation	• Each chapter in this report
8. Product responsibility	• Technological operation • Responsible operation
9. Anti-corruption	• Responsible operation
10. Use of resource	• Environmental-friendly operation

Remark: 1. Only included the most important topics.

3. TECHNOLOGICAL OPERATION

The Group stands at a core tache along the value chain of the Chinese aviation and travel service distribution. As a leading provider of information technology solutions for the Chinese aviation and travel industry, technology research and development is one of our important development strategies. The Group is devoted to developing innovative products and services to serve the needs for all industry participants such as airlines, airport, travel products and services providers to conduct electronic transactions and manage travel-related information and benefit passengers after all. The Group regulates its business operations through the ISO9001 Quality Management System, ISO20000 Information Technology Service Management System and ISO27001 Information Security Management System, which are certified by international standards. At present, the Group has achieved "full coverage" of various management systems, keeping product and service quality management at a high level.

3.1 Information Security Management

Information security is fundamental for the stable operation of the Group. The Group strictly complies with and implements the *Cybersecurity Law of the People's Republic of China* and *Administrative Measures for Internet Information Services* and other laws and regulations and has established information security management system. The Group has formulated the *Work Safety System of TravelSky*, the *Management Methods for Classification of TravelSky Production System* and other management systems, clarified service guarantee level and requirements. By signing safety reasonability statement, evaluating safety indicators and adopting other measures, the safety, efficiency and stability of the operation of products and services are to be ensured.

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

The Group has also formulated the *Security Incident Monitoring and Handling Process of TravelSky* to regulate the monitoring of information security in daily operations and procedure in the event of information security incident. The Group's operation center continuously carries out information security operation and maintenance on the Company's website and the host system, including information security situation monitoring, security vulnerability warning monitoring, website sensitive word monitoring, vulnerability scanning, penetration testing, etc. The operation center monitors relevant information through the information management platform and stipulates employees to check the information security status in every hour during on duty. If any kind of security incident occurs, it is necessary to trace the source of the occurrence and confirm whether it is a normal situation, and the event will be reported, recorded or handled, so as to ensure information security management is conducted systematically.

Case: Actively undertake the national civil aviation information security project
In May 2018, the Group took the initiative to undertake a civil aviation project proposed from Civil Aviation Administration of China, to prepare the *Standard for Safety Access to Key Information Infrastructure of Civil Aviation*. Starting from information system access, technical requirements and management requirements, the Group established the relevant standard for the information securitry management of the industry.

Case: Improvement of infrastructure and operation and maintenance environment
On October 2018, the system transfer of the Group's "Old Host Replacement Project" officially entered the implementation phase and was successfully completed in five and a half hours. After the host was transferred to the Houshayu Data Center, the relevant staff and services are concentrated in the same location. The access control measures were efficient and strict, and could better realize the unified operation, maintenance, and management.

3.2 Innovative Development System

The Group has formulated the *Three-Year Rolling Plan Outline on Scientific Research (2017-2019)* and *Strategic Outline on Scientific Research of the Company* to fully implement its strategic outline in the field of scientific and technological innovation. Meanwhile, the Group has were formulated and issued the *Interim Measures for Management of the Company Undertaking Scientific Projects Issued by Superior Organizations* and the *Management Methods for Scientific Research Projects of the Company* to promote standardized management of scientific research projects.

With decades of unceasing research and development, the Group has gradually built up an industry chain for aviation and travel information technology. During the process of research and development, the Group fully considers the life cycle of the entire industry chain; considers the needs of the industry before development by conducting multiple tests before putting into operation to ensure it works smoothly. The Group actively expands customers from the domestic and international commercial airline, further improves aviation information technology and its extension services to provide strong supports for the needs of commercial airlines on information technology solutions for passengers, e-commerce, ancillary services, and internationalization.

Investment on R&D in 2018
RMB658.5 million

Total number of R&D members in 2018
3,512

Case: Development Base of Innovative Applied Technology on Civil Aviation

During the reporting period, the Group initially formed a collaborative distributed R&D system that unified the R&D process, communication platform and R&D tools of the R&D center in the headquarters, the Northeast and Chongqing. In addition, The Group issued with the license of "Development Base of Innovative Applied Technology on Civil Aviation" by the Civil Aviation Administration of China.

The title "Development Base of Innovative Applied Technology on Civil Aviation" awarded by the Civil Aviation Administration of China

Case: Development of Airport Information System

As a strategic partner of the "Fast Travel" Project of International Air Transport Association (IATA), our self-developed luggage check-in processing system has already been put into operation in a number of airports for commercial airlines in China. Besides, the commonly used self-service check-in system (CUSS) has been launched in 150 major domestic and overseas airports.

Case: Mobile Application "Umetrip"

"Umetrip" is the Group's mobile service product for traveling. It can provide passengers with complete information services from travel preparation to the whole process of arriving at the destination, solving the problems such as flight dynamic inquiry and boarding pass acquisition through mobile phone. The number of users of the mobile application has a continuous growth in the reporting period and has provided convenient and efficient products and services to customers and the market with innovative technology.

3.3 Protection of Intellectual Property

The Group encourages employees to actively carry out scientific research, strengthen the awareness of intellectual property protection, and strive to maintain and protect the achievements of independent scientific research. In order to normalize patent management of the Group for protecting the achievements of research and development, the Group has formulated the *Interim Measures for Patent Management of TravelSky* in accordance with the *Patent Law of the People's Republic of China* and the *Rules for the Implementation of the Patent Law of the People's Republic of China* and other laws and regulations. Under the policy, the Group has established a Patent Management Committee and a Patent Management Office to manage the patent works of the Group. The following are the responsibilities:

Patent Management Committee

- Conduct comprehensive supervision and guidance on patent management
- Guide the selection of patent agencies
- Review patent applications
- Review patent rewards and punishments
- Review changes, suspensions, cancellations and related businesses of the patents
- Making decisions on major issues of patent management

Patent Management Office

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

Total number of authorized patents
46

Number of authorized patents in 2018
7

4. PEOPLE-ORIENTED OPERATION

The Group regards employees as its valuable assets and the driving force for corporate sustainable development. Talent absorption and cultivation are important links for corporates to achieve sustainable development and economic growth. In addition, the Group also attaches great importance to the physical and mental health and living security of employees and is committed to creating a good working environment for employees.

4.1 Human Resource Management

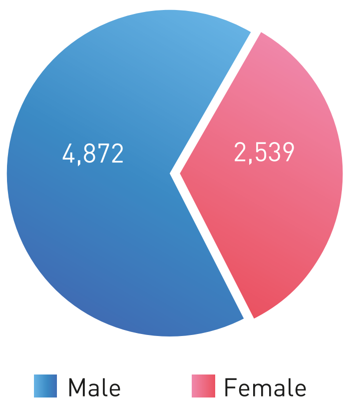
The Group has strictly implemented the relevant employment regulations and has complied with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other laws and regulations during the Year to protect employees' rights, labor remuneration, working environment, working hours welfare, etc. Meanwhile, the Group has formulated a series of transparent management policies with reference to the relevant laws and regulations to manage personnel recruitment, remuneration, attendance and discipline management, and post promotion. The policies include the *Rules on the Administration of Labor Contracts of TravelSky Technology Limited, TravelSky Salary Management Methods*, *TravelSky Attendance Management Regulations,* and the *Employee Handbook (Discipline Part) of TravelSky Technology Limited*, etc., so as to protect the rights of both employees and employers and build an equal labor relationship.

Under the management of the human resource systems, the Group fully protects the rights of employees, advocates equal opportunity, diversity and anti-discrimination, and ensure that employees are not subject to discrimination based on race, age, and gender. The Group operates a five-day working system with 8 hours per day and enjoys the right to a national statutory holiday and paid annual leave. Trade union is also established to protect the legitimate rights and interests of the employeees and to care for their lives. The Group has strictly complied with the *Provision on the Prohibition of Using Child Labor* and has clear requirements for the age of employees in the recruitment process. By examining the identity information of candidates, the employment of child labor is eliminated. Employees and the Group have signed the *Collective Contract* and *Special Collective Contract for Protection the Rights and Interests of female employees*, providing employees with good protection on rights and interests and preventing the occurrence of forced labor. During the reporting period, the Group and the trade union completed research on collective negotiation together and carried forward the work of the primary trade union to sign the *Collective Contracts*. In 2018, the signing rate of the Group's labor contract reached 100%, and there was no violation of laws and regulations related to employees.

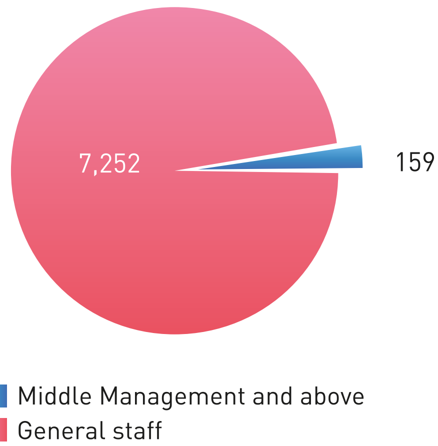
Employees related laws and regulations that the Group has complied with (including but not limited to)	Employees related policies of the Group (including but not limited to)
• Labor Law of the People's Republic of China • Labor Contract Law of the People's Republic of China • Provision on the Prohibition of Using Child Labor • Trade Union Law of the People's Republic of China • Social Insurance Law of the People's Republic of China	• Rules on the Administration of Labor Contracts of TravelSky Technology Limited • TravelSky Salary Management Methods • TravelSky Attendance Management Regulations • Employee Handbook (Discipline Part) of TravelSky Technology Limited

As of the end of the reporting period, the Group had total of 7,411 employees. The statistics on the employee structure are as follows:

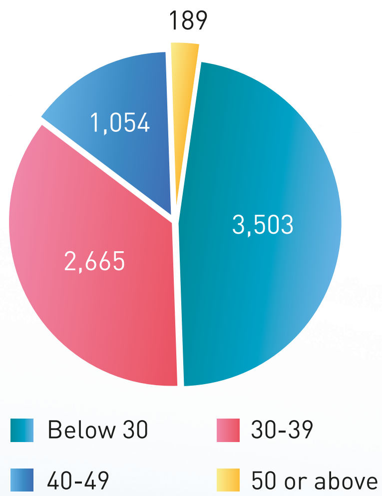
Total Workforce (By Gender)



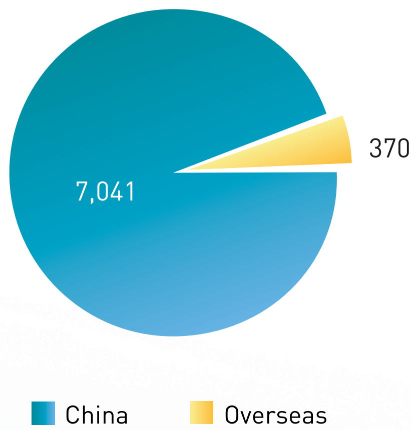
Total Workforce (By Employment Type)



Total Workforce (By Age Group)



Total Workforce (By Geological Region)



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

4.2 Employee Training

Talent cultivation and development are the core elements of corporate development. To assist the growth of employees and enhance their work capabilities, the Group established the training system in accordance with the *Medium- and Long-term Plan for Talent Development (2012-2020)*, and has formulated the *Measures for the Management of Internal Trainers (Trial)*, the *Interim Provisions on the Administration of Employee Education and Training* and other training-related regulations, and puts them into full implementation.

The Group provides employees with wealthy learning resources and expected to improve their business skills. Therefore, the online learning platform "e-learning" has been established according to the actual situation of the business. Electronic training profile and general curriculum system are provided to employees to facilitate them to learn online at any time. The Group believes that internal training can best serves the needs of business development, and the establishment of internal trainer learning and exchange platform can encourage employees to become expert in a specific field while possessing all-round knowledge and ability.

During the reporting period, the relevant situation of employee training of the Group are as follows:

Total employee training sessions
198

Total participation of employee training
9,531

Participation of middle and senior management employees:
405

Participation of general employees:
9,126

Remarks: Data in this sheet only include headquarters of the Group.

4.3 Health and Safety of Employees

The Group has strictly complied with the *Work Safety Law of the People's Republic of China*, the *law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Fire Protection Law of the People's Republic of China* and relevant laws and regulations, and has promoted the works of safe operation and employee health management. Besides, the Group has also signed the *Special Collective Contract on Labor Safety and Health* with employees, so as to provide employees with legitimate protection. During the reporting period, there were none work-related fatality happened to employees of the Group.

The administration department of the group headquarters has deployed a security team to conduct occupational health and safety management, implementing the safety-related works through a top-down approach. The Group has implemented all aspects of health and safety measures from the perspectives of fire safety, distribution of labor protection appliances, organizing physical examination, canteen food safety, optimizing office environment and caring for mental health.

Fire Safety	The Group has established *Job Responsibilities of Fire Control Room Staff, Practice Code of Fire Control Room* and other rules to manage fire safety of the Group. Firefighting knowledge of employees are popularized and enhanced, firefighting responsibilities are implemented comprehensively and fire drills are organized and conducted regularly to implement fire safety work continuously.
Distribution of Labor Protection Appliances	The Group issues professional anti-haze masks to employees on a yearly basis, so as to reduce physical injury to employees under haze weather.
Organizing Physical Examination	The Group organizes physical examination regularly, and sends personnel to supervise on the whole process of physical examination to ensure it is conducted orderly and efficiently, so as to achieve prompt notification, repeated reminding and targeted follow-up. During the reporting period, the physical examination coverage rate of employees reached 100%.
Canteen Food Safety	To safeguard environmental hygiene of employee canteens and improve food quality, the Group conducts periodic inspection for sanitary conditions of kitchens, operation rooms, and heat preservation and disinfection equipment. Meanwhile, the Group supervises relevant food delivery companies to clean and disinfect appliances and other equipment regularly so as to ensure favorable hygiene conditions of each related environment.
Optimizing Office Environment	The working area of the Company is arranged with green plants and air cleaners so as to provide favorable office environment to employees. Meanwhile, "rooms for caring mother" is established, maintained and managed. The Group has arranged with 16 cabins to serve female employees.
Caring for Mental Health	The Group launches employee health seminars and health education activities regularly, and provides psychological counseling services to employees and establishes psychological decompression room to improve mental health level of employees.

4.4 Caring for Employees

As a people-oriented enterprise, the Group caring the lives of its employees in addition to their performance. During the reporting period, the trade union of the Group organized several cultural and recreational activities to enrich employees' amateur cultural life and increase team cohesion. Meanwhile, the Group also launched several caring activities to help employees in need to tide over the difficulties.

The Group cares for the health of its employees and launched several employee sports activities during the reporting period. For example, the sports game "TravelSky Cup" and the 2018 TravelSky Sports Competition were launched, the Group organized several competitions such as football, basketball, running, table tennis, badminton and swimming, which fully demonstrated the sports spirit of the Group.

In order to further promote the employee care work of the trade union, embody the care and love of the employees, and create a harmonious, friendly and proactive workforce, the Group has formulated the *Administrative Measures on Caring Employees of TravelSky*. Here exhibit parts of the employee care activities carried out during the reporting period:

"TravelSky Cup" badminton team competition

"TravelSky Cup" National Swimming Competition

- The Group expressed its caring to the employees in the frontline, remote area and with difficulties. The special fund "Sending Warmth" that values a total of RMB1.518 million was allocated to the frontline units and 133 employees in difficulties, and the special fund "Sending Cool" that values RMB508,000 were used for heatstroke prevention. Leaders of the Company went deep into the frontline and visited nearly 1,000 employees in 28 units.

- The Group revised the *Administrative Measures on Caring Employees of TravelSky* to institutionalize, standardize and normalize the works of "Caring Frontline Employees on Holidays", letting frontline employees feel the care of the Group during their works. The Group expressed its consolation to a total of 600 employees in five festivals of the Year.

- The Group implemented the "Mental Health · New Journey" employee care programme (EAP) and trained volunteers to become EAP ambassadors to provide psychological counseling services to employees. The Group attaches great importance to the mental health status of employees, established the psychological decompression room, and increased on-site counseling services. The programme is focused on providing psychological counseling services for expatriate cadres, employees in difficulties, female employees, and new recruits.

"Sending Cool" employee caring activity

"Mental Health • New Journey" employee caring programme

5. RESPONSIBLE OPERATION

The Group is an enterprise that takes the initiative on social responsibilities. While continuously improving its own management and creating enduring values for the market, the Group actively advocates responsibilities on environmental and social aspects to suppliers, and expects to promote sustainable development of the society together.

5.1 Focus on the Needs of Users

Taking the value of customer orientation, the Group is committed to providing products and services that meet the needs of customers, which is the cornerstone of continued profitability and trust earned from customers. The Group has always promoted the integration of the Internet and customer service management to build efficient customer service management platforms. The Group has established an electronic customer service system and is used by users across the country. Compared with the traditional customer service system, the new system completely solved the problem of stability. It provides a more convenient and user-friendly interface for the service works of each department, and fully supports the tracking on the mobile terminal application to further enhance user experience. In order to enhance the customer experience, customer service management the Group mainly includes:

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

- Seven customer calling centers are established to provide 24-hours uninterrupted service to customers with branch service desks at different places every day.

- Through visiting customers, conducting customer training, and carrying out customer satisfaction surveys and other forms of channels, the Group contacts customers in all aspects to understand their needs. Communication records are managed in parallel with electronic submissions and mail submissions.

- The relevant employees shall regularly report the situation of customer service management to the Group's headquarters so that the company can monitor the customer service work closely and solve the problems that need to be coordinated.

To further deepen communication with customers, the Group disseminates its products and services through diverse media platforms. In order to give full play to the publicity role of news, correctly promote the corporate culture, and maintain a good corporate image, the Group has strictly complied with the *Advertising Law of the People's Republic of China* and has formulated the *Administrative Measures on Press and Publicity of TravelSky* to regulate the following aspects:

- The department in charge of press and publicity;
- The main scope and content of press and publicity;
- Press spokesperson and head of journalism;
- Media interviews reception and news release;
- Publicizing and reporting on emergencies and major events;
- The composition and management of the internal news media of the Company;
- Discipline and confidentiality provisions for press and publicity.

In addition, as a provider of information technology solutions for the aviation and travel industry, the products and services of the Group does not involve health and safety issue.

5.2 Protection on Trade Secrets

The Group highly values the protection of customers and its own confidential information and has continued to deepen information confidentiality in recent years. The Group strictly complied with the laws and regulations such as the *Cybersecurity Law of the People's Republic of China* and the *Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Infringing on Citizens' Personal Information*, and has formulated the *Management Practice on the Protection of Citizens' Personal Information and Private Data of TravelSky*. The policy regulates the responsibilities, methods and procedures of the Group in the protection of citizens' personal information and private data from the aspects of data collection, information release and use of data.

Regarding the protection of trade secret, the Group established a project team for constructing trade secret protection system since 2013, and started the construction of the trade secret protection system with the core of encryption and decryption technology to provide solution for the security requirements of the Company's data, network, mobile storage media, etc. Currently, encryption and decryption technology is one of the major information security and data protection methods of data leakage protection industry. It is also one of the main security technologies adopted by the first batch of state-owned enterprises for testing. Until 2018, the trade secret protection system was completed.

Case: Conference of Confidentiality Committee in 2018

On August 2018, the Group launched the conference of Confidentiality Committee in 2018. At the meeting, the Group reported and directed four categories of confidentiality protection work, including state secrets, trade secrets, work secrets and personal privacy that the Group has involved. The Group also sorted out the results of secrecy in recent years. As the Group's trade secret protection technology has been steadily improving, there was no incident related to the lost and leakage of secret between the years from 2013 to 2018.

5.3 Supply Chain Management

The Group has continued to improve its supplier management system. The Group strictly complied with the *Bidding Law of the People's Republic of China*, the *Regulation on the Implementation of the Bidding Law of the People's Republic of China*, *Measures for the Administration of Government Procurement by No-Bid Procurement Methods and other laws and regulations*, and has established the *Administrative Measures on the Procurement of China TravelSky Holding Company and TravelSky Technology Limited* and the *Administrative Measures on the Open Bidding Procurement of China TravelSky Holding Company and TravelSky Technology Limited*. These policies are used to regulate procurement activities of the Group, so as to improve procurement efficiency, protect the legitimate rights and interests of the Group, and ensure the transparency, fairness, and justice of procurement activities.

The procurement activities of the Group include the types of bidding and non-bidding. Within the scope of the national statutory bidding, it is necessary to adopt the open bidding approach for procurement. If it is unable to adopt open bidding for special circumstances, it must be submitted to the general manager office for approval before the adoption of non-bidding procurement. The *Administrative Measures on the Procurement of China TravelSky Holding Company and TravelSky Technology Limited* has the following specifications for key procurement processes:

The Group has established the *Supplier Management Measures* to manage the hiring of suppliers. Adhering to the principles of fairness, transparency, and justice, the Group implements strict review and supervision on procurement. Due to the nature of the business, the Group does not involve the procurement of raw materials. The procurement is mainly carried out for information technology services and electronic equipment, so the environmental qualifications of suppliers are not reviewed.

5.4 Anti-corruption

To normalize operation and management and to prevent bribery, extortion, fraud, money laundering and other illegal acts of the management and employees, the Group has strictly complied with the *Supervision Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Regulations of the Communist Party of China on Disciplinary Actions*, the *Anti-money Laundering Law of the People's Republic of China*, *Regulation on Punishing Public Servants of Administrative Organizations* and other laws and regulations. Meanwhile, the Group revised and reviewed the relevant policies of various departments to ensure that the company is complied with laws and regulations when participating in important project investment, acquisition and other important decisions. During the reporting period, the Group did not involve any legal cases regarding corrupt practices.

The Group has strengthened supervision and constraint to build a sound anti-corruption and anticommercial bribery mechanism. It has improved the supervision management system involving the key fields and aspects such as "Three Importance and One Large" system (important event decisions, appointment and removal of important cadres, important project arrangements, and use of large amount of funds), personnel arrangement, and procurement. The Group has formulated the right list and responsibility list for the leaders of each department to divide boundaries of rights and clarify liability subject, so that departments with concentrated rights, major responsibilities and dense fund can clarify their rights and responsibilities. The Group has formulated the *Interim Measures for Supervision and Management of Cadres of TravelSky*, established an integrity management information system and enhanced supervision and constraint for exercising and performance through information means. During the reporting period, the Company has examined and evaluated the implementation of clean construction responsibility system of subordinate units and cadres. The Group has established a sound petition reporting process and unblocked reporting channels, and complied with confidentiality and security system when handling complaint reporting and other issues. In terms of integrity education, the Group has used meetings, watching warning and education videos, expert teaching, special training and other forms to make employees understand the importance of anti-corruption and continuously improve their discipline.

Case: Conference of party conduct construction and anti-corruption in 2018

During the reporting period, the Group launched the conference of party conduct construction and anti-corruption in 2018 and made a comprehensively summarize on the relevant works. The Group analyzed the situation and identified deficiencies in 2018, so as to deployed key tasks for 2019. In order to strengthen the caution education, the Group held a caution education conference to strengthen the anti-corruption awareness that "the right must be accompanied by responsibility, and the default will be investigated."

6. GREEN OPERATION

The Group well understands the importance of environmental protection for promoting sustainable development. The Group's activities are mainly based on offices and data centers, the main environmental impacts include energy use, air pollutant emissions from the use of vehicles, fuel consumption, e-waste generation, etc. The Group has implemented various environmental protection measures in its operations to minimize the environmental impacts during the operation processes.

6.1 Emission Management

During the reporting period, the Group has strictly complied with the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Water Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *Regulation on the Administration of the Recovery and Disposal of Waste Electrical and Electronic Products* and other national and local laws and regulations. The Group has implemented administrative measures on air pollutants, greenhouse gases, water and land discharges, hazardous and non-hazardous wastes, etc., and has not been involved in any violations of relevant laws and regulations.

The Group continued to carry forward emissions management and has implemented various emission reductions measures in its daily operations to manage various pollutant emissions in a targeted manner:

Greenhouse Gas	Complied with the guidance on the carbon emission permit trading pilot work issued by Beijing Municipal Commission of Development and Reform, calculated and monitored carbon dioxide emission of the Group in Beijing area and participated in carbon emission transaction of Beijing.
Air Pollutants	Established the *Reform Scheme of Official Car System of TravelSky Technology Limited*, revised the *Management Methods for Official Car of China TravelSky Holding Company and TravelSky Technology Limited*, managed official cars strictly and conduct vehicle inspection regularly according to relevant national regulations on official cars of the Company while taking actual situations of the Group into consideration. Vehicles with emissions that exceed the standards or do not meet the national regulations shall be rectified or scrapped in time.
Hazardous and Non-hazardous Wastes	Obsolete electronic equipment such as used computers, servers and computer screens are classified for disposing by recyclers that holding the license of electronic products and scrap metal recycling.
Domestic Sewage	Household garbage and domestic sewage produced in business operation are intensively disposed by local municipal administration institution or a qualified third party.

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

	2018	Units
Emission of Greenhouse Gas (Scope 1 and scope 2)		
Emission by vehicles (scope 1)	156.0	Tons
Emission by electricity consumption (scope 2)	52,769.3	Tons
Emission by purchased heat consumption (scope 2)	1,126.3	Tons
Total Greenhouse gas emission	54,051.6	Tons
Intensity of total greenhouse gas emission	0.07	Tons/RMB10,000 income
Emission of Air Pollutants		
CO emission	422.7	Kg
NO_x emission	30.4	Kg
SO_x emission	1.0	Kg
$PM_{2.5}$ emission	2.4	Kg
PM_{10} emission	2.6	Kg
Discharge of Sewage		
Total discharge of domestic sewage	139,480	Tons
Discharge of Non-hazardous Waste		
Discharge of domestic waste of office	547,500	Kg
Intensity of the discharge of domestic waste of office	0.07	Kg/RMB10,000 income
Discharge of food waste	27,000	Kg
Intensity of the discharge of food waste	0.04	Kg/RMB10,000 income
Discharge of non-hazardous electronic waste	1,232	Units
Intensity of the discharge of non-hazardous electronic waste	0.002	Units/RMB10,000 income
Discharge of Hazardous Waste		
Discharge of hazardous electronic waste	5	Units
Intensity of the discharge of hazardous electronic waste	0.000007	Units/RMB10,000 income

Remarks:

1. Unless otherwise stated, the above data only covers the working places of the Group in mainland China. Those operated overseas are not covered as their influences on the environment are relatively small.
2. Refer to *Greenhouse Gas Protocol: Accounting and Reporting Standard of Enterprise 2012 (revised edition)* for greenhouse gas emission calculation methods. The emission factor calculation of Scope II refers to *The Emission Factor Calculation Each Regional Power Grid of China* latest published by National Development and Reform Commission.
3. The source of air pollutant emissions is the emissions of vehicles owned by the Group. The calculation of its emissions includes vehicles owned and operated by the Group. The calculation method is based on the *Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation).*
4. 100% of electronic wastes are recycled by licensed recycling company.
5. Electronic waste is classified as hazardous and non-hazardous in accordance with the Basel Convention. Among them, hazardous electronic waste includes devices containing liquid-crystal displays, such as LCD monitor and LCD TV. Non-hazardous electronic waste includes computers, digital communication line devices, servers, printers, etc.

6.2 Resource Usage Management

The Group pays attention to the effective use of natural resources and minimizes the resource consumption of office areas and computer rooms through capital and technology investment. Through continuous improvement on green office, electronic services, water and energy saving measures in office and other measures, the Group is committed to adopting resource conservation into all operational links.

During the operational processes, the major resources that the Group has consumed include purchased electricity, municipal water supply, gasoline and diesel used by vehicles, natural gas and purchased heat. The Group does not involve the use of packaging material in its business processes, so the relevant information is not disclosed. In addition, the Group does not operate in areas where water resources are scarce and therefore does not involve the issue in sourcing water that is fit for purpose.

While continuously developing its businesses, the Group focuses on the management of resource utilization, saving energy in its daily operation, and continuously improves resource utilization efficiency. The following are the major administrative measures on resource conservation of the Group:

- During non-office hours, patrolling personnel shall turn off lighting in the office area in time for energy saving.

- Replace old electronic equipment with new equipment that is high energy-efficient for energy saving.

- Centralized management of vehicles is adopted. Employees have to plan the route for reducing fuel consumption.

- OA system is used continuously for daily operation management. Meanwhile, the electronic application and approval work flow of meeting room, office supplies and other administrative works are realized, the paperless office is being realized gradually.

- Posting notice of energy saving and water saving in the working area to remind employees to save water in any time.

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

Case: Energy Conservation Measures of Beijing Data Center

The Group's Houshayu Data Center in Beijing has significantly reduced energy consumption by adjusting energy-saving measures such as the operation modes of air conditioning and lighting system, and technological transformation. During the reporting period, the power consumption of the Houshayu Data Center was reduced by 10.71 million kWh compared with the energy consumption assessment indicator of the same year, and saving about RMB7.8 million for the Group.

The Group continued to launch a variety of electronic service products such as electronic tickets, online check-in, electronic boarding pass, electronic bills of lading and electronic customs declaration. While providing convenience services for users, the Group achieves the purpose of saving paper by the means of technology, and further implement resource conservation.

Case: "TravelSky Solution" realized the paperless boarding of civil aviation passengers

The Group has launched the mobile phone service platform "TravelSky Solution" to provide the user with convenient aviation information enquiries, including real-time flight enquiries, flight information customization, electronic boarding pass, etc., which greatly reduce the printing of the boarding pass of civil aviation passenger so as to saving paper.

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

	2018	Units
Use of Resources[1]		
Consumption of electricity	62,270,702.2	kWh
Intensity of electricity consumption	83.3	kWh/RMB10,000 of income
Consumption of gasoline (vehicle)	67,482.3	L
Intensity of the consumption of gasoline (vehicle)	1022.5	L/vehicle
Consumption of natural gas	2,666,257.0	m^3
Intensity of the consumption of natural gas	3.6	m^3/RMB10,000 of income
Consumption of purchased heat	10,239.0	GJ
Intensity of the consumption of purchased heat	0.01	GJ/RMB10,000 of income
Total consumption of water	97,504.0	Tons
Intensity of the total consumption of water	0.13	Tons/RMB10,000 of income

Remark: 1. Unless otherwise stated, the above data only covers the working places of the Group in mainland China. Those operated overseas are not covered as their influences on the environment are relatively small.

6.3 Protection on the Environment and Natural Resources

As an enterprise that provides information technology solutions, the Group does not have a significant impact on the environment and natural resources during its operations. The Group strives to integrate environmental awareness into its daily operations and protect the environment in various aspects. For example, the Group continues to practice the use of environmentally friendly paper and environmentally friendly printing technologies. The printing paper of this annual report used environmentally-friendly paper certified by the Forest Stewardship Council (FSC) and adopted the latest printing environmental protection technology by using vegetable oil instead of conventional ink for printing. The printing of this annual report has been applied for certification mark; annual information of the Group is disclosed in a relatively environmentally friendly manner.

Case: Ecological Environment Protection of Houshayu Data Center

During the reporting period, the Group has greened the bare ground of the area of Houshayu Data Center in Beijing and planted 1,452 seedlings during the year to make efforts on reducing greenhouse gas emissions and protecting the ecological environment.

7. COMMUNITY MANAGEMENT

The Group continues to pay close attention to people's livelihood, fulfills its corporate citizenship responsibilities. We committed to helping people in need and giving back to society through the influence of the enterprise.

Since the central government issued the *China Rural Poverty Alleviation and Development Program 2011-2020*, the Group has understood which rural areas most in need of support are, formulated the poverty alleviation plan for *TravelSky Fixed Point Poverty Alleviation Programme in Shenchi* in 2015, and systematically implemented a series of poverty alleviation to reach out the people of Shenchi County and actively fulfilled the corporate social responsibility. During the reporting period, the Group has invested a total of RMB3.03 million in the project, benefiting more than 6,300 poor people. We continue to promote poverty alleviation and encourage all employees to participate in poverty alleviation, gather more strength to help the disadvantaged through five aspects, including education poverty alleviation, talent training, industry poverty alleviation, and consumption poverty alleviation. In addition, the Group has established a deep poverty assistance fund in order to more effectively implement the poverty alleviation. In this year, we injected RMB1 million into the foundation to help more poor people.

Education Poverty Alleviation  **Rewarding Excellent Teachers**	The Group's poverty alleviation projects and funds are given priority to education. Since 2015, the education poverty alleviation fund has been established to reward outstanding teachers and help university students from poor families. In 2018, the Group invested RMB1.246 million to reward 89 outstanding teachers and subsidize 156 poor university students.
Talent Training	In 2018, the Group invested RMB300,000 in vocational skills training for poor people. Two training sessions were held in mid-2018 with a focus on training 68 people. The Group also hired experts and professors to conduct 5 special lectures and accumulated 2,450 cadres have been trained.

Industry Poverty Alleviation

Poverty Alleviation Project for Edible Mushrooms Industry

In 2018, the Group invested RMB425,000 to implement the organic dry farming demonstration poverty alleviation project and promoted the structural reform of the agricultural supply side. The project benefited 55 low-income family and drove 140 people to overcome poverty.

Employment Promotion

According to the characteristics of the poor people in Shenchi County that are relatively high average age, relatively low vocational skills and relatively weak competitiveness, the Group actively assisted them to apply for social welfare posts, 9 people were employed in 2018. The Group also provided the employed persons in Shenchi County with pre-employment training, skills upgrading training and accommodation for free.

Consumption Poverty Alleviation

Consumption poverty alleviation activity

In the Spring Festival, Mid-Autumn Festival and Poverty Alleviation Day of 2018, through the development model of "Platform + Enterprise + Poor Households", the Group continued to carry out consumption poverty alleviation activities for selling the agricultural product of Shenchi County with the theme of "Poverty Alleviation, Creating Harmony, Building Love, and Becoming Well-off". The Group launched all of its staffs to join the activities for selling the products, and contacted relevant central enterprises in Beijing to promote the selling of products. Those activities have played a positive role in promoting the development of characteristic industries in Shenchi County, creating a brand of agricultural sideline products, and increasing the income of poor farmers.

REPORT OF DIRECTORS

The Board of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for Year 2018.

GROUP ACTIVITIES

The Group is the dominant provider of information technology solutions for China's aviation and travel industries. The core businesses of the Group include aviation information technology service, distribution of information technology service, as well as accounting, settlement and clearing services, etc..

The analysis of the Group's financial performance is set out under the section headed "Management Discussion and Analysis of Financial Condition and Results of Operations". The Group presented revenue disaggregated by revenue timing of recognition and primary geographical market, please refer to Note 5 of the Consolidated Financial Statements for details.

BUSINESS REVIEW

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

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2018 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2018, the share capital structure of the Company was as follows:

Class of shares	**Number of shares**	**Percentage to the total number of shares in issue** (%)
Domestic Shares	1,993,647,589	68.13
H Shares	932,562,000	31.87
Total	2,926,209,589	100

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

As at December 31, 2018, the interests and short positions of any person (other than directors, supervisors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") are set out as follows:

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
The Capital Group Companies, Inc.	101,859,948 H shares of RMB1 each (L) (Note 3)	Interest of corporation controlled by the substantial shareholder	10.92%	3.48%
JPMorgan Chase & Co.	83,809,208 H shares of RMB1 each (L) (Note 4):		8.98%	2.86%
	4,158,833 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	5,000 H shares (L)	Investment manager		
	516,979 H shares (L)	Person having a security interest in shares		
	79,128,396 H shares (L)	Approved lending agent		
	930,000 H shares of RMB1 each (S) (Note 4)	Interest of corporation controlled by the substantial shareholder	0.09%	0.03%
	79,128,396 H shares of RMB1 each (P) (Note 4)	Approved lending agent	8.48%	2.70%

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
Citigroup Inc.	65,819,834 H shares of RMB1 each (L) (Note 5):		7.05%	2.25%
	8,133,887 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	57,685,947 H shares (L)	Approved lending agent		
	429,000 H shares of RMB1 each (S) (Note 5)	Interest of corporation controlled by the substantial shareholder	0.04%	0.01%
	57,685,947 H shares of RMB1 each (P) (Note 5)	Approved lending agent	6.18%	1.97%
BlackRock, Inc.	52,286,349 H shares of RMB1 each (L) (Note 6)	Interest of corporation controlled by the substantial shareholder	5.61%	1.79%
	181,000 H shares of RMB1 each (S) (Note 6)	Interest of corporation controlled by the substantial shareholder	0.02%	0.01%
China TravelSky Holding Company Limited (Note 11)	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
China Southern Air Holding Company Limited (Note 11)	349,381,500 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	65,773,500 domestic shares of RMB1 each (L) (Note 7)	Interest of controlled corporation	3.30%	2.25%
China Eastern Air Holding Company Limited (Note 11)	328,243,500 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	25,155,000 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 9)	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company Limited (Note 11)	268,300,500 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	18,720,000 domestic shares of RMB1 each (L) (Note 10)	Interest of controlled corporation	0.94%	0.64%

Notes:

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

2) The percentage is calculated by the amount of shares held by relevant person/the amount of relevant types of shares issued as at December 31, 2018. Percentage of total share capital is based on 2,926,209,589 shares of the total issued share capital of the Company as at December 31, 2018; percentage of respective class of share capital is based on 1,993,647,589 domestic shares and 932,562,000 H shares of the Company as at December 31, 2018.

3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Capital Group Companies, Inc. on October 11, 2018, The Capital Group Companies, Inc. was deemed to be interested in 101,859,948 H shares (L). These shares were held by Capital Research and Management Company, which was directly controlled by The Capital Group Companies, Inc. The Capital Group Companies, Inc. was deemed to be interested in the shares held by such company by virtue of the SFO.

4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on December 21, 2018, JPMorgan Chase & Co. was deemed to be interested in 83,809,208 H shares (L), 930,000 H shares (S) and 79,128,396 H shares (P). These shares were held by J.P. Morgan Bank Luxembourg S.A.- Stockholm Bankfilial, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, J.P. Morgan Investment Management Inc., J.P. Morgan Europe Limited, Oslo Branch, JPMorgan Chase Bank, N.A. – Sydney Branch, J.P. Morgan Europe Limited (UK), Stockholm Bankfilial, J.P. Morgan Bank Luxembourg S.A., JPMorgan Chase Bank, National Association, JPMorgan Chase Bank, N.A. – Hong Kong Branch, J.P. Morgan (Suisse) SA, J.P. MORGAN SECURITIES PLC, J.P. Morgan Bank Luxembourg S.A., J.P. Morgan International Finance Limited, JPMorgan Asset Management Holdings Inc., JPMorgan Chase Holdings LLC, J.P. MORGAN EUROPE LIMITED, J.P. MORGAN SECURITIES PLC, J.P. MORGAN CAPITAL HOLDINGS LIMITED, which were directly or indirectly controlled by JPMorgan Chase & Co. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.

5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on August 16, 2018, Citigroup Inc. was deemed to be interested in 65,819,834 H shares (L), 429,000 H shares (S) and 57,685,947 H shares (P). These shares were held by Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Inc., Citigroup Global Markets (International) Finance AG, Citigroup Global Markets Europe Limited, Citigroup Global Markets Limited, Citicorp Banking Corporation, Citibank (Switzerland) AG, Citibank Overseas Investment Corporation, Citi Overseas Investments Bahamas Inc., Citigroup International Luxembourg Limited, Citigroup Participation Luxembourg Limited, Cititrust (Bahamas) Limited, Citicorp Trust Delaware, National Association, which were directly or indirectly controlled by Citigroup Inc. Citigroup Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.

6) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by BlackRock, Inc. on December 7, 2018, BlackRock, Inc. was deemed to be interested in 52,286,349 H shares (L) and 181,000 H shares (S). These shares were held by Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à.r.l., BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limitied, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Group Limited-Luxembourg Branch, BlackRock Luxembourg Holdco S.à.r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock Life Limited, BlackRock UK Holdco Limited, BlackRock Asset Management (Schweiz) AG, which were directly or indirectly controlled by BlackRock, Inc. BlackRock, Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.

7) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company Limited. China Southern Air Holding Company Limited was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the SFO.

8) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company Limited. China Eastern Air Holding Company Limited was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the SFO.

9) These shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of China Eastern Air Holding Company Limited. China Eastern Air Holding Company Limited was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the SFO.

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

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

12) Information disclosed above is based on the reasonable inquiries made by the Company and the data published on the website of Hong Kong Exchanges and Clearing Limited ("**HKEX**") (www.hkexnews.hk). For the latest disclosure of interests filings of the substantial shareholders of the Company's H shares, please refer to the "Disclosure of Interests" section on the website of HKEX (www.hkexnews.hk).

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2018, no person (other than directors, supervisors or chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company that are required to be recorded in the register maintained by the Company under Section 336 of the SFO.

As set out in the announcements dated December 14, 2018 and January 24, 2019, China Southern Air Holding Company Limited agreed to transfer, and China Mobile Capital Holding Co., Ltd. agreed to acquire 146,600,000 domestic shares of the Company. Immediately following the completion of the transaction, China Southern Air Holding Company Limited directly and indirectly holds 268,555,000 domestic shares of the Company, representing approximately 9.18% of the total issued share capital of the Company (of which, directly holds 202,781,500 domestic shares of the Company, representing approximately 6.93% of the total issued share capital of the Company); China Mobile Capital Holding Co., Ltd. holds 146,600,000 domestic shares of the Company, representing approximately 5.01% of the total issued share capital of the Company.

PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the corporate information available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report.

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

As at December 31, 2018, none of the directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that are required to be recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange by the directors and supervisors pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

None of the directors, supervisors or chief executive of the Company or their respective associates had been granted or had exercised any rights to subscribe for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) for the year ended December 31, 2018.

As at December 31, 2018, each of China TravelSky Holding Company Limited, China Southern Air Holding Company Limited, China Eastern Air Holding Company Limited and China National Aviation Holding Company Limited had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at December 31, 2018,

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

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

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

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

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

Save as disclosed above, as at December 31, 2018, none of the existing or proposed directors or supervisors of the Company was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CHANGE OF DIRECTORS

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

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All members of the sixth session of the Board and the sixth session of the Supervisory Committee of the Company have respectively entered into service contracts with the Company. The term for the sixth session of the Board and the Supervisory Committee is from October 18, 2016 to October 17, 2019. Pursuant to the relevant requirements of the PRC Company Law and the Articles, the respective term of the directors and supervisors shall commence from the conclusion of the general meeting at which such directors and supervisors are elected until the forming of the next session of the Board and the Supervisory Committee upon election by a general meeting.

For the year ended December 31, 2018, none of the directors or supervisors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

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

Certain members of the sixth session of the Board and the Supervisory Committee of the Company are also members of the management of various PRC commercial airlines which are shareholders of the Company. The contracts or transactions entered into between the Company or any of its subsidiaries and such airline shareholders have been referred to in the section headed "Connected Transactions" in this Report of Directors. Save as disclosed above, none of the directors or supervisors or their connected entities were materially interested, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party during, or at the end of Year 2018.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

PERMITTED INDEMNITY PROVISION

As of December 31, 2018, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

INTEREST CAPITALISED

No interest was capitalised for the Group in Year 2018.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2018 are summarised in Note 15 to the consolidated financial statements.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

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

RESERVES

Details of movements in reserves of the Group for Year 2018 are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board proposed the payment of a final cash dividend amounting to RMB0.269 per share (tax inclusive) for Year 2018. For details, please refer to the section headed "Dividend" in "Management Discussion and Analysis of Financial Condition and Results of Operations".

TAX RELIEF AND EXEMPTION

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

PRE-EMPTIVE RIGHTS

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

MATERIAL LITIGATION

The Group was not involved in any material litigation or dispute in Year 2018.

DONATION

In 2018, the Company donated RMB4.799 million.

EMPLOYEES' RETIREMENT SCHEME

Details of the employees' retirement scheme of the Group are set out in the section headed "Employees" in "Management Discussion and Analysis of Financial Condition and Results of Operations" and Note 10 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

China TravelSky Holding Company Limited was the largest supplier of the Group for Year 2018 and the total fees paid by the Group to the company in Year 2018 accounted for 1.1% of the Group's total operating expenses (after deducting depreciation and amortisation expenses). During Year 2018, the total amount paid to the five largest suppliers of the Group accounted for 4.4% of the Group's total operating expenses (after deducting depreciation and amortisation expenses).

Sales to the largest customer of the Group, China Eastern Airlines Corporation Limited, accounted for 12.1% of the Group's revenues from its sales of goods or rendering of services for Year 2018. During the same period, total sales to the Group's five largest customers accounted for 44.0% of the Group's revenues from its sales of goods or rendering of services. Three of these top five customers were China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited and Air China Limited. Their respective controlling shareholders, namely China Southern Air Holding Company Limited (a substantial shareholder of the Company), China Eastern Air Holding Company Limited (a substantial shareholder of the Company) and China National Aviation Holding Company Limited, held an aggregate of approximately 36.2% of the number of the issued shares of the Company as at December 31, 2018. Since listing, the Company has been providing continuous services to the above major customers, which are commercial airlines in China. The revenue derived from the above major customers is set out in Note 35 to the consolidated financial statements.

Save as disclosed in this report and in Note 35 to the consolidated financial statements, none of the directors, supervisors or their close associates nor any shareholder (which to the knowledge of the directors held more than 5% of the number of the issued shares of the Company) had any interest in any of the aforementioned suppliers and customers.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at December 31, 2018 are set out in Notes 37 and 19 to the consolidated financial statements, respectively.

CONNECTED TRANSACTIONS

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

Continuing Connected Transactions

During the Year 2018, the Group continued to carry out the following transactions, which constitute continuing connected transactions as defined in the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(a) Provision of Aviation Information Technology Services by the Company to the Airlines Which are Connected Persons

The Group (excluding ACCA) provided aviation information technology services and products to China Southern Airlines Company Limited and its subsidiaries ("**Southern Airlines**"), China Eastern Airlines Corporation Limited and its subsidiaries ("**Eastern Airlines**") and Sichuan Airlines Company Limited ("**Sichuan Airlines**") (collectively the "**Airlines**"). The Airlines were the associates of the substantial shareholders of the Company.

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

(i) flight control system services which provided, among other services, the consolidated information, flight information, flight control, flight tickets sales, automatic tickets sales and announcement of freight price;

(ii) electronic travel distribution system services which provided, among other services, flight information display, real-time flight reservation, automatic tickets sales, tickets price display and other travel – related services;

(iii) airport passenger processing system services which provided check-in, departure flight control, boarding and load planning services; and

(iv) civil aviation and commercial data network services which provided, among other services, the network transmission services and connection services.

In accordance with the following prescribed prices of Civil Aviation Administration of China ("**CAAC**") determined through amicable negotiation between both parties, subject to the types of system through which the transactions were processed, and upon a combined (for the services under (i) to (iii) above, the maximum fee would not be more than RMB9.9 per segment after combination) or separate basis of fee charge, the aforesaid Airlines were required to pay service fees to the Group on a monthly basis including:

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

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

(3) The pricing of the "civil aviation and commercial data network services" as mentioned in (iv) above (other than physical identified device ("**PID**") connection and maintenance services) is not governed by the guidelines of CAAC or the framework of any other PRC airlines regulatory body but are subject to fair and reasonable mutual negotiation between the parties with reference to the prevailing market conditions, and determined after taking into account factors including but not limited to the following: (i) the cost of provision of those products or services; (ii) the volume handled and complexity involved in handling those products or services; (iii) customer value of those products or services; (iv) pricing of similar competitive products or services; and (v) the exclusive value of those products or services. The pricing of PID connection and maintenance services is determined with reference to the guidance price prescribed by CAAC of RMB200 per PID per month.

The above continuing connected transactions were conducted in the ordinary and usual course of business of the Group and were the principal source of operating revenue of the Group. For more details, please refer to the announcements of the Company dated October 20, 2016, November 10, 2016, December 5, 2016, August 25, 2017 and November 8, 2017 and circulars of the Company dated November 25, 2016 and December 13, 2017.

Waiver regarding written agreements:

As stated in the circular of the Company dated November 25, 2016 and December 13, 2017, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver, which is normally for a three-year term, from strict compliance with the requirement of having written agreements under Rule 14A.34 of the Listing Rules with respect to the continuing connected transactions. At the same time, the Company also sought a general mandate and annual caps with a three-year term from the independent shareholders to carry out the continuing connected transactions under the waiver. In the event that the terms of new written agreements to be subsequently entered into with the Airlines are materially different from those approved by the independent shareholders, the Company will re-comply with the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

The respective annual caps and transaction amounts of the above continuing connected transactions for the financial year ended December 31, 2018 were as follows:

Airlines (connected persons)	Term of Waiver	Latest Signing of Agreements	Year 2018 Annual Caps (RMB'000)	Year 2018 Transaction Amounts (RMB'000)
Southern Airlines[1]	Three years from 2017 to 2019	Agreement for a term of one year for 2018 was entered into on December 29, 2018.	719,966	659,781
Sichuan Airlines	No waiver	Agreement for a term of three years for 2017 to 2019 was entered into on October 20, 2016, and the annual caps for 2017 to 2019 were revised on August 25, 2017.	283,000	209,990
Eastern Airlines[2]	Three years from 2018 to 2020	The service agreement for a term of two years from 2017 to 2018 was entered into on May 16, 2018.	925,139	766,681

Notes:

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

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

(b) Lease of Properties by the Company from China TravelSky Holding Company Limited and China TravelSky Cloud Data Company Limited

As China TravelSky Holding Company Limited is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. As China TravelSky Cloud Data Company Limited is a subsidiary of China TravelSky Holding Company Limited, it is also a connected person of the Company under the Listing Rules. As stated in the announcements of the Company dated October 15, 2015, December 16, 2015 and December 17, 2018, the Company leases three properties from China TravelSky Holding Company Limited and China TravelSky Cloud Data Company Limited:

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

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

(iii) The Company and its subsidiary, China TravelSky Huadong Data Centre Company Limited entered into Jiaxing Tenancy Agreements with China TravelSky Cloud Data Company Limited to lease: (i) server room 2FM1, part of spare parts warehouse and office areas in Jiaxing Data Centre, for a term of one year from January 1, 2018, and the rental the Company paid to China TravelSky Cloud Data Company Limited in a lump sum for the use of server room 2FM1, spare parts warehouse and office areas was RMB16.00, RMB4.00 and RMB1.00 per square metre per day, respectively; (2) part of office areas in Jiaxing Data Centre, for a term of one year from January 1, 2018, and the rental China TravelSky Huadong Data Centre Company Limited paid to China TravelSky Cloud Data Company Limited in two instalments for the use of the aforementioned office areas was RMB1.00 per square metre per day; (3) four apartments in living area of the Jiaxing Property in Jiaxing Data Centre, for a term of one year from April 1, 2018, and the rental the Company paid to China TravelSky Cloud Data Company Limited in a lump sum for the use of the aforementioned four apartments was RMB9,200.00 per month. The annual cap for the transactions under Jiaxing Tenancy Agreements in 2018 was RMB6,000 thousand.

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

For Year 2018, the total rental paid by the Company to China TravelSky Holding Company Limited for the lease of the Dongsi properties in Beijing stated in (i) above amounted to approximately RMB37,014 thousand, and the total rental paid by the Company to China TravelSky Holding Company Limited for the Shanghai properties stated in (ii) amounted to approximately RMB13,123 thousand. The total rental paid by the Company and its subsidiary, China TravelSky Huadong Data Centre Company Limited to China TravelSky Cloud Data Company Limited for Jiaxing properties stated in (iii) above amounted to approximately RMB4,713 thousand.

As set out in the announcement of the Company dated December 12, 2018, the Company has entered into lease contracts for Dongsi properties in Beijing and Shanghai properties with China TravelSky Holding Company Limited for a term of three years from 2019 to 2021. Also, as set out in announcement of the Company dated December 17, 2018, the Company has entered into Jiaxing Tenancy Agreements for 2019 with China TravelSky Cloud Data Company Limited.

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

As set out in the announcements of the Company dated August 27, 2015, June 28, 2016 and October 18, 2016, the Company entered into a Services Framework Agreement with each of the 10 Connected Cares which are collectively referred to as the Service Companies, for a term commencing January 1, 2016 and ending December 31, 2018. As set out in the announcement of the Company dated December 27, 2018, the Company has renewed the Services Framework Agreement from 2019 to 2021 with those 10 Connected Cares.

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

The Connected Cares are:

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

(B) The associates of the substantial shareholders of the Company, being connected persons as defined under Rule14A.07(4) of the Listing Rules: Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**"), Shenyang Civil Aviation Cares of Northeast China Ltd. ("**Dongbei Cares**").

Details of the Services Framework Agreement

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

Service fees

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

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

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

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

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

The annual caps and transaction amounts of the aforesaid continuing connected transactions for the financial year ended December 31, 2018 were as follows:

Connected Cares	**Year 2018 Annual Caps** (RMB'000)	**Year 2018 Transaction Amounts** (RMB'000)
The aggregate annual caps for transactions contemplated under the Services Framework Agreement with Hainan Cares, Shenzhen Cares, Xiamen Cares, Xinjiang Cares and Dongbei Cares;	311,000	218,591
The aggregate annual caps for transactions contemplated under the Services Framework Agreement with Xi'an Cares, Hubei Cares, Yunnan Cares, Qingdao Cares and Huadong Cares.	220,000	45,489

(d) Services Provided by ACCA to the Airlines (as Specified in Item (a) of Continuing Connected Transactions Above)

The provision of services by ACCA, a wholly-owned subsidiary of the Company, to the connected persons of the Company is also subject to the relevant requirements under Chapter 14A of the Listing Rules. For details of such continuing connected transactions, please refer to the announcements of the Company dated December 28, 2016, June 27, 2017, December 13, 2017, December 28, 2017, December 29, 2017, January 31, 2018 and November 23, 2018.

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

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

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

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

(4) the provision of application systems in relation to cargo transport, which include, among others, (i) domestic/international cargo transport revenue accounting management system, (ii) cargo transport business analysis system, (iii) mail sales system for domestic flights of civil aviation, (iv) domestic and international cargo mail revenue management system, as well as relevant application support and infrastructure services for the abovementioned system products, which include the implementation of application system products, the application support for daily operation, customized development, maintenance for system operation as well as the software and hardware equipment required for the operation of application systems; and

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

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

(1) the pricing of the provision of application systems in relation to passenger transport as well as relevant support and maintenance services is as follows: (i) the pricing of the abovementioned provision of domestic/international passengers transport revenue accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). The rate of unit price for such services is not more than RMB0.4 or RMB0.6 (depending on specific airline companies) for domestic passengers and not more than RMB1.65 for international passengers. (ii) the pricing of the abovementioned provision of passenger transport business analysis system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but are determined through arm's length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB2,000,000 or RMB3,000,000 (depending on specific airline companies) for the usage and technology support of business analysis system products; a system implementation fee of RMB2,500 per person per day; and a customized development fee of RMB2,500 per person per day; and system services fee of not more than RMB240,000 for long term support and maintenance after the system implementation (if applicable). (iii) the pricing of the abovementioned passenger transport promotion and incentive accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines. Such fees

mainly consist of a unit price of payment for the international services of not more than RMB50,000 per month for the technology support of the system products and a unit price for services fee of not more than RMB120,000 per quarter, or a system services fee of RMB60,000 per month (for domestic business) or RMB40,000 per month (for international business) (depending on specific airline companies); system implementation fee of RMB2,500 per person per day; customized development fee of RMB2,500 per person per day; (iv) the pricing of the abovementioned subsidy management system as well as relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). Such fees mainly consist of a unit price for services fee of RMB100,000 per month for the technology support of the system products; system implementation fee of RMB2,500 per person per day; and customized development fee of RMB2,500 per person per day.

(2) the pricing of the abovementioned revenue accounting services in relation to passenger transport is generally determined with reference to the guidance prices prescribed by CAAC, and are generally calculated based on certain percentage rates, ranging from 0.3% to 0.9% of the total amount involved in the revenue accounting services, depending on each individual type of revenue accounting services with the exception that the passenger sales audit services fee is calculated based on the volume of tickets at a rate of not more than RMB0.8 per ticket plus an adjusted fee charged at a rate of 10% of the adjusted amount, or a rate of not more than RMB0.7 per ticket plus an adjusted fee charged at a rate of 8% of the adjusted amount (depending on specific airline companies); the pricing of the abovementioned services fee accounting services is generally determined with reference to the guidance prices prescribed by CAAC, and are generally calculated on 0.9% of the amount involved in the services fee accounting services;

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

(4) the pricing of the provision of application systems in relation to cargo transport as well as relevant support and maintenance services is as follows: (i) the pricing of the abovementioned provision of domestic/international cargo transport revenue accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). The rate of unit price for such services is not more than RMB1.8 for domestic cargoes and not more than RMB5.2 for international cargoes. (ii) the pricing of the abovementioned provision of cargo transport business analysis system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but are determined through arm's length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB3,400,000 for the usage and technology support of business analysis system products; a system implementation fee of RMB2,500 per person per day; and a customized development fee of RMB2,500 per person per day. (iii) the abovementioned mail sales system of domestic flights for civil aviation is provided by ACCA for free. (iv) the pricing of the abovementioned provision of domestic and international cargo mail revenue management system services is determined through arm's length negotiation between ACCA and the Airlines with reference to waybills processed by the system per month. Cargo mail revenue management system handles the fee of every waybill, which is not more than RMB4.0 for international and regional routes, and not more than RMB1.6 for domestic routes, depending on the volume of waybills processed; and

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

In Year 2018, the transaction amounts and annual caps of the above continuing connected transactions between ACCA and the connected persons below were as follows:

Airlines (connected persons)	**Latest signing of agreements**	**Year 2018 Annual Caps** (RMB'000)	**Year 2018 Transaction Amounts** (RMB'000)
Southern Airlines	Agreement for a term of two years for 2017 to 2018 was entered into on December 28, 2016, and the annual caps for 2017 and 2018 were revised on June 27, 2017. Agreement for a term from January 1, 2019 to December 31, 2020 was re-entered into by both parties on December 28, 2018.	127,000	89,555
Sichuan Airlines	Agreement for a term of three years was entered into for 2018 to 2020 on December 29, 2017.	15,500	13,964
Eastern Airlines	Both parties confirmed in writing to renew for one year to December 31, 2018 on December 13, 2017. Agreement for a term from December 1, 2018 to December 31, 2020 was re-entered into by both parties on November 23, 2018.	125,000	94,255
China Cargo	Both parties confirmed in writing to renew for six months to June 30, 2018 on December 28, 2017, and agreement for a term from February 1, 2018 to December 31, 2019 was entered into on January 31, 2018 to replace the aforesaid renewal.	15,000	12,074

(ii) Domestic Mail Revenue Accounting and Settlement

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

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

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

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

In Year 2018, the transaction amounts and annual caps of the above continuing connected transactions between ACCA and the connected persons below were as follows:

Airlines (connected persons)	**Latest signing of agreements**	**Year 2018 Annual Caps** (RMB'000)	**Year 2018 Transaction Amounts** (RMB'000)
Xiamen Airlines	Agreement for a term of three years for 2017 to 2019 was entered into on June 30, 2016.	6,950	5,036
China Cargo	Agreement for a term of three years for 2017 to 2019 was entered into on November 16, 2016.	11,000	7,112

(e) Technology Services Provision Agreement for Air Freight Business

As mentioned in the announcement of the Company dated August 25, 2017, the Company confirmed that the Technology Services Provision Agreement would extend for another year by 2018, with each of Shanghai Eastern Air Logistics Co., Ltd. ("**Eastern Logistics**") and China Cargo, respectively. As stated in the announcement of the Company dated November 26, 2018, the Company re-entered into Technology Services Provision Agreement with Eastern Logistics and China Cargo, for a term of two years commencing December 1, 2018 and ending November 30, 2020.

Eastern Logistics is a subsidiary of Eastern Holding, and China Cargo is a subsidiary of Eastern Logistics. Therefore, they both are the associates of a substantial shareholder of the Company. Eastern Logistics and China Cargo are therefore connected persons of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Contents of service: The Company will provide air freight logistics system services, which mainly include computer management technology services for air freight business, including services for computer management of sales, space, waybills, ground operations, standard and quality control, resources, agent and client services platform, data report, mobile application and claims and settlement, etc., as well as the relevant technology supports.

Pricing of fees: The service fees for the technology services include (i) fees for each waybill handled by the air freight logistics system up to a maximum allowable price of RMB3 for international and regional routes and up to a maximum allowable price of RMB1.5 for domestic routes depending on the types of waybills; and (ii) other miscellaneous fees, including but not limited to terminal equipment fees, network and interface fees and communication fees. Such fees will be payable by China Cargo/Eastern Logistics in cash every two months.

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

In Year 2018, the transaction amounts and annual caps of the above continuing connected transactions between the Company and the connected persons below were as follows:

Airlines (connected persons)	**Latest signing of agreement**	**Year 2018 Annual Caps** (RMB'000)	**Year 2018 Transaction Amounts** (RMB'000)
Eastern Logistics and China Cargo	Agreement for a term of one year for 2018 was entered into on August 25, 2017. Agreement for a term of two years from December 1, 2018 to November 30, 2020 was entered into on November 26, 2018.	18,000	15,977

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

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

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

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

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

One-off Connected Transactions

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

The Company and certain Connected Cares entered into contracts in respect of the relevant projects in Year 2018:

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
Qingdao Cares	January 2, 2018	January 2, 2018	Qingdao Cares will subcontract to the Company the construction of the departure system and the security inspection information system for the Changchun Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the departure system and the security inspection information system.	42,293,538.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Qingdao Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	January 19, 2018	January 4, 2018	The Company will subcontract to Qingdao Cares the construction of the passenger self-service system for the Zhengzhou Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the three-year quality warranty for the passenger self-service system.	880,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware and the provision of services under the Qingdao Cares Zhengzhou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		January 5, 2018	The Company will subcontract to Qingdao Cares the construction of the flight information display and broadcast integrated system for the Xingyi Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and the overall system implementation and the two-year quality warranty for the flight information display and broadcast integrated system.	700,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Qingdao Cares Xingyi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		January 19, 2018	The Company will subcontract to Qingdao Cares the construction of the wireless apron dispatching system for the Changsha Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the five-year quality warranty for the wireless apron dispatching system.	4,124,570.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Qingdao Cares Changsha Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
	November 15, 2018	June 12, 2018	The Company will subcontract to Qingdao Cares the construction of the new generation airport operation and management system for the Dalian Airport Project, which includes, but not limited to, the development installation and testing of the required software and the overall system implementation for the new generation airport operation and management system.	943,778.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual costs incurred resulting from the provision of services under the Qingdao Cares Dalian Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		July 30, 2018	The Company will subcontract to Qingdao Cares the construction of the facial recognition & ID authentication system for the Five Airports (including Qingdao and Rizhao) Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the facial recognition & ID authentication system.	1,956,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Qingdao Cares Five Airports (including Qingdao and Rizhao) Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		July 31, 2018	The Company will subcontract to Qingdao Cares the construction of the airport operation and management system for the Mianyang Nanjiao Airport Project, which includes, but not limited to, the design, development and the overall system implementation for the airport operation and management system.	1,000,140.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual costs incurred resulting from the provision of services under the Qingdao Cares Mianyang Nanjiao Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		November 15, 2018	Qingdao Cares will subcontract to the Company the construction of the departure system and the security inspection information system for the Hailar Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the quality warranty for the departure system and the security inspection information system.	27,358,828.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Qingdao Cares Hailar Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
Huadong Cares	January 19, 2018	January 19, 2018	The Company will subcontract to Huadong Cares the construction of the wireless apron dispatching system for the Changsha Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the five-year quality warranty for the wireless apron dispatching system.	2,894,190.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Changsha Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	June 1, 2018	June 1, 2018	The Company will subcontract to Huadong Cares the construction of the departure and security inspection information system for the Jiujiang Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the departure and security inspection information system.	8,265,933.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	August 10, 2018	April 16, 2018	The Company will subcontract to Huadong Cares the construction of the departure system for the Wuxi Sunan Shuofang Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the departure system.	529,560.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Wuxi Sunan Shuofang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		June 15, 2018	The Company will subcontract to Huadong Cares the construction of the departure system for the Nanchang Changbei Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the three-year quality warranty for relevant systems.	2,216,840.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Nanchang Changbei Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		June 29, 2018	The Company will subcontract to Huadong Cares the construction of the common use self-service system for the Yantai Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the common use self-service system.	1,068,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Yantai Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
			The Company will subcontract to Huadong Cares the construction of the common use self-service system for the Weihai International Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the common use self-service system.	356,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Weihai International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		July 5, 2018	The Company will subcontract to Huadong Cares the construction of the self-service check-in equipment for the Nanchang Changbei International Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the two-year quality warranty for the self-service check-in equipment.	1,168,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Nanchang Changbei International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		August 10, 2018	The Company will subcontract to Huadong Cares the construction of the Eleven Airports (Including Xuzhou) Facial Recognition & ID Authentication Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the facial recognition & ID authentication system.	4,250,700.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Eleven Airports (Including Xuzhou) Facial Recognition & ID Authentication Project Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
	August 15, 2018	August 15, 2018	The Company will subcontract to Huadong Cares the construction of the departure and security inspection information system for the Nantong Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the departure and security inspection information system.	30,325,100.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	November 15, 2018	August 1, 2018	The Company will subcontract to Huadong Cares the construction of the self-service check-in equipment for the Nanjing Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the self-service check-in equipment.	1,098,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Nanjing Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		October 15, 2018	The Company will subcontract to Huadong Cares the construction of the common use self-service check-in system for the Yichun Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the common use self-service check-in system.	354,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Yichun Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		November 14, 2018	The Company will subcontract to Huadong Cares the construction of the departure system for the Ningbo Departure Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the departure system.	554,060.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Ningbo Departure Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		November 14, 2018	The Company will subcontract to Huadong Cares the construction of the common use self-service check-in system for the Ningbo Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the common use self-service check-in system.	955,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Ningbo Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		November 15, 2018	The Company will subcontract to Huadong Cares the construction of the facial recognition & ID authentication system for the Seven Airports (including Nanjing and Jinan) Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the one-year quality warranty for the facial recognition & ID authentication system.	6,677,100.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Huadong Cares Seven Airports (including Nanjing and Jinan) Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	December 27, 2018	December 11, 2018	Huadong Cares will subcontract to the Company the construction of the self-service luggage system for the Hefei Airport Project, which includes but not limited to, the procurement and delivery of the required software as well as the one-year quality warranty for the self-service luggage system.	720,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Huadong Cares Hefei Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		December 27, 2018	The Company will subcontract to Huadong Cares the construction of departure system for the Hongqiao Maintenance Project, which includes but not limited to, the provision of the four-year maintenance and support services for the required software of the departure system.	12,400,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual costs incurred resulting from the provision of services under the Huadong Cares Hongqiao Maintenance Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		December 27, 2018	The Company will subcontract to Huadong Cares the construction of departure system for the Hongqiao Airport Project, which includes but not limited to, the procurement, installation and testing of the required hardware and the overall system implementation as well as the one-year quality warranty for the departure system.	23,255,558.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware, and the provision of services under the Huadong Cares Hongqiao Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Xiamen Cares	January 2, 2018	January 2, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Zhoushan Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the security inspection information system.	1,743,400.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Zhoushan Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
			The Company will subcontract to Xiamen Cares the construction of the security inspection system for the Haikou Airport Project, which includes, but not limited to, the procurement of the required software and the one-year quality warranty for the security inspection system.	840,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Xiamen Cares Haikou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
			The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Sanya Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and the overall system implementation and the one-year quality warranty for the security inspection information system.	60,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Xiamen Cares Sanya Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
			The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Changchun Airport Project, which includes, but not limited to, the procurement of the required software and the two-year quality warranty for the security inspection information system.	950,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Xiamen Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	February 12, 2018	January 3, 2018	The Company will subcontract to Xiamen Cares the construction of the luggage operation management system for the Shenzhen Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the three-year quality warranty for the luggage operation management system.	1,310,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Shenzhen Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		January 4, 2018	The Company will subcontract to Xiamen Cares the construction of the face recognition system for the Lanzhou Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the face recognition system.	1,759,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Lanzhou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		January 5, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection system for the Xingyi Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the security inspection system.	532,950.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Xingyi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		February 12, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Xinyang Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the security inspection information system.	3,015,185.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Xinyang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	July 25, 2018	April 20, 2018	The Company will subcontract to Xiamen Cares the procurement of security inspection information system for the Changchun Airport Project, which includes, but not limited to, the procurement and delivery of the required software and the two-year quality warranty for the security inspection information system.	450,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and the provision of services under the Xiamen Cares Changchun Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		April 25, 2018	The Company will subcontract to Xiamen Cares the construction of the common use self-service system for the Fuzhou Airport Project, which includes but not limited to, the installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the common use self-service system.	516,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Fuzhou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		May 28, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Guilin Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the security inspection information system.	3,482,600.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Guilin Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		June 6, 2018	The Company will subcontract to Xiamen Cares the procurement of security inspection information system for the Baotou Airport Project, which includes but not limited to, the procurement and delivery of the required software and the one-year quality warranty for the security inspection information system.	280,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and the provision of services under the Xiamen Cares Baotou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		June 14, 2018	The Company will subcontract to Xiamen Cares the procurement of security inspection information system for the Hailar Airport Project, which includes but not limited to, the procurement and delivery of the required software and the one-year quality warranty for the security inspection information system.	606,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and the provision of services under the Xiamen Cares Hailar Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		June 15, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Nanchang Changbei International Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the security inspection information system.	350,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and the provision of services under the Xiamen Cares Nanchang Changbei Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		July 25, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Changsha Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation as well as the two-year quality warranty for the security inspection information system.	1,199,400.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Changsha Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
	August 17, 2018	August 3, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection/boarding wholeprocess pilot program for the Beijing Capital International Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the six-month quality warranty for the security inspection/boarding wholeprocess pilot program.	1,108,300.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware and the provision of services under the Xiamen Cares Beijing Capital Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		August 17, 2018	The Company will subcontract to Xiamen Cares the construction of the facial recognition & ID authentication system for the Forty-Eight Airports (Including Fuzhou and Changchun) Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the facial recognition & ID authentication system.	17,027,200.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Forty-Eight Airports (Including Fuzhou and Changchun) Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	November 27, 2018	September 5, 2018	The Company will subcontract to Xiamen Cares the construction of the luggage management system for the Fuzhou Airport Project, which includes, but not limited to, the procurement and delivery of the required software and hardware and the one-year quality warranty for the luggage management system.	865,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Fuzhou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		October 11, 2018	The Company will subcontract to Xiamen Cares the construction of security inspection program for the Yueyang Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the security inspection program.	1,900,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Yueyang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		November 14, 2018	The Company will subcontract to Xiamen Cares the construction of the departure expansion and renovation program for the Jinjiang Airport Project, which includes, but not limited to, the procurement and delivery of the required software and hardware and the one-year quality warranty for the departure expansion and renovation program.	2,075,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Jinjiang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		November 27, 2018	The Company will subcontract to Xiamen Cares the construction of the facial recognition & ID authentication system for the Forty-Seven Airports (Including Urumqi and Harbin) Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the facial recognition & ID authentication system.	19,460,670.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Forty-Seven Airports (including Urumqi and Harbin) Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
	December 21, 2018	December 10, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Enyang Airport Project, which includes but not limited to, the procurement and delivery of the required software and hardware and the two-year quality warranty for the security inspection information system.	1,448,550.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Enyang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		December 21, 2018	The Company will subcontract to Xiamen Cares the construction of security inspection/boarding whole-process dematerialization program for the Beijing Capital International Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the seven-month quality warranty for the departure system and security inspection information system.	3,294,900.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware and the provision of services under the Xiamen Cares Beijing Capital Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		December 21, 2018	The Company will subcontract to Xiamen Cares the construction of the security inspection information management system for the Beijing New Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the security inspection information management system.	29,813,274.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Beijing New Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		December 21, 2018	The Company will subcontract to Xiamen Cares the construction of the facial recognition & ID authentication system for the Thirty-five Airports (Including Chongqing and Haikou) Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the facial recognition & ID authentication system.	16,710,472.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xiamen Cares Thirty-five Airports (Including Chongqing and Haikou) Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Xi'an Cares	October 16, 2018	July 18, 2018	Xi'an Cares will subcontract to the Company the construction of the common use self-service system for the Zhongwei Airport Project, which includes but not limited to, the installation and testing of the required software and the system implementation as well as the one-year quality warranty for the common use selfservice system.	72,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Xi'an Cares Zhongwei Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		August 24, 2018	Xi'an Cares will subcontract to the Company the construction of the departure system for the Shenmu Urban Terminal Airport Project, which includes but not limited to, the procurement and delivery of the required software and the five-year quality warranty for the departure system.	432,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Xi'an Cares Shenmu Urban Terminal Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		October 16, 2018	The Company will subcontract to Xi'an Cares the construction of the weak current system for the Qilian Civil Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the five-year quality warranty for the weak current system.	11,849,122.50 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xi'an Cares Qilian Civil Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
	October 30, 2018	October 18, 2018	The Company will subcontract to Xi'an Cares the construction of the self-service check-in equipment for the Yinchuan Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation as well as the one-year quality warranty for the selfservice check-in equipment.	1,722,720.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xi'an Cares Yinchuan Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		October 30, 2018	Xi'an Cares will subcontract to the Company the procurement of the departure system for the Yan'an Airport Project, which includes, but not limited to, the procurement and delivery of the required software as well as the five-year quality warranty for the departure system.	15,700,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Xi'an Cares Yan'an Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Dongbei Cares	January 2, 2018	January 2, 2018	The Company will subcontract to Dongbei Cares the construction of the departure system and the security inspection information system for the Changchun Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the departure system and the security inspection information system.	19,209,138.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Dongbei Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
Xinjiang Cares	February 2, 2018	February 2, 2018	The Company will subcontract to Xinjiang Cares the construction of the departure system and the security inspection information system for the Ruoqiang Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the five-year quality warranty for the departure system and the security inspection information system.	5,368,209.56 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Ruoqiang Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	July 13, 2018	March 6, 2018	Xinjiang Cares will subcontract to the Company the construction of the data interface project of the flight information integration system for the Urumqi International Airport Data Interface Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the data interface project of the flight information integration system.	700,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Urumqi International Airport Data Interface Project Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		June 20, 2018	The Company will subcontract to Xinjiang Cares the construction of the departure system and the security inspection information system for the Xinjiang Tumushuke Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the five-year quality warranty for the departure system and the security inspection information system.	5,074,485.11 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Xinjiang Tumushuke Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		July 13, 2018	Xinjiang Cares will subcontract to the Company the construction of the QR code upgrade project of the departure system for the Urumqi International Airport QR Code Upgrade Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the QR code upgrade project of the departure system.	1,638,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Urumqi International Airport QR Code Upgrade Project Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	December 21, 2018	December 17, 2018	Xinjiang Cares will subcontract to the Company the construction of the common use self-service system for the Urumqi Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and the overall system implementation as well as the grant of right to use ten common use self-service check-in equipment for a period of five years.	720,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software, and the provision of services under the Xinjiang Cares Urumqi Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		December 17, 2018	The Company will subcontract to Xinjiang Cares the construction of the self-service check-in equipment for the Urumqi International Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation as well as the three-year quality warranty for the self-service check-in equipment.	780,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Urumqi International Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Announcement	Date of Agreement	Content of contracts	Contract Sum (RMB)
		December 21, 2018	The Company will subcontract to Xinjiang Cares the construction of the departure system, the security inspection system and the flight information display system and broadcasting system for the Tacheng Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the five-year quality warranty for the departure system, the security inspection system and the flight information display system and broadcasting system.	5,732,102.95 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xinjiang Cares Tacheng Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Hainan Cares	January 2, 2018	January 2, 2018	The Company will subcontract to Hainan Cares the construction of the departure system and the security inspection system for the Haikou Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the departure system and the security inspection system.	2,287,539.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Hainan Cares Haikou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
			The Company will subcontract to Hainan Cares the construction of the departure system and the security inspection information system for the Sanya Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the departure system and the security inspection information system.	1,186,707.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Hainan Cares Sanya Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

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

The directors confirm that the above transactions are connected transactions or continuing connected transactions of the Company (some of them are also related party transactions as set out in Note 35(b) to the consolidated financial statements) which are the connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has reviewed the accounting policies and practices adopted by the Group and has also discussed certain other matters relating to audit and risk management, internal control and financial reporting, including the review of the audited consolidated financial statements of the Group for Year 2018.

AUDITORS

Pursuant to the resolutions passed at the annual general meeting held on June 28, 2018, BDO Limited and BDO China SHU LUN PAN (Certified Public Accountants LLP) were engaged as the Company's international and PRC auditors respectively for Year 2018.

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

By order of the Board
Cui Zhixiong
Chairman

March 28, 2019

REPORT OF SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2018, members of the Supervisory Committee of the Company have diligently performed their duties during their tenures to ensure that the Company has observed and complied with the Listing Rules, the laws and regulations of the PRC, the Articles and other relevant rules and regulations to protect the interests of the Company and its shareholders.

According to the Articles, the Supervisory Committee of the Company comprises five supervisors with a term of three years. The number of staff supervisors is more than one-third of the number of members of the Supervisory Committee and there is one independent supervisor: (i) Ms. Zeng Yiwei and Mr. He Haiyan acted as the supervisors of the sixth session of the Supervisory Committee of the Company; (ii) Mr. Rao Geping acted as an independent supervisor of the sixth session of the Supervisory Committee of the Company; (iii) Mr. Huang Yuanchang and Mr. Xiao Wei acted as staff supervisors of the sixth session of the Supervisory Committee of the Company. Mr. Huang Yuanchang acted as the chairman of the Supervisory Committee upon the election of the sixth session of the Supervisory Committee.

The list of supervisors is set out in the section headed "Corporate Information" and the biographies of supervisors are set out in the section headed "Biographies of Directors, Supervisors, Senior Management and Company Secretary" in this annual report.

The sixth session of Supervisory Committee of the Company convened 2 meetings in Year 2018. The Supervisory Committee reviewed the Company's annual consolidated financial statements for Year 2017 and interim financial statements for Year 2018, attended the Board meetings and general meeting of the Company, and undertook the responsibility to monitor the policies and decisions made by the Board to determine whether they were in compliance with the Listing Rules, the laws and regulations of the PRC and the Articles, and whether they were in the interest of the Company and shareholders, and offered proper suggestions to the Board and the management. For the work of the Supervisory Committee, please also refer to the section headed "Supervisory Committee" in the "Corporate Governance Report".

On March 28, 2019, the sixth session of Supervisory Committee of the Company reviewed the Company's consolidated financial statements for Year 2018, and considered that the consolidated financial statements gave a true and fair view of the financial position and operation results of the Company and that they were in compliance with the regulations applicable to the Company. The sixth session of Supervisory Committee confirmed that the Company had not been involved in any material litigation or arbitration, and there were no litigations or claims of material importance pending or threatened by or against the Company in Year 2018.

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 2018, 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, 2018 reflected the actual operational circumstances of the Company. The Supervisory Committee has great confidence in the future prospects and development of the Company.

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

March 28, 2019

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF TRAVELSKY TECHNOLOGY LIMITED

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

OPINION

We have audited the consolidated financial statements of TravelSky Technology Limited (the "**Company**") and its subsidiaries (together as the "**Group**") set out on pages 111 to 211, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment of goodwill

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

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

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

The accounting policy, significant accounting judgements and estimates, key assumptions used in the impairment model and disclosures are included in Notes 3, 4 and 18 to the consolidated financial statements.

Our response:

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

- Testing the mathematical accuracy of cash-flow forecasts of the CGU;
- Challenging the reasonableness of key assumptions adopted in the valuation, such as the discount rate, based on our knowledge of the business and industry and available market data;
- Performing sensitivity analysis on the key drivers of the cash flow forecast, including profit margin, long term growth rate and discount rate; and
- Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of trade receivables

As at December 31, 2018, trade receivables amounted to RMB1,763.2 million. The Group is exposed to a risk of default in respect of trade receivables. The provision for impairment loss on trade receivables was RMB284.4 million as at December 31, 2018 (2017: RMB191.6 million).

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

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

The accounting policy, significant accounting judgements and estimates and disclosures for the recognition of impairment of trade receivables are included in Notes 2, 3, 4, 23 and 39 to the consolidated financial statements.

Our response:

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

- evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses;
- assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and
- inspecting cash receipts from customers after the financial year end relating to trade receivable balances as at December 31, 2018, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate number P05309

Hong Kong, March 28, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenues			
Aviation information technology services		**4,160,144**	3,878,516
Accounting, settlement and clearing services		**579,343**	555,185
System integration services		**946,939**	744,338
Data network and others		**1,785,688**	1,556,206
Total revenues	5	**7,472,114**	6,734,245
Operating expenses			
Business taxes and other surcharges		**(70,933)**	(35,847)
Depreciation and amortisation		**(696,289)**	(577,043)
Network usage fees		**(77,092)**	(71,193)
Personnel expenses		**(1,818,404)**	(1,640,610)
Operating lease payments		**(98,200)**	(174,716)
Technical support and maintenance fees		**(804,726)**	(613,849)
Commission and promotion expenses		**(723,201)**	(527,571)
Cost of software and hardware sold		**(367,042)**	(319,791)
Other operating expenses		**(496,834)**	(300,269)
Total operating expenses		**(5,152,721)**	(4,260,889)
Operating profit		**2,319,393**	2,473,356
Finance income, net		**220,159**	122,974
Government grants	6	**15,108**	–
Share of results of associated companies		**47,069**	35,299
Fair value gains on financial assets		**48,643**	–
Profit before taxation	7	**2,650,372**	2,631,629
Taxation	11	**(268,609)**	(313,040)
Profit after taxation for the year		**2,381,763**	2,318,589

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		11,029	2,241
Change in fair value of available-for-sale financial assets		–	39,271
Other comprehensive income for the year, net of tax		11,029	41,512
Total comprehensive income for the year		2,392,792	2,360,101
Profit after taxation attributable to:			
Owners of the Company		2,325,129	2,248,653
Non-controlling interests		56,634	69,936
		2,381,763	2,318,589
Total comprehensive income attributable to:			
Owners of the Company		2,336,158	2,290,165
Non-controlling interests		56,634	69,936
		2,392,792	2,360,101
Earnings per share from profit attributable to owners of the Company			
Basic and diluted (RMB)	13	0.79	0.77
Cash dividends	12	787,150	740,331

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	15	**4,385,753**	4,186,143
Investment properties	16	**1,041**	1,336
Lease prepayment for land use right, net	14	**1,650,377**	1,703,109
Intangible assets, net	17	**506,086**	276,003
Goodwill	18	**151,194**	147,483
Investments in associated companies	19	**316,840**	236,431
Deferred income tax assets	21	**177,627**	143,931
Other long-term assets	22	**104,148**	45,153
Available-for-sale financial assets	20	**–**	2,953,381
Deposits with banks with original maturity date over three months	20	**–**	102,063
Restricted bank deposits	20	**–**	3,654
Financial assets at amortised cost	20	**1,189,940**	–
Financial assets at fair value through other comprehensive income	20	**875,000**	–
Total non-current assets		**9,358,006**	9,798,687
Current assets			
Inventories		**47,563**	36,960
Trade receivables, net	23	**1,478,812**	1,118,976
Contract assets, net	26	**30,622**	–
Due from related parties, net	24	**3,173,992**	2,482,248
Due from associated companies		**79,919**	46,064
Income tax recoverable		**10,609**	6,735
Prepayments and other current assets	25	**947,792**	661,080
Available-for-sale financial assets	20	**–**	340,890
Held-to-maturity financial assets	20	**–**	1,860,000
Deposits with banks with original maturity date over three months	20	**–**	645,750
Restricted bank deposits	20	**–**	37,506
Financial assets at amortised cost	20	**2,477,567**	–
Financial assets at fair value through profit or loss	20	**161,944**	–
Cash and cash equivalents		**4,346,496**	3,558,299
Total current assets		**12,755,316**	10,794,508
Total assets		**22,113,322**	20,593,195

Consolidated Statement of Financial Position

at December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	27	**3,990,794**	3,871,502
Contract liabilities	26	**193,210**	–
Due to related parties	28	**272,037**	289,456
Income tax payable		**87,589**	205,399
Deferred revenues		**–**	179,131
Total current liabilities		**4,543,630**	4,545,488
Non-current liabilities			
Deferred income tax liabilities	21	**47,641**	45,577
Deferred government grants		**94,491**	141,692
Total non-current liabilities		**142,132**	187,269
NET ASSETS		**17,427,560**	15,860,438
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	**2,926,209**	2,926,209
Reserves	30	**4,790,317**	4,437,013
Retained earnings		**9,294,058**	8,062,425
		17,010,584	15,425,647
Non-controlling interests		**416,976**	434,791
TOTAL EQUITY		**17,427,560**	15,860,438

The consolidated financial statements on pages 111 to 211 were approved and authorized for issue by the Board of Directors on March 28, 2019 and were signed on its behalf by:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2018

	Attributable to owners of the Company					
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2017	2,926,209	4,002,547	6,856,345	13,785,101	379,809	14,164,910
Comprehensive income						
Profit for the year	–	–	2,248,653	2,248,653	69,936	2,318,589
Other comprehensive income						
Currency translation differences	–	2,241	–	2,241	–	2,241
Changes in fair value of available-for-sale investments	–	39,271	–	39,271	–	39,271
Total comprehensive income for the year	–	41,512	2,248,653	2,290,165	69,936	2,360,101
Dividends relating to 2016	–	–	(649,619)	(649,619)	(14,954)	(664,573)
Appropriation of reserves	–	392,954	(392,954)	–	–	–
At December 31, 2017 as originally stated	2,926,209	4,437,013	8,062,425	15,425,647	434,791	15,860,438
Initial application of IFRS 9	–	(39,271)	28,381	(10,890)	–	(10,890)
Restated balance as at January 1, 2018	**2,926,209**	**4,397,742**	**8,090,806**	**15,414,757**	**434,791**	**15,849,548**
Comprehensive income						
Profit for the year	**–**	**–**	**2,325,129**	**2,325,129**	**56,634**	**2,381,763**
Other comprehensive income						
Currency translation differences	**–**	**11,029**	**–**	**11,029**	**–**	**11,029**
Total comprehensive income for the year	**–**	**11,029**	**2,325,129**	**2,336,158**	**56,634**	**2,392,792**
Dividends relating to 2017	**–**	**–**	**(740,331)**	**(740,331)**	**(15,826)**	**(756,157)**
Deemed disposal of a subsidiary	**–**	**–**	**–**	**–**	**(58,623)**	**(58,623)**
Appropriation of reserves	**–**	**381,546**	**(381,546)**	**–**	**–**	**–**
At December 31, 2018	**2,926,209**	**4,790,317**	**9,294,058**	**17,010,584**	**416,976**	**17,427,560**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**2,650,372**	2,631,629
Adjustments for:			
Depreciation and amortisation		**696,289**	577,043
Loss on disposal of property, plant and equipment		**1,139**	1,330
Interest income		**(213,201)**	(126,492)
Provision for impairment of trade receivables and contract assets		**99,004**	27,401
Reversal of provision for impairment loss on property, plant and equipment		**–**	(839)
Share of results from associated companies		**(47,069)**	(35,299)
Fair value gain on financial assets		**(48,643)**	–
Foreign exchange gain		**(2,128)**	(22,354)
Operating cash flows before movements in working capital		**3,135,763**	3,052,419
(Increase)/decrease in inventories		**(10,603)**	7
Increase in trade receivables		**(511,623)**	(38,867)
Increase in contract assets		**(34,304)**	–
(Increase)/decrease in due from related parties		**(691,744)**	36,054
Increase in due from associated companies		**(33,855)**	(16,554)
Increase in prepayments and other current assets		**(257,066)**	(27,369)
Decrease in financial assets at fair value through profit or loss		**765,080**	–
Increase/(decrease) in trade payables and accrued liabilities		**251,520**	(14,581)
Increase in contract liabilities		**193,210**	–
(Decrease)/increase in due to related parties		**(17,419)**	153,333
(Decrease)/increase in deferred revenue		**(226,332)**	279,008
Cash generated from operations		**2,562,627**	3,423,450
Refund of enterprise income tax		**103,755**	94,284
Income taxes paid		**(525,680)**	(455,150)
NET CASH FROM OPERATING ACTIVITIES		**2,140,702**	3,062,584

Consolidated Statement of Cash Flows

for the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment, intangible assets and other long-term assets		**(1,256,100)**	(928,307)
Purchase of available-for-sale financial assets		**–**	(2,075,000)
Increase in held-to-maturity financial assets		**–**	(1,020,000)
Maturities of deposits with banks with original maturity date over three months		**–**	1,576,335
Placement of deposits with bank with original maturity date over three months		**–**	(421,638)
Decrease in restricted bank deposits		**–**	427,203
Decrease in financial assets at amortised cost		**511,466**	–
Interest received		**190,246**	101,484
Dividends received from associated companies		**11,121**	10,644
Proceeds from disposal of property, plant and equipment		**228**	162,168
Net cash paid from deemed disposal of a subsidiary		**(55,695)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(598,734)**	(2,167,111)
FINANCING ACTIVITIES			
Dividend paid to the Company's shareholders		**(751,643)**	(649,619)
Dividend paid to non-controlling shareholders of subsidiaries		**(12,152)**	(14,954)
NET CASH FROM FINANCING ACTIVITIES		**(763,795)**	(664,573)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**778,173**	230,900
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**10,024**	(4,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**3,558,299**	3,332,134
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	32	**4,346,496**	3,558,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

1. GENERAL

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

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

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

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

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018

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

Annual Improvements to IFRS 2014-2016 Cycle	Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards
Annual Improvements to IFRS 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IAS 40	Transfers of Investment Property
IFRIC–Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been summarised below. The Directors of the Company consider, other new or amended IFRSs that are effective from January 1, 2018 did not have any material impact on the Group's accounting policies.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised cost**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) financial assets at FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under IFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flow and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
FVOCI (equity instruments)	Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the impact (increase/(decrease)), net of tax, of transition to IFRS 9 on the opening balances of reserve and retained earnings as at January 1, 2018:

	Impact of adoption of IFRS 9 at January 1, 2018 RMB'000
Revaluation reserve	
Balance under IAS 39 as at December 31, 2017	490,946
Transfer to retained earnings relating to managed funds now measured at FVTPL	(28,381)
Reversal of fair value gains previously recognised in revaluation reserve relating to managed funds now measured at amortised cost	(10,890)
Restated balance under IFRS 9 as at January 1, 2018	451,675
Retained earnings	
Balance under IAS 39 at December 31, 2017	8,062,425
Transfer from revaluation reserve relating to managed funds now measured at FVTPL	28,381
Restated balance under IFRS 9 at January 1, 2018	8,090,806

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at January 1, 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Balance as at January 1, 2018 under IAS 39 RMB'000	Balance as at January 1, 2018 under IFRS 9 RMB'000
Managed funds	Available-for-sale (at fair value) (note a)	Amortised cost	640,890	630,000
Managed funds	Available-for-sale (at fair value) (note b)	FVTPL	878,381	878,381
Structural deposits	Available-for-sale (at fair value) (note c)	Amortised cost	900,000	900,000
Unlisted equity investment	Available-for-sale (at cost) (note d)	FVOCI	875,000	875,000
Held-to-maturity financial assets	Held-to-maturity	Amortised cost	1,860,000	1,860,000
Deposits with banks with original maturity date over three months	Loans and receivables	Amortised cost	747,813	747,813
Restricted bank deposits	Loans and receivables	Amortised cost	41,160	41,160
Cash and cash equivalents	Loans and receivables	Amortised cost	3,558,299	3,558,299
Trade receivables	Loans and receivables	Amortised cost	1,118,976	1,118,976
Due from related parties	Loans and receivables	Amortised cost	2,482,248	2,482,248
Due from associated companies	Loans and receivables	Amortised cost	46,064	46,064
Other receivables	Loans and receivables	Amortised cost	601,643	601,643

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

(a) The balance represents an unlisted investment fund placed with the Bank of Hangzhou. At the date of initial application of IFRS 9, the investment fund was reclassified from available-for-sale financial assets at fair value to financial assets at amortised cost, as the Group's business model is to hold this investment for collection of contractual cash flow, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. The net fair value gains of RMB10.9 million previously recorded in the revaluation reserve was reclassified against the carrying value of the financial assets at January 1, 2018.

(b) The balance represents the entrusted wealth management product issued by Bosera Asset Management Company Ltd (the "**Bosera Fund**"). At the date of initial application of IFRS 9, the Bosera Fund was reclassified from available-for-sale financial assets at fair value to financial assets at FVTPL since the cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The net fair value gains of RMB28.4 million relating to those investments was reclassified from the available-for-sale financial assets revaluation reserve to retained earnings at January 1, 2018.

(c) The balance represents the structural deposits issued by China Minsheng Bank of RMB900 million. At the date of initial application of IFRS 9, the structural deposits were reclassified from available-for-sale financial assets at fair value to financial assets at amortised cost, as the Group's business model is to hold this investment for collection of contractual cash flow, and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

(d) The unlisted equity investment represents 17.5% equity interest in China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**"). At the date of initial application of IFRS 9, the equity investment was reclassified from available-for-sale financial assets at cost to financial assets at FVOCI, since the Group has no intention to hold the investment for trading purpose.

The measurement categories for all financial liabilities remain the same for the Group, the carrying amounts for all liabilities at January 1, 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVTPL at January 1, 2018.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". IFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised cost and contract assets earlier than IAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all financial assets at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices except amount of trade receivables and contract assets per below:

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impairment of trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and invoice dates ageing. On that basis, the loss allowance as at January 1, 2018 was determined as follows for:

By Invoice Dates	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years	Total
Expected credit loss rate (%)	7.21	32.00	45.00	100.00	
Gross carrying amount (RMB'000)	1,064,481	93,287	88,543	64,243	1,310,554
Loss allowance (RMB'000)	76,749	29,851	39,844	64,243	210,687

Under IAS 39, the Group has made a provision for impairment loss of trade receivables and contract assets amounting to RMB191.6 million as at December 31, 2017. After applying the expected credit loss rate to gross amount of trade receivables and contract assets, the management considered that the IFRS 9 has no significant financial effect on the provision of impairment loss of financial assets recognised in the consolidated financial statements.

Impairment of amounts due from related parties and associated companies

The Group's amounts due from related parties and associated companies are trade related. The Group applies the IFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all amounts due from related parties and associated companies. The balances are considered to have low credit risk as the related parties are state-owned enterprises with strong financial background, and therefore the impairment provision is determined based on 12 months ECLs. After applying the ECL model, the management considered that the loss allowance for these financial instruments was immaterial.

Impairment of other receivables

Other receivables represent payments made on behalf of the customer airlines, which are part of settlement and clearing services of Accounting Center of China Aviation Limited Company, a subsidiary of the Company. The amount is payable within 30 days. It is considered to be low risk as the borrower is considered to have a strong capacity to meet its obligations, and therefore the impairment provision is determined based on 12 months ECLs.. After applying the ECL model, the management considered that the loss allowance for these financial instruments was immaterial.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

A. IFRS 9 – Financial Instruments (Continued)

(iii) Hedge accounting

Hedge accounting under IFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at December 31, 2017, but are recognised in the consolidated statement of financial position as at January 1, 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

B. IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has reviewed the impact of IFRS 15 on all its business segments and has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Accordingly, the standard has been applied only to contracts that are not completed contracts as at January 1, 2018. The Group has adopted IFRS 15 using cumulative method. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings as at the date of initial application (that is, January 1, 2018). As a result, the comparative financial information presented in 2017 have not been restated. As allowed by IFRS 15, the Group has applied the new requirement only to contracts that were not completed before January 1, 2018.

The following tables summarised the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at January 1, 2018. There was no material impact on the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended December 31, 2018:

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

B. IFRS 15 – Revenue from Contracts with Customers (Continued)

	Impact of adoption of IFRS 15 at January 1, 2018 RMB'000
Assets	
Current assets	
Trade receivables, net	(57,238)
Contract assets	57,238
	–
Liabilities	
Current liabilities	
Deferred revenues	(179,131)
Contract liabilities	179,131
	–

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

B. IFRS 15 – Revenue from Contracts with Customers (Continued)

The Group has applied the following accounting policy for revenue recognition in the preparation of these consolidated financial statements:

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

B. IFRS 15 – Revenue from Contracts with Customers (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

The Group has reviewed the impact of IFRS 15 and considered that IFRS 15 does not have a material impact on the timing and amounts of revenue recognised for contracts with customers.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Details of the nature and effect of the changes on previous accounting policies in relation to the Group's various revenue sources are set out below:

Revenue for aviation information technology services

The Group provides Electronic Travel Distribution ("**ETD**") services and Airport Passenger Processing system services ("**APP**") to customers. The services are charged at a fixed rate with no significant variable consideration. The Group recognises revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for aviation information technology services are issued on a monthly basis and are usually payable within 90 days. No significant financial component existed.

Under IAS 18, revenue for aviation information technology services is recognised when the services are rendered. The revenue is recognised over time as the benefits received and consumed simultaneously by the customer. The initial adoption of IFRS 15 did not result in significant impact on the Group's accounting policies on revenue for aviation information technology services.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

B. IFRS 15 – Revenue from Contracts with Customers (Continued)

Revenue for accounting, settlement and clearing services

The Group provides accounting, settlement and clearing services to commercial airlines and other aviation corporations. The services are charged at a fixed rate with no significant variable consideration. The Group recognises revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for aviation information technology services are issued on a monthly basis and are usually payable within 90 days. No significant financial component existed.

Under IAS 18, revenue for accounting, settlement and clearing services is recognised when the services are rendered. The revenue is recognised over time as the benefits received and consumed simultaneously by the customer. The initial adoption of IFRS 15 did not result in significant impact on the Group's accounting policies on revenue for accounting, settlement and clearing services.

Revenue for system integration services

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

Under IAS 18, revenue for equipment installation project and non-proprietary customers' information system development project are recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined in the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. The revenue is regconised over time as the Group's activities create or enhance an asset under the customer's control. Revenue is recognised as the services are performed using the cost-to-cost method, under which the total value of revenue is recognised on the basis of the proportion of the actual costs incurred relative to the estimated total costs. Therefore, revenue for system integration services contracts was recognised on a similar basis in the comparative period under IAS 18.

Under IAS 18, contract balances relating to system integration contracts in progress were presented in the consolidated statement of financial position under "trade receivables" or "deferred revenues" respectively. To reflect these changes in presentation upon adoption of IFRS 15, the Group has made reclassification amounting to RMB57.2 million from "trade receivables" to "contract assets" and RMB179.1 million from "deferred revenues" to "contract liabilities" respectively. The contracts are usually within one year and therefore no significant financial component existed.

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

(a) Adoption of new/revised IFRSs – effective January 1, 2018 (Continued)

B. IFRS 15 – Revenue from Contracts with Customers (Continued)

Revenue for data networking services

The Group provides data networking services to aviation corporations. The services are charged at a fixed rate with no significant variable consideration. The Group recognises revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for data networking services are issued on a monthly basis and are usually payable within 90 days. No significant financial component existed.

Under IAS 18, revenue for data networking services are recognised when the services are rendered. The revenue is recognised over time as the benefits received and consumed simultaneously by the customer. The initial adoption of IFRS 15 did not result in significant impact on the Group's accounting policies on revenue for data networking services.

Revenue for sales of equipment

Revenue arises from the sales of aviation system related equipment in the ordinary course of business. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 90 days. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contract for sales of aviation system related equipment.

Under IAS 18, revenue for sales of equipment is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Therefore, the initial adoption of IFRS 15 did not result in significant impact on the Group's accounting policies on revenue for sales of equipment.

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

(b) Potential impact arising on IFRSs not yet effective

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

IFRS 16	Leases[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after January 1, 2020
3 Effective for annual periods beginning on or after January 1, 2021
4 The amendments were originally intended to be effective for periods beginning on or after January 1, 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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

(b) Potential impact arising on IFRSs not yet effective (Continued)

IFRS 16 – Leases

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for a number of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 33, at December 31, 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB32.3 million for properties under operating leases, the majority of which is payable either within 1 year or between 2 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRIC-Int 23 – Uncertainty over Income Tax Treatments

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

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

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

Except as described above, the Directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the Group's consolidated financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of measurement

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

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

3.3 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

3.4 Principles of consolidation and equity accounting

(i) Merger accounting for common control combination

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Principles of consolidation and equity accounting (Continued)

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

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous end of the reporting period or when they first came under common control, whichever is shorter.

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

(ii) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations by the Group other than the common control combination (Note 3.4 (i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Principles of consolidation and equity accounting (Continued)

(ii) Subsidiaries (Continued)

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

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.12). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

(iii) Disposal of subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Principles of consolidation and equity accounting (Continued)

(iv) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

(v) Associated companies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Goodwill

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

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

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

3.6 Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Foreign currency translation (Continued)

(i) Transactions and balances (Continued)

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(ii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Investment properties

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

Investment properties are stated at their cost less accumulated depreciation and any provision for impairment loss (Note 3.12). Depreciation is calculated to write off the cost over their estimated useful lives on the straight line method for 20 to 30 years.

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

3.9 Intangible assets (other than goodwill)

(i) Computer software

Intangible assets mainly represent purchased computer software.

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

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

(ii) Contractual customer relationships

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

(iii) Development costs

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

Development costs are amortised over their estimated useful life of 3 to 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Lease prepayments for land use rights

Lease prepayments for land use rights represent purchase cost of land use rights in the PRC and are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land in the PRC. Amortisation of lease prepayments for land use rights is calculated on a straight-line basis over the period of the lease for 40-50 years.

3.11 Research and development costs

Expenditures for research and development are charged against income in the period incurred except for software development costs which comply strictly with the following criteria:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are stated at cost less their residual values and amortised on straight-line basis over their expected useful lives. The period of amortisation does not normally exceed 5 years. During the year ended December 31, 2018, development costs amounted to RMB52.0 million were capitalized as they met all the criteria listed above (2017: nil).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.13 Financial Instruments (accounting policies applied from January 1, 2018)

(i) Financial assets

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

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

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

Debt instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (accounting policies applied from January 1, 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

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

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (accounting policies applied from January 1, 2018) (Continued)

(ii) Impairment loss on financial assets

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

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

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

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

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

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 3 years past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (accounting policies applied from January 1, 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group rebutted the presumption of default under ECL model for trade receivables, contract assets and trade balances due from related parties and associates over 90 days past due based on the good repayment records for those customers and continuous business with the Group. Customers are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward looking estimates.

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (accounting policies applied from January 1, 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

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

Write-off policy

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial Instruments (accounting policies applied from January 1, 2018) (Continued)

(v) Equity instruments

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

(vi) Derecognition

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

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

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

3.14 Financial Instruments (accounting policies applied until December 31, 2017)

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the group's previous accounting policy.

The Group classifies its financial assets in the following categories: at FVTPL, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets an initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial Instruments (accounting policies applied until December 31, 2017) (Continued)

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

3.15 Inventories

Inventories, which principally comprise equipment for sale, spare parts and consumable items, are carried at lower of cost and net realisable value. Cost is determined based on the first-in, first-out ("**FIFO**") method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated statement of profit and loss. When trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of profit or loss.

3.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.18 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.19 Income taxes

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Income taxes (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Employee benefits

(i) Pension obligations

The full-time employees of the Group are covered by government-sponsored pension plan under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans.

Starting from January 1, 2007, the Company implemented an additional supplementary pension scheme, which is funded through the insurance company.

Under these plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in profit or loss when they are due.

(ii) Other employee benefits

All Chinese employees of the Group participate in employee social security plans, including medical, housing and other welfare benefits, organised and administered by the government authorities. Other than the welfare benefits provided by these social security plans as disclosed, the Group has no material commitments to employees. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed in profit or loss as when incurred.

3.21 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Revenue recognition (accounting policies applied from January 1, 2018)

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

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

Revenues are recognised over time as the benefits received and consumed simultaneously by the customer. The services are charged at a fixed rate with no significant variable consideration. The Group recognised revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for aviation information technology services, accounting, settlement and clearing services and data network services are issued on a monthly basis and are usually payable within 90 days. No significant financial component existed. IFRS 15 did not result in significant impact on the Group's accounting policies.

Provision for system integration services

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

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

Contract balances relating to system integration contracts in progress were presented in the statement of financial position under "contact assets" or "contract liabilities" respectively. Details please refer to Note 3.27.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Revenue recognition (accounting policies applied from January 1, 2018) (Continued)

Sales of equipments

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

Interest income

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

Dividend income

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

3.23 Revenue recognition (accounting policies applied until December 31, 2017)

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, sales discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

– Revenue for aviation information technology services, data network services and accounting, settlement and clearing services are recognised when the services are rendered;

– Sale of equipment is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Revenue recognition (accounting policies applied until December 31, 2017) (Continued)

- Revenue for equipment installation project and non-proprietary customers' information system development project are recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined in the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable. In the period in which it is determined that a loss will result from the performance of the contract, the entire amount of the estimated ultimate loss is charged against income;

- Interest income is recognised on a time-proportion basis, taking into account the principal amounts outstanding and the applicable interest rates; and

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

3.24 Government grants

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

3.25 Operating leases (as the lessee)

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. Rental payments under operating leases (net of any incentives received from the lessor) are charged to expense in profit or loss based on the straight-line method over the period of the leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Related parties (Continued)

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

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

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

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

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

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

3.27 Contract assets and contract liabilities

A contract asset is recognised when the group recognises revenue for system integration services (see note 3.22) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 3.13 (ii) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue for system integration services (see note 3.22). A contract liability would also be recognised if the group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

In the comparative period, progress billings not yet paid by the customer were included under "Trade receivables". Amounts received before the related work was performed were presented as "advances received" under "Deferred revenue". These balances have been reclassified on January 1, 2018 as shown in note 2 (a).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Useful life and residual value of property, plant and equipment

The property, plant and equipment of the Group are depreciated at rates sufficient to write off their costs less accumulated impairment losses and estimated residual values over their estimated useful lives on a straight-line basis. The Group reviewed the useful lives periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of economic benefits from the property, plant and equipment. The Group estimates the useful lives of the property, plant and equipment as set out in Note 3.7 based on the historical experience with similar assets, taking into account anticipated technological changes. The depreciation expenses in the future periods will change if there are significant changes to these estimates.

(b) Impairment of goodwill and intangible assets

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

(c) Income taxes and deferred taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(d) Impairment of trade receivables and contract assets

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

5. SEGMENT REPORTING

(a) Business segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the general manager of the Company.

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group's chief decision maker for operation is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the consolidated statement of profit or loss and other comprehensive income. No segment consolidated statement of profit or loss and other comprehensive income has been prepared by the Group for the years ended December 31, 2018 and 2017.

The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are in majority located in the PRC. Accordingly, no geographical segment data is presented.

5. SEGMENT REPORTING (CONTINUED)

(b) Disaggregation of revenue

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

	2018 RMB'000	2017 RMB'000
Timing of revenue recognition		
Transferred over time		
– Aviation information technology services	4,160,144	3,878,516
– Accounting, settlement and clearing services	579,343	555,185
– System integration services	59,942	159,805
– Data network and others	1,785,688	1,556,206
	6,585,117	6,149,712
At a point in time		
– Sales of equipment	886,997	584,533
	7,472,114	6,734,245
Primary geographical market		
PRC	7,296,102	6,558,399
Ireland	105,797	115,211
Hong Kong	49,066	41,396
Others	21,149	19,239
	7,472,114	6,734,245

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

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11.

6. GOVERNMENT GRANTS

	2018 RMB'000	2017 RMB'000
Industry support development fund	**15,108**	–

Government grants were awarded to the Group by the local government agencies as incentive primarily to encourage and support the Group on provision of aviation information technology services business development in Beijing and Ireland. It was an one-off grant and the grant condition is satisfied at the point of time the Group has approved and started the relevant business plan. The grant was not aimed to compensate any expenses or losses and/or assets associated with the relevant business activities.

7. PROFIT BEFORE TAXATION

	2018 RMB'000	2017 RMB'000
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments (Note 8)	**3,456**	3,022
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**1,517,200**	1,375,097
Retirement benefits scheme contributions (Note 10)	**195,055**	167,525
Housing benefits	**102,693**	94,966
Total staff costs	**1,814,948**	1,637,588
Auditor's remuneration	**2,305**	2,569
Depreciation of property, plant and equipment (Note 15)	**381,168**	347,103
Depreciation of investment properties (Note 16)	**295**	–
Amortisation of intangible assets (Note 17)	**262,094**	177,207
Amortisation of lease prepayment for land use right (Note 14)	**52,732**	52,733
Loss on disposal of property, plant and equipment	**1,139**	1,330
Reversal of provision for impairment loss on property, plant and equipment	**–**	(839)
Provision for impairment of trade receivables and contract assets	**99,004**	27,401
Exchange (gain)/loss, net	**(6,997)**	2,294
Research and development expenses	**658,498**	407,846
Interest income	**(213,201)**	(126,492)

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

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

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

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

The emoluments of the directors and supervisors during the year ended December 31, 2017 (tax inclusive) are as follows:

Name of director and supervisor	Remuneration for director RMB'000	Bonus for director RMB'000	Salaries and allowances RMB'000	Employees' discretionary bonus RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Mr. Cui Zhixiong (Chairman)#	–	–	258	332	86	676
Mr. Xiao Yinhong#	–	–	258	332	86	676
Non-executive directors						
Mr. Cao Jianxiong	–	–	–	–	–	–
Mr. Li Yangmin (ii)	–	–	–	–	–	–
Mr. Yuan Xin'an (ii)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Cao Shiqing	60	–	–	–	–	60
Mr. Ngai Wai Fung	70	–	31	–	–	101
Mr. Liu Xianquan	60	–	–	–	–	60
Supervisors						
Mr. Huang Yuanchang (Chairman, Staff Representative Supervisor)	–	–	235	292	83	610
Mr. Rao Geping (Independent Supervisor)	60	–	–	–	–	60
Ms. Zeng Yiwei *	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor)	–	–	358	339	82	779
Mr. He Haiyan *	–	–	–	–	–	–
	250	–	1,140	1,295	337	3,022

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

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

\# The remuneration of the executive directors, including part of the incentive bonus for prior year and pre-determined incentive bonus for current year, is evaluated by the supervisory authority. In addition, the remuneration of the executive directors for 2018 includes incentive bonus for their previous term of office.

(i) Appointed on August 29, 2018

(ii) Resigned on August 29, 2018

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include no (2017: nil) director whose emoluments are reflected in the analysis shown in above. The emoluments payable to the five (2017: five) individuals during the year are as follows:

	2018 RMB'000	2017 RMB'000
Basic salaries and allowances	1,997	1,725
Bonus	2,164	2,372
Retirement benefits	531	424
	4,692	4,521

The emoluments were within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil – HKD1,000,000 (equivalent to RMB856,000)	–	1
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,284,000)	5	4

During the year ended December 31, 2018, no emolument was paid to any of the directors, supervisors and the five highest paid employees as an inducement to join or upon joining the Company or as compensation for loss of office (2017: nil). No directors, supervisors and the five highest paid employees had waived or agreed to waive any emolument (2017: nil).

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

Senior management

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

	2018 Number of individuals	2017 Number of individuals
Nil – HKD1,000,000 (equivalent to RMB856,000)	6	6
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,284,000)	–	–

10. RETIREMENT BENEFITS

All the full time employees of the Group are covered by state-sponsored pension scheme under which the employees are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make specified contributions to the state-sponsored pension scheme, limited to a maximum rate of 20% of the employees' basic salaries subject to certain ceiling for the year ended December 31, 2018 (2017: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2018 amounted to approximately RMB151.5 million (2017: RMB139.8 million). This amount was recorded in personnel expenses.

In addition, starting from January 1, 2007, a supplementary defined contribution pension plan managed by an insurance company was established. The annual contributions to this plan made by the Group for the year ended December 31, 2018 amounted to approximately RMB44.0 million (2017: RMB28.0 million). These amounts were recorded in personnel expenses. Under these schemes, the Group has no obligation for post-retirement benefits beyond the annual contributions made.

As at December 31, 2018, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2017: nil).

11. TAXATION

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

	2018 RMB'000	2017 RMB'000
Current tax		
PRC enterprise income tax expenses	**404,602**	408,050
Over-provision in respect of prior years	**(109,072)**	(99,863)
Overseas income tax expenses	**4,763**	3,643
	300,293	311,830
Deferred tax	**(31,684)**	1,210
	268,609	313,040

Taxation of the Group, except for companies not incorporated in the PRC, is provided based on the tax laws and regulations applicable to the PRC enterprises.

The Group provides for the PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation in applicable jurisdictions prevailing in the locations in which the Group operates.

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

11. TAXATION (CONTINUED)

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

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

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC on May 4, 2016, the Company had made an application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2017. As at 20 December 2018, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% has been received, and will be reflected in the Company's financial statements in Year 2018. Details of the relevant information are set out in the Company's announcement dated 20 December 2018.

According to the relevant requirements, application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" of this year will be conducted in next year. Thus, refer to paragraph 3 of this note, pursuant to the relevant regulatory requirement, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for the year ended December 31, 2018.

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

11. TAXATION (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	**2,650,372**	2,631,629
Tax calculated at statutory tax rates applicable to profits in the respective countries	**668,238**	652,982
Tax effect of share of profits of associated companies	**(7,060)**	(8,759)
Tax effect of non-taxable income	**(7,697)**	(75,356)
Tax effect of non-deductible expenses	**22,531**	94,033
Tax effect of tax losses not recognised	**11,165**	13,932
Tax effect of tax losses utilised	**(47,540)**	(3,403)
Tax effect of preferential tax rates	**(261,956)**	(260,526)
Over-provision in respect of prior years	**(109,072)**	(99,863)
Income tax expense for the year	**268,609**	313,040

12. DIVIDEND

The shareholders approved the distribution of a final dividend of RMB740.3 million (RMB0.253 per share) for Year 2017 in the annual general meeting of the Company held on June 28, 2018. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2018. On March 28, 2019, the Board recommended the distribution of a final cash dividend of RMB787.2 million for Year 2018 (RMB0.269 per share). The proposed final dividend distribution is subject to shareholders' approval in the next annual general meeting of the Company and will be recorded in the Group's consolidated financial statements for the year ended December 31, 2019.

13. EARNINGS PER SHARE

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

	2018	2017
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and diluted earnings per share	2,325,129	2,248,653
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue	2,926,209	2,926,209
Earnings per share (RMB)		
Basic and diluted	0.79	0.77

There were no potential dilutive ordinary shares outstanding during the years ended December 31, 2018 and December 31, 2017.

14. LEASE PREPAYMENT FOR LAND USE RIGHT, NET

Lease prepayment for land use right, net, mainly represented a purchase price of RMB1.91 billion for the land use right of the lands namely 08, 09, 19 and 21 blocks at Xincheng 19 Street, Shunyi District, Beijing at an open auction held on January 14, 2010. During the year, the Company completed the construction of a new operating center comprising a data center and the headquarter office building of the Company on this piece of land. The net book values of which are analysed as follows:

	2018 RMB'000	2017 RMB'000
In the PRC, held on:		
Leases of between 40 to 50 years	1,650,377	1,703,109

	2018 RMB'000	2017 RMB'000
At beginning of period	1,703,109	1,755,842
Amortisation charge	(52,732)	(52,733)
At end of period	1,650,377	1,703,109

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

15. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings	Computer systems and softwares	Motor vehicle	Furniture, fittings and office equipment	Assets under construction	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2017	1,215,529	2,667,332	77,517	604,767	1,831,941	132,222	6,529,308
Additions	1,846	366,387	1,831	59,412	864,926	2,020	1,296,422
Disposals/written off	–	(58,167)	(4,773)	(259,075)	–	(206)	(322,221)
Transfer from assets under construction	1,768,797	509,604	–	–	(2,278,401)	–	–
Transfer to intangible assets	–	–	–	–	(399)	–	(399)
Transfer to investment properties	(6,072)	–	–	–	–	–	(6,072)
At December 31, 2017	2,980,100	3,485,156	74,575	405,104	418,067	134,036	7,497,038
Additions	82,641	422,758	2,028	88,430	2,290	6,427	604,574
Disposals/write off	(245)	(63,107)	(3,242)	(10,693)	–	(216)	(77,503)
Transfer from assets under construction	367,037	33,722	–	–	(400,759)	–	–
Disposal of subsidiary	(12,345)	–	(832)	(9,702)	–	(535)	(23,414)
Exchange adjustment	–	–	32	180	–	10	222
At December 31, 2018	**3,417,188**	**3,878,529**	**72,561**	**473,319**	**19,598**	**139,722**	**8,000,917**
ACCUMULATED DEPRECIATION							
At January 1, 2017	(234,537)	(2,341,840)	(61,796)	(332,637)	–	(120,464)	(3,091,274)
Provided for the year	(66,170)	(226,631)	(5,750)	(43,207)	–	(5,345)	(347,103)
Written off	–	56,423	4,630	97,670	–	–	158,723
Transfer to investment properties	4,736	–	–	–	–	–	4,736
At December 31, 2017	(295,971)	(2,512,048)	(62,916)	(278,174)	–	(125,809)	(3,274,918)
Provided for the year	(115,165)	(210,773)	(3,681)	(46,184)	–	(5,365)	(381,168)
Disposals/write off	245	57,546	2,784	8,320	–	61	68,956
Disposal of subsidiary	2,325	–	123	4,924	–	377	7,749
Exchange adjustment	(74)	(124)	(18)	(163)	–	(10)	(389)
At December 31, 2018	**(408,640)**	**(2,665,399)**	**(63,708)**	**(311,277)**	**–**	**(130,746)**	**(3,579,770)**

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

	Buildings	Computer systems and softwares	Motor vehicle	Furniture, fittings and office equipment	Assets under construction	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PROVISION FOR IMPAIRMENT							
At January 1, 2017	–	(36,684)	–	(132)	–	–	(36,816)
Reversal on impairment	–	710	–	129	–	–	839
At December 31, 2017	–	(35,974)	–	(3)	–	–	(35,977)
Written off	–	580	–	–	–	–	580
Disposal of a subsidiary	–	–	–	3	–	–	3
At December 31, 2018	**–**	**(35,394)**	**–**	**–**	**–**	**–**	**(35,394)**
CARRYING AMOUNT							
At December 31, 2018	**3,008,548**	**1,177,736**	**8,853**	**162,042**	**19,598**	**8,976**	**4,385,753**
At December 31, 2017	2,684,129	937,134	11,659	126,927	418,067	8,227	4,186,143

16. INVESTMENT PROPERTIES, NET

	RMB'000
COST	
At January 1, 2017	–
Transfer from property, plant and equipment (Note 15)	6,072
At December 31, 2017 and December 31, 2018	**6,072**
ACCUMULATED DEPRECIATION	
At January 1, 2017	–
Transfer from property, plant and equipment (Note 15)	(4,736)
At December 31, 2017	(4,736)
Provision for the year	(295)
At December 31, 2018	**(5,031)**
CARRYING AMOUNT	
At December 31, 2018	**1,041**
At December 31, 2017	1,336

At December 31, 2018, the Group has assessed the fair value of the investment properties located in China approximate RMB34.1 million (2017: RMB30.8 million).

17. INTANGIBLE ASSETS, NET

	Development costs RMB'000	Contractual customer relationships RMB'000	Computer software RMB'000	Total RMB'000
COST				
At January 1, 2017	53,266	40,735	1,342,010	1,436,011
Additions	18,910	–	4,430	23,340
Transfer from assets under construction	–	–	399	399
Write off/disposal	–	–	(7,672)	(7,672)
Exchange adjustment	5,511	2,763	(1,145)	7,129
At December 31, 2017	77,687	43,498	1,338,022	1,459,207
Additions	52,048	–	440,307	492,355
Write off/disposal	–	–	(13,115)	(13,115)
Disposal of a subsidiary	–	–	(625)	(625)
Exchange adjustment	537	250	64	851
At December 31, 2018	**130,272**	**43,748**	**1,764,653**	**1,938,673**
ACCUMULATED AMORTISATION				
At January 1, 2017	(6,335)	(1,810)	(1,004,283)	(1,012,428)
Provided for the year	(14,261)	(2,807)	(160,139)	(177,207)
Eliminated on write off/disposal	–	–	7,672	7,672
Exchange realignment	(2,175)	(215)	1,149	(1,241)
At December 31, 2017	(22,771)	(4,832)	(1,155,601)	(1,183,204)
Provided for the year	(21,163)	(2,909)	(238,022)	(262,094)
Written off/disposal	–	–	12,557	12,557
Disposal of a subsidiary	–	–	397	397
Exchange adjustment	(183)	(36)	(24)	(243)
At December 31, 2018	**(44,117)**	**(7,777)**	**(1,380,693)**	**(1,432,587)**
CARRYING AMOUNT				
At December 31, 2018	**86,155**	**35,971**	**383,960**	**506,086**
At December 31, 2017	54,916	38,666	182,421	276,003

18. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost and carrying value		
At January 1	**147,483**	141,466
Exchange translation differences	**3,711**	6,017
At December 31	**151,194**	147,483

Impairment tests for goodwill

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

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

	2018
Growth rate	**15% – 32%**
Discount rate	**13%**

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

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

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

19. INVESTMENTS IN ASSOCIATED COMPANIES

	2018 RMB'000	2017 RMB'000
Beginning of year	**236,431**	209,623
Establishment of an associate (Note 34)	**46,061**	–
Share of profits by the Company	**47,069**	35,299
Dividends receivable from associated companies	**(12,721)**	(8,491)
End of year	**316,840**	236,431

Particulars of the Group's investments in associated companies as at December 31, 2018 is as follows:

Name of company	Form of business structure	Place of incorporation and operations	Percentage of ownership interest/ voting rights/ profit share	Principal activity
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**")	Corporation	PRC	41% (2017: 41%)	Computer hardware and software development and data network services
Shenyang Civil Aviation Cares of Northeast China, Ltd. ("**Dongbei Cares**")	Corporation	PRC	46% (2017: 46%)	Computer hardware and software development and data network services
Yunnan TravelSky Airport Technology Limited ("**Yunnan Konggang**")	Corporation	PRC	40% (2017: 40%)	Computer hardware and software development and technical consulting services
Heilongjiang TravelSky Airport Technology Limited ("**Heilongjiang Konggang**")	Corporation	PRC	50% (2017: 50%)	Computer hardware and software development and technical consulting services
Shanghai Dongmei Aviation Tourism Online Co., Limited ("**Dongmei Online**")	Corporation	PRC	50% (2017: 50%)	E-commerce, sales of computers and related parts and provision of network, technical services and economic consulting services

19. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Name of company	Form of business structure	Place of incorporation and operations	Percentage of ownership interest/ voting rights/ profit share	Principal activity
Dalian TravelSky Airport Technology Limited ("**Dalian Konggang**")	Corporation	PRC	50% (2017: 50%)	Computer hardware and software development and technical consulting services
Hebei TravelSky Airport Technology Limited ("**Hebei Konggang**")	Corporation	PRC	50% (2017: 50%)	Computer hardware and software development and technical consulting services
Guangzhou Airport AirSpan Information Technology Co. Ltd. ("**Guangzhou Konggang**")	Corporation	PRC	20% (2017: 20%)	Computer hardware and software development and data network services
Yantai TravelSky Airport Technology Limited ("**Yantai Konggang**")	Corporation	PRC	40% (2017: 40%)	Computer hardware and software development and technical consulting services
HangTu Cruse (Wuhan) Information Technology Services Co., Ltd. ("**HangTu Cruse**")	Corporation	PRC	49% (2017: 49%)	Technical development, transfer and consulting services and computer software development
Aviation Cares of Southwest Chengdu, Ltd. ("**Xinan Cares**") (Note 34)	Corporation	PRC	44% (2017: 44%)	Air passenger traffic handling, provision of electronic travel distribution and airport passenger processing

19. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

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

As at December 31	2018 RMB'000	2017 RMB'000
Total assets	**922,298**	667,799
Total liabilities	**(174,028)**	(102,106)
Net assets	**748,270**	565,693
Group's share of net assets of the associated companies	**316,840**	236,431
Year ended December 31		
Profit or loss for the year	**112,224**	83,333
Group's share of profits of the associated companies	**47,069**	35,299

20. OTHER FINANCIAL ASSESTS

	2018 RMB'000	2017 RMB'000
Non-current assets		
Financial assets at amortised cost		
Deposits with banks with original maturity date over three months (note e)	78,525	–
Restricted bank deposits	11,415	–
Structural deposits (note b)	1,100,000	–
	1,189,940	–
Financial assets at fair value through other comprehensive income		
Unlisted equity investment (note c)	875,000	–
Available-for-sale financial assets		
Managed funds, in PRC (note a(i))	–	878,381
Managed funds, in PRC (note a(ii))	–	300,000
Structural deposits	–	900,000
Unlisted equity investment (note c)	–	875,000
	–	2,953,381
Deposits with banks with original maturity date over three months	–	102,063
Restricted bank deposits	–	3,654

20. OTHER FINANCIAL ASSESTS (CONTINUED)

	2018 RMB'000	2017 RMB'000
Current assets		
Financial assets at amortised cost		
Deposits with banks with original maturity date over three months (note e)	**449,211**	–
Restricted bank deposits	**28,356**	–
Managed funds, in PRC (note a(ii))	**300,000**	–
Certificate of deposits (note d)	**1,700,000**	–
	2,477,567	–
Financial assets at fair value through profit or loss		
Managed funds, in PRC (note a(i))	**161,944**	–
Available-for-sale financial assets		
Managed funds, in PRC (note a(ii))	**–**	340,890
Held-to-maturity financial assets		
Certificate of deposits	**–**	1,860,000
Deposits with banks with original maturity date over three months	**–**	645,750
Restricted bank deposits	**–**	37,506

20. OTHER FINANCIAL ASSESTS (CONTINUED)

Note:

(a) These investments were reclassified from available-for-sale financial assets of RMB1,519.3 million at January 1, 2018 after the adoption of IFRS 9 as detailed in Note 3. The fair values of these investments at January 1, 2018 and December 31, 2018 were estimated by the management. Please refer to notes below:

(i) As at December 31, 2018, the Group held Bosera Fund with principal amount of RMB850 million and the Company expects annual rate of return approximately 4.5% (2017: 3.3%). The Directors classified the investment as financial asset as fair value through profit or loss (2017: it is classified as available-for-sale financial asset at fair value). The fair values of the Bosera Fund as at January 1, 2018 and December 31, 2018 were estimated by the management.

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

(ii) The Group held the commercial bank wealth management product issued by Bank of Hangzhou Co., Ltd. with principal amount of RMB300 million and the Company expects annual rate of return approximately 5.0%. The Directors classified the investment as financial asset at amortised cost under IFRS 9 (2017: it is classified as available-for-sale financial asset at fair value).

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

(c) The unlisted equity investment represents 17.5% equity interest in CMRH Life at a fair value of RMB875 million. The Directors designated the investment as financial asset at fair value through other comprehensive income of approximately RMB875 million, since the Group has no intension to hold the investment for trading purpose. The fair values of this investment as at January 1, 2018 and December 31, 2018 were estimated by the management.

(d) The annual interest rates on certificates of deposits held by the Group ranges from 4.3% to 4.8% (2017: 3.9% to 4.4%) and these deposits have a maturity period from 183 days to 395 days (2017: 91 days to 182 days) and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate to their fair values.

(e) As at December 31, 2018, deposits with banks with original maturity date over three months represent deposits with banks with an original maturity over six months or more up to three years. The annual interest rates range from 0.4% to 4.3% (2017: 1.5% to 4.2%).

21. DEFERRED INCOME TAX

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

	Fair value adjustment on intangible assets RMB'000	Fair value adjustment on financial assets RMB'000	Depreciation and amortisation RMB'000	Accrual, provision and others RMB'000	Total RMB'000
At January 1, 2017	(8,676)	–	50,416	57,268	99,008
Charge (credit) to profit or loss for the year	1,258	–	(5,495)	3,027	(1,210)
Exchange differences	(544)	–	1,100	–	556
At December 31, 2017	(7,962)	–	46,021	60,295	98,354
Charge (credit) to profit or loss for the year	1,305	(2,188)	12,278	20,289	31,684
Exchange differences	(42)	–	(10)	–	(52)
At December 31, 2018	**(6,699)**	**(2,188)**	**58,289**	**80,584**	**129,986**

At December 31, 2018, the Group has unused tax losses of approximately RMB205.3 million (2017: RMB213.0 million) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in the tax losses approximately RMB4.6 million (2017: RMB13.9 million) arising from Australia, Europe, Hong Kong and Singapore subsidiaries may be carried forward indefinitely. Included in the tax losses approximately RMB4.8 million (2017: RMB6.0 million) arising from Taiwan and Korea subsidiaries will expire in various dates up to 2028. Included in the tax losses approximately RMB4.8 million (2017: RMB5.0 million) arising from Japan subsidiary will expire up to 2025. Included in the tax losses approximately RMB4.6 million (2017: RMB4.6 million) arising from North America subsidiary will expire up to 2038. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

21. DEFERRED INCOME TAX (CONTINUED)

	2018 RMB'000	2017 RMB'000
2018	–	26,631
2019	23,221	22,998
2020	28,077	37,692
2021	41,342	50,503
2022	39,364	45,701
2023	54,544	–
	186,548	183,525

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

	2018 RMB'000	2017 RMB'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	96,533	84,211
Deferred tax assets to be recovered within 12 months	81,094	59,720
Deferred tax liabilities:		
Deferred tax liabilities to be settled over 12 months	(38,726)	(37,041)
Deferred tax liabilities to be settled within 12 months	(8,915)	(8,536)
	129,986	98,354

22. OTHER LONG-TERM ASSETS

At December 31, 2018, other long-term assets of the Group mainly comprised of deposits paid for acquisition of property, plant and equipment and intangible assets.

23. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**1,763,227**	1,310,554
Less: provision for impairment of trade receivables	**(284,415)**	(191,578)
Trade receivables, net	**1,478,812**	1,118,976

At December 31, 2018, note receivable of RMB107.4 million (2017: RMB61.9 million) was included in the above balances.

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

	2018 RMB'000	2017 RMB'000
Within 6 months	**956,701**	883,603
Over 6 months but within 1 year	**300,398**	107,119
Over 1 year but within 2 years	**177,116**	128,254
Over 2 years but within 3 years	**44,597**	–
	1,478,812	1,118,976

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

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

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

	2018 RMB'000	2017 RMB'000
RMB	**1,198,332**	960,135
HKD denominated	**119,414**	23,462
USD denominated	**244,750**	153,313
EUR denominated	**192,529**	166,119
Others	**8,202**	7,525
	1,763,227	1,310,554

24. DUE FROM RELATED PARTIES, NET

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

	2018 RMB'000	2017 RMB'000
Within 6 months	1,863,447	1,618,865
Over 6 months but within 1 year	1,191,034	627,176
Over 1 year but within 2 years	109,846	225,811
Over 2 years but within 3 years	322	1,065
Over 3 years	9,343	9,331
	3,173,992	2,482,248

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

As of December 31, 2018, notes receivable of RMB107.1 million (2017: RMB124.1 million) was included in the above balances.

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

25. PREPAYMENTS AND OTHER CURRENT ASSETS

	2018 RMB'000	2017 RMB'000
Advance payments	52,793	59,437
Interest receivable	71,030	42,902
Other receivables (i)	771,027	470,630
Other current assets	52,942	88,111
	947,792	661,080

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

26. CONTRACT ASSETS AND CONTRACT LIABILITIES

(i) Contract assets

	December 31, 2018 RMB'000	January 1, 2018 RMB'000	December 31, 2017 RMB'000
Contract assets arising from performance under:			
System integration services contracts	**30,622**	57,238	–

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

System integration services

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

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

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

26. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(ii) Contract liabilities

	December 31, 2018 RMB'000	January 1, 2018 RMB'000	December 31, 2017 RMB'000
Contract liabilities arising from:			
System integration services	**193,210**	179,131	–

Movements in contract liabilities:

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

As allowed by IFRS 15, the Group has applied the new requirement for contract assets and contract liabilities only to contracts that were not completed before January 1, 2018.

27. TRADE PAYABLES AND ACCRUED LIABILITIES

	2018 RMB'000	2017 RMB'000
Trade payables	**1,163,750**	948,730
Accrued departure technology support fees	**630,082**	608,638
Accrued technical support fees	**78,605**	78,381
Accrued network usage fees	**13,164**	11,209
Accrued bonuses and staff cost	**273,664**	264,870
Other taxes payable	**44,351**	57,182
Other payables (note)	**1,754,534**	1,851,005
Other liabilities	**32,644**	51,487
Total	**3,990,794**	3,871,502

At December 31, 2018, approximately RMB31.3 million of the above balances was denominated in U.S. dollars 2017: RMB194.4 million.

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

	2018 RMB'000	2017 RMB'000
Within 6 months	**844,443**	655,075
Over 6 months but within 1 year	**38,063**	28,623
Over 1 year but within 2 years	**93,379**	91,020
Over 2 years but within 3 years	**65,365**	109,227
Over 3 years	**122,500**	64,785
Total trade payables	**1,163,750**	948,730
Accrued liabilities and other liabilities	**2,827,044**	2,922,772
	3,990,794	3,871,502

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

28. DUE TO RELATED PARTIES

	2018 RMB'000	2017 RMB'000
Within 6 months	**159,709**	209,638
Over 6 months but within 1 year	**31,185**	26,613
Over 1 year but within 2 years	**33,025**	2,593
Over 2 years but within 3 years	**–**	25,017
Over 3 years	**48,118**	25,595
	272,037	289,456

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

29. SHARE CAPITAL

As of December 31, 2018, all issued shares are registered and fully paid, totally 2,926,209,589 shares (2017: 2,926,209,589 shares) of RMB1 each, comprised of 1,993,647,589 Domestic Shares and 932,562,000 H Shares (2017: 1,993,647,589 Domestic Shares and 932,562,000 H Shares).

	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Registered:					
Registered shares of RMB1 each					
As at December 31, 2017, January 1, 2018, and December 31, 2018	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Issued and fully paid:					
Registered shares of RMB1 each					
As at December 31, 2017, January 1, 2018, and December 31, 2018	1,993,647	1,993,647	932,562	932,562	2,926,209

30. RESERVES

The Group	Capital surplus	Statutory surplus reserve fund	Merger reserve	Discretionary surplus reserve fund	Revaluation reserve	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	658,443	1,523,002	369,313	1,005,733	451,675	(5,619)	4,002,547
Currency translation differences	–	–	–	–	–	2,241	2,241
Changes in fair value of available for-sale financial assets	–	–	–	–	39,271	–	39,271
Appropriation to reserves	–	188,186	–	204,768	–	–	392,954
At December 31, 2017	658,443	1,711,188	369,313	1,210,501	490,946	(3,378)	4,437,013
Initial application of IFRS 9	–	–	–	–	(39,271)	–	(39,271)
At January 1, 2018	**658,443**	**1,711,188**	**369,313**	**1,210,501**	**451,675**	**(3,378)**	**4,397,742**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**11,029**	**11,029**
Appropriation to reserves	**–**	**196,484**	**–**	**185,062**	**–**	**–**	**381,546**
At December 31, 2018	**658,443**	**1,907,672**	**369,313**	**1,395,563**	**451,675**	**7,651**	**4,790,317**

(i) Merger reserve represents the difference between the carrying value of the acquired subsidiary – ACCA and the fair value of the domestic shares issued for the acquisition of ACCA at the acquisition date.

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

31. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2018, according to the Company Law of PRC, related regulations, and the Articles of Association of the Company, the profit after taxation (at lower of the generally accepted accounting principles of the PRC ("**PRC GAAP**") Financial Statements and IAS Financial Statements) of the Company each year is distributed in the following order:

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

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

(iv) distribution of dividends for ordinary shares to equity holders.

The Company is required to allocate at least 10% of its net profit to statutory surplus reserve fund under the Company Law of PRC.

The appropriation of 10% of profit after taxation at IAS Financial Statements of the Company amounted to RMB185.1 million to the discretionary surplus reserve fund for the year ended December 31, 2017 was approved in the annual general meeting held on June 28, 2018. The amount was accounted for in shareholders' equity as a distribution of retained earnings in the year ended December 31, 2018.

The proposed appropriation of 10% of profit after taxation at PRC GAAP Financial Statements of the Company amounted to RMB196.5 million to the discretionary surplus reserve fund for the year ended December 31, 2018 is subject to shareholders' approval at the forthcoming annual general meeting. Therefore, the amount upon approval will be recorded in the Group's consolidated financial statements for year ending December 31, 2019.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2018 was approximately RMB6,885.2 million (2017: RMB6,014.4 million).

The profit attributable to owners of the Company is dealt with in the IAS financial statements of the Company to the extent of RMB2,000.4 million (2017: RMB1,850.6 million) for the year ended December 31, 2018.

32. NOTES SUPPORTING CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	2018 RMB'000	2017 RMB'000
Cash available on demand	**4,344,496**	3,243,299
Short-term deposits	**2,000**	315,000
	4,346,496	3,558,299

33. COMMITMENTS

(a) Operating lease commitments – the Group as lessee

	2018 RMB'000	2017 RMB'000
Minimum lease payments paid during the year under operating leases	**98,200**	174,716

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

	2018 RMB'000	2017 RMB'000
Within one year	**12,757**	61,619
In the second to fifth years inclusive	**19,583**	29,679
	32,340	91,298

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

33. COMMITMENTS (CONTINUED)

(b) Capital commitments

	2018 RMB'000	2017 RMB'000
Authorised and contracted for:		
– Computer system and others	**90,381**	61,329
– Assets under constructions	**662,000**	616,699
– Furniture, fixtures and other equipment	**–**	1,757
– Available-for-sale financial assets	**–**	875,000
Authorised but not contracted for:		
– Computer system and others	**1,604,265**	1,512,876
	2,356,646	3,067,661

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

(c) Equipment maintenance fee commitments

As at December 31, 2018, the Group had equipment maintenance fee commitments of approximately RMB292.4 million (2017: RMB296.4 million).

34. DEEMED DISPOSAL OF A SUBSIDIARY

The Group held 44% equity interest in Aviation Cares of Southwest Chengdu, Ltd ("**Xinan Cares**"). As at December 31, 2017, Xinan Cares was accounted for as a subsidiary of the Company as the Group possessed controlling voting rights eligible to be casted in its shareholders and directors' meeting of Xinan Cares through an Agreement signed when Xinan Cares was established with all the other minority shareholders. On July 1, 2018, the Agreement was expired. It results in a loss in control over Xinan Cares. Accordingly, the investment in Xinan Cares was reclassified as investment in an associate.

34. DEEMED DISPOSAL OF A SUBSIDIARY (CONTINUED)

The assets and liabilities of Xinan Cares was deconsolidated from the Group's consolidated statement of financial position and the interest in Xinan Cares has been accounted for as an associate using equity method. The fair value of the 44% retained interest in Xinan Cares at the date on which the control was lost is regarded as the cost on initial recognition of the investment in Xinan Cares as an associate.

	RMB'000
Fair value of interest retained	46,061
Analysis of assets and liabilities over which control was lost:	
Non-current assets	
Property, plant and equipment	15,663
Intangible assets	228
	15,891
Current assets	
Trade receivables	56,465
Prepayments and other current assets	1,047
Cash and cash equivalents	55,695
	113,207
Current liabilities	
Trade payables and accrued liabilities	(24,414)
Net assets disposal of	104,684
Deemed gain on disposal of Xinan Cares	
Net assets disposed of	(104,684)
Fair value of retained interest	46,061
Non-controlling interests	58,623
Gain on deemed disposal	–
Net cash outflow arising on disposal	
Cash and cash equivalents of Xinan Cares deemed disposed of	(55,695)

35. RELATED PARTY DISCLOSURES

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised 2016), "Related Party Disclosure", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. Entities are also considered to be related if they are subject to common control or common significant influence. For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

(a) Related parties

Name	Relationship with the Company
CTHC	Shareholder of the Company, ultimate holding company
China Southern Air Holding Company Limited (formerly known as China Southern Air Holding Company)	Shareholder of the Company
China Southern Airlines Company Limited	Subsidiary of a shareholder of the Company
China Eastern Air Holding Company Limited (formerly known as China Eastern Air Holding Company)	Shareholder of the Company
China Eastern Airlines Corporation Limited	Shareholder of the Company
China National Aviation Holding Company Limited (formerly known as China National Aviation Holding Company)	Shareholder of the Company
Air China Limited	Subsidiary of a shareholder of the Company
Xiamen Airlines Company Limited	Shareholder of the Company
China Eastern Airlines Wuhan Company Limited	Shareholder of the Company
Hainan Airlines Holding Company Limited (formerly known as Hainan Airlines Company Limited)	Shareholder of the Company
Shenzhen Airlines Company Limited	Shareholder of the Company
Shanghai Airlines Company Limited	Subsidiary of a shareholder of the Company

35. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions

The following is a summary of significant recurring transactions carried out with the Group's related parties.

(i) Revenue for aviation information technology, data network and accounting, settlement and clearing services

The pricing was based on either contractual arrangements or negotiated prices with these related parties with reference to the pricing standards prescribed by Civil Aviation Administration of China ("**CAAC**") where applicable.

Name	2018 RMB'000	2017 RMB'000
China Southern Airlines Company Limited and its subsidiaries	**768,276**	690,926
China Eastern Airlines Corporation Limited and its subsidiaries	**902,606**	836,768
Air China Limited and its subsidiaries	**806,367**	751,695
Hainan Airlines Holding Company Limited and its subsidiaries	**584,605**	501,929
	3,061,854	2,781,318

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

(ii) Lease of properties from CTHC

For the year ended December 31, 2018, operating lease rentals for lease of properties from CTHC amounted to RMB50.1 million (2017: RMB50.1 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

35. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Balances with related parties

Balances due from the related parties mainly comprised:

Name	2018 RMB'000	2017 RMB'000
Trade related balances (Note (i))		
China Southern Airlines Company Limited and its subsidiaries	675,886	519,394
China Eastern Airlines Corporation Limited and its subsidiaries	730,133	926,783
Air China Limited and its subsidiaries	576,983	148,799
Hainan Airlines Holding Company Limited and its subsidiaries	553,193	392,894
Other balances (Note (ii))		
China Southern Airlines Company Limited and its subsidiaries	58,657	142,593
China Eastern Airlines Corporation Limited and its subsidiaries	120,990	86,775
Air China Limited and its subsidiaries	259,911	182,348

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

(i) The trade related balances with related parties primarily arose from the above related party transactions.

(ii) The other balances represented the payment made on behalf of related parties, which are part of the ACCA's settlement and clearing services business.

35. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Balances with other major state-owned enterprises

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

	2018 RMB'000	2017 RMB'000
Bank balances	**2,129,902**	2,532,068

The Group is a state-owned enterprise. In accordance with the IAS 24 (revised 2016), "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than entities under the Group, directly or indirectly controlled by the PRC government are also defined as related parties of the Company and its subsidiaries.

The majority of the business activities of the Company and its subsidiaries are conducted with state-owned enterprises. For the purpose of the related party transactions disclosure in accordance with IAS 24, the Company and its subsidiaries have established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that all material related party balances and transactions have been adequately disclosed.

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**161,944**	–
Financial assets at fair value through other comprehensive income	**875,000**	–
Financial assets at amortised costs (including cash and cash equivalents)	**13,672,347**	–
Available-for-sale financial assets	**–**	3,294,271
Held-to-maturity financial assets	**–**	1,860,000
Loans and receivables (including cash and cash equivalents)	**–**	8,596,203
	14,709,291	13,750,474
Financial liabilities		
Financial liabilities at amortised cost	**4,262,831**	4,160,958

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

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

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

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

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

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

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

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At December 31, 2017				
Available-for-sale financial assets				
PRC Managed Fund	–	–	2,419,271	2,419,271

There were no transfers between levels during the period.

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

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

	2018 RMB'000	2017 RMB'000
At January 1	2,419,271	1,180,000
Initial adoption of IFRS 9	(665,890)	–
Purchases	–	1,200,000
Sales	(765,080)	–
Fair value change	48,643	39,271
At December 31	1,036,944	2,419,271

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

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

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

The carrying amounts of the Group's financial instruments carried at other than fair value approximated their fair values as at December 31, 2018 because of the short-term maturities of these instruments.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at December 31, 2018 and 2017 were as follows:

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

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Form of business	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage held by the Company		Principal activities
				Directly %	Indirectly %	
Hainan Civil Aviation Cares Co., Ltd ("**Hainan Cares**")	Corporation	PRC	RMB10,000,000	64.78%	–	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems
Guangzhou TravelSky Information Technology Limited ("**TravelSky Guangzhou**")	Corporation	PRC	RMB400,000,000	100%	–	Computer hardware and software development and data network services
Cares Shenzhen Co., Ltd. ("**Shenzhen Cares**")	Corporation	PRC	RMB61,000,000	61.47%	–	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems

* for identification purpose only

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

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

(a) Statement of financial position of the Company

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net		3,759,154	3,634,740
Lease prepayment for land use right, net		1,602,590	1,654,059
Intangible assets, net		380,518	153,531
Investments in subsidiaries		1,663,745	1,605,496
Investments in associated companies		106,532	26,140
Deferred income tax assets		174,819	143,051
Other long-term assets		104,148	45,153
Available-for-sales financial assets		–	2,953,381
Restricted bank deposits		–	551
Financial assets at amortised cost		1,103,896	–
Financial assets at fair value through other comprehensive income		875,000	–
Total non-current assets		9,770,402	10,216,102
Current assets			
Inventories		108	–
Trade receivables, net		1,129,873	799,076
Contract assets		10,645	–
Due from related parties, net		2,688,760	2,020,534
Due from subsidiaries, net		471,084	367,192
Due from associated companies		63,042	33,787
Prepayments and other current assets		163,536	94,264
Available-for-sale financial assets		–	340,890
Held-to-maturity financial assets		–	1,860,000
Deposits with banks with original maturity date over three months		–	130,000
Restricted bank deposits		–	21,089
Financial assets at amortised cost		2,080,047	–
Financial assets at fair value through profit or loss		161,944	–
Cash and cash equivalents		2,395,377	1,483,274
Total current assets		9,164,416	7,150,106
Total assets		18,934,818	17,366,208

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

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

	Notes	2018 RMB'000	2017 RMB'000
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities		1,873,690	1,814,761
Contract liabilities		169,813	–
Due to related parties		252,826	280,283
Due to subsidiaries		2,620,527	2,350,973
Income tax payable		63,730	169,780
Total current liabilities		4,980,586	4,615,797
Non-current liabilities			
Deferred income tax liabilities		22,928	20,790
Deferred government grants		93,960	141,483
Total non-current liabilities		116,888	162,273
NET ASSETS		13,837,344	12,588,138
EQUITY			
Equity attributable to owners of the Company			
Share capital		2,926,209	2,926,209
Reserves	38 (b)	4,344,977	4,002,702
Retained earnings		6,566,158	5,659,227
TOTAL EQUITY		13,837,344	12,588,138

The statement of financial position of the Company was approved by the Board of Director on March 28, 2019 and was signed on its behalf by:

Cui Zhixiong
DIRECTOR

Xiao Yinhong
DIRECTOR

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

(b) Reserves movement of the Company

	Capital surplus	Statutory surplus reserve fund	Discretionary surplus reserve fund	Revaluation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	661,932	1,515,722	1,005,733	387,090	3,570,477
Transfer from retained earnings	–	188,186	204,768	–	392,954
Change in fair value of available-for-sale financial assets	–	–	–	39,271	39,271
At December 31, 2017	661,932	1,703,908	1,210,501	426,361	4,002,702
Initial application of IFRS 9	–	–	–	(39,271)	(39,271)
At January 1, 2018	**661,932**	**1,703,908**	**1,210,501**	**387,090**	**3,963,431**
Transfer from retained earnings	**–**	**196,484**	**185,062**	**–**	**381,546**
At December 31, 2018	**661,932**	**1,900,392**	**1,395,563**	**387,090**	**4,344,977**

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the Group's finance department, following the overall directions determined by the Board of Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units.

(i) Foreign currency risk

The functional currency of the Company and most of the subsidiaries is RMB. Majority of transactions are conducted in RMB except for certain commercial transactions with foreign airlines and purchases of machinery and equipment from overseas suppliers. The Group manages the foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposure.

The Group's exposure to foreign exchange risk relates principally to its trade receivables, financial assets at amortised cost, cash and cash equivalents and trade payables denominated in foreign currencies.

As at December 31, 2018, if RMB had strengthened/weakened by 5% against USD, HKD and EUR with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB24 million (2017: RMB41 million) lower/higher, mainly as a result of foreign exchange differences on translation of balances of denominated in USD, HKD and EUR trade receivables, financial assets at amortised cost, cash and cash equivalents and trade payables.

(ii) Interest rate risk

The Group's interest-bearing assets are mainly represented by financial assets at amortised cost and cash and cash equivalents. For the year ended December 31, 2018, interest income is approximately RMB213.2 million (2017: RMB126.5 million). Apart from this, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates and maturities of the Group's financial assets at amortised cost are disclosed in Note 20.

The Group has no significant borrowings or non-current liabilities at December 31, 2018 and therefore do not have significant exposure to changes in interest rates.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Financial risk factors (Continued)

(iii) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from trade receivables, financial assets at amortised cost, cash and cash equivalents and due from related parties. The carrying amounts of these current assets represent the Group's maximum exposure to credit risk in relation to financial assets.

As most of the Group's revenue is derived from shareholders of the Company, therefore the amount due from related parties are trade related, and the counterparties mainly comprise the domestic airlines and airports.

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

As at December 31, 2018, approximately 76% (2017: 81%) of the total amount due from related parties was due from the top 3 customers of the Group: China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited, and Air China Limited.

The Group has policies to ensure that the bank balances are placed with the banks with good reputation and credit quality. The Group also performs evaluation of credit quality of the banks periodically. Approximately 43% (2017: 59%) of the total bank balances were concentrated with 4 largest state-owned banks as at December 31, 2018.

Trade receivables and contract assets

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Financial risk factors (Continued)

(iii) Credit risk (Continued)

Trade receivables and contract assets (Continued)

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

December 31, 2018	Within 1 year	1 – 2 years	2 – 3 years	Over 3 years
Expected credit loss rate (%)	**7.21**	**20.00**	**30.00**	**100.00**
Gross carrying amount (RMB'000)	**1,265,983**	**228,476**	**63,807**	**131,824**
Loss allowance (RMB'000)	**91,277**	**45,695**	**19,142**	**131,824**

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

Prior to January 1, 2018, an impairment loss was recognised only when there was indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments. At December 31, 2017, trade receivables of RMB191.6 million was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	987,787
Over 6 months but within 1 year	5,540
Over 1 year but within 2 years	499
Over 2 years but within 3 years	2,043
Over 3 years	1,937
	10,019

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Financial risk factors (Continued)

(iii) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

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

	2018 RMB'000	2017 RMB'000
Balance under IAS 39 at December 31	191,578	169,905
Impact of initial application of IFRS 9 (Note 2 (a))	–	–
Adjusted balance at January 1	191,578	169,905
Amounts written off during the year	(2,485)	(5,728)
Impairment losses recognised during the year	99,004	27,401
Balance at December 31	288,097	191,578

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2018, approximately 22% of the Group's total assets are current assets in cash and cash equivalents and deposits with banks with original maturity date over three months (2017: 20%). Directors believe the Group has sufficient cash balances to meet its daily operations requirements and has no significant exposure to liquidity risk.

Capital risk management

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

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

40. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on March 28, 2019.

SUPPLEMENTARY INFORMATION FROM THE MANAGEMENT

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2018

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

	For the year ended December 31,				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenues	5,336,412	5,471,831	6,223,267	6,734,245	**7,472,114**
Profit before taxation	1,904,968	2,317,358	2,869,646	2,631,629	**2,650,372**
Profit attributable to equity holders of the Company	1,652,589	1,914,362	2,421,114	2,248,653	**2,325,129**
Earnings before interests, tax, depreciation and amortisation	2,223,566	2,692,372	3,216,801	3,082,180	**3,133,460**
Earnings per share (Basic and diluted) (RMB)	0.56	0.65	0.83	0.77	**0.79**

	As at December 31,				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Total assets	12,729,607	14,871,195	18,130,664	20,593,195	**22,113,322**
Total liabilities	2,153,389	2,690,110	3,965,754	4,732,757	**4,685,762**
Total equity	10,576,218	12,181,085	14,164,910	15,860,438	**17,427,560**

Note:

Earnings per share were calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2018.

CORPORATE INFORMATION

(as of the issue date of this report)

BOARD

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

Cui Zhixiong	*The Chairman, Executive Director*
Xiao Yinhong	*Executive Director, General Manager*
Cao Jianxiong	*Non-executive Director*
Tang Bing	*Non-executive Director* (appointed on August 29, 2018)
Han Wensheng	*Non-executive Director* (appointed on August 29, 2018)
Cao Shiqing	*Independent Non-executive Director*
Ngai Wai Fung	*Independent Non-executive Director*
Liu Xiangqun	*Independent Non-executive Director*

AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

REMUNERATION AND EVALUATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

Corporate Information

(as of the issue date of this report)

STRATEGY AND INVESTMENT COMMITTEE (LEGAL COMPLIANCE COMMITTEE) (FORMER "STRATEGIC COMMITTEE", RENAMED ON AUGUST 29, 2018)

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

Cui Zhixiong	*Chief Member (Chairman)*
Xiao Yinhong	*Member*
Cao Jianxiong	*Member*
Tang Bing	*Member* (appointed on August 29, 2018)
Han Wensheng	*Member* (appointed on August 29, 2018)

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

Li Yangmin	*Non-executive Director, Member of the Strategy and Investment Committee (Legal Compliance Committee)* (appointed on October 18, 2016, resigned on August 29, 2018)
Yuan Xin'an	*Non-executive Director, Member of the Remuneration and Evaluation Committee, Member of the Strategy and Investment Committee (Legal Compliance Committee)* (appointed on October 18, 2016, resigned on August 29, 2018)

SUPERVISORY COMMITTEE

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

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

SENIOR MANAGEMENT

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

Xiao Yinhong	*General Manager, Executive Director*
Rong Gang	*Vice General Manager*
Wang Wei	*Vice General Manager*
Li Jinsong	*Vice General Manager, Chief Financial Officer (Chief Accountant, appointed on November 14, 2016)*
Zhu Xiaoxing	*Vice General Manager*
Yu Xiaochun	*Company Secretary (Secretary to the Board)*

SENIOR MANAGEMENT RESIGNED

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

(as of the issue date of this report)

AUDITORS

International auditors:

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

PRC auditors:

BDO China SHU LUN PAN (Certified Public Accountants LLP)
F7, Union Plaza, NO. 20 Chao Wai Street,
Chaoyang District, Beijing 100020, PRC

LEGAL ADVISERS

as to Hong Kong law:
Baker & McKenzie
14th Floor, One Taikoo Place,
979 King's Road, Quarry Bay,
Hong Kong

as to the PRC law:
Grandall Law Firm (Beijing)
9th Floor, Taikang Financial Tower,
No.38 North Road East Third Ring,
Chaoyang District, Beijing, 100026, PRC

PUBLIC RELATIONS CONSULTANT

Porda Havas International Finance Communications Group
Unit 2401, 24/F, Admiralty Centre Tower II, 18 Harcourt Road, Admiralty, Hong Kong
Telephone: (852) 3150 6788
Facsimile: (852) 3150 6728
Email: travelsky.hk@pordahavas.com

CONTACT DETAILS FOR INVESTORS

Secretarial Office to the Board
Postal address: TravelSky High-Tech Industrial Park, Houshayu Town, Shunyi District, Beijing 101318, PRC
Telephone: (8610) 5765 0696
Facsimile: (8610) 5765 0695
Email: ir@travelsky.com
Website: www.travelskyir.com

Corporate Information

(as of the issue date of this report)

REGISTERED ADDRESS

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

PLACE OF BUSINESS IN HONG KONG

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00696

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

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COMPANY'S WEBSITES

Website of consolidated information of the Company:
www.travelsky.net

Website established in accordance with Rule 2.07C(6)(a) of the Listing Rules:
www.travelskyir.com

You may obtain the English and Chinese versions of the financial reports, announcements, circulars, operation data and results presentation of the Company through this website.This annual report is also available in Chinese paper.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

DIRECTORS

Mr. Cui Zhixiong, aged 58, the Chairman and an executive director of the Company, graduated as a postgraduate from the Party School of the Central Committee of the CPC (中央黨校) majoring in Global Economics and had an EMBA degree from Nankai University. From December 1976 to November 1989, he served as an army officer. From November 1989 to February 1993, he worked in the National Government Offices Administration (國家機關事務管理局) and held positions as a deputy secretary and secretary of the Communist Youth League Committee of the State Organs of the CPC. From February 1993 to April 2004, he served as a director of general office, in the League Committee of the Central Government Departments (中央國家機關團委), a deputy secretary and secretary in the League and Working Committee (團工委), and chairman of the State Organs Youth Federation of the CPC (中央國家機關青年聯合會). Mr. Cui served temporary positions as deputy secretary-general of Gansu Provincial Committee and Deputy Secretary of Municipal Committee of Jiayuguan, Gansu Province from November 2001 to October 2003. He has been the party secretary of China TravelSky Holding Company (a promoter of the Company) since April 2004 and served as a deputy general manager of China TravelSky Holding Company from April 2004 to June 2008. Since August 2008, he has been the Party Secretary of the Company. Since October 2008, Mr. Cui served as an executive director of the third session of the Board of the Company. Since March 2010, Mr. Cui served as an executive director of the fourth session of the Board of the Company. Since June 2013, Mr. Cui has served as an executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee and the Executive Committee. Since December 2014, Mr. Cui has exercised the powers of the Chairman, and served as the chief member of the Nomination Committee, the Strategic Committee and the Executive Committee. From December 2015 to December 2017, he served as a general manager of China TravelSky Holding Company. Since March 31, 2016, Mr. Cui has been appointed as the Chairman of the Company. Since October 2016, Mr. Cui has been re-appointed as an executive director of the sixth session of the Board of the Company, and re-appointed as the chief member of the Nomination Committee and Strategic Committee. Since December 2017, he served as chairman and general manager of China TravelSky Holding Company Limited. Since January 2018, he was elected to be a member of the thirteenth National Committee of the Chinese People's Political Consultative Conference. China TravelSky Holding Company Limited has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Cui is a director of China TravelSky Holding Company Limited.

Mr. Xiao Yinhong, aged 56, an executive director and the General Manager of the Company, is a professor-level senior engineer graduated from Zhejiang University. He was awarded a master's degree of administration from Beihang University (北京航空航天大學) with over 30 years of management experience in the aviation industry in the PRC. From July 1984 to October 2000, Mr. Xiao consecutively held positions such as the deputy director of Application Office (應用室), director of Information Office (信息室), assistant to general manager and deputy general manager of China Civil Aviation Computer Information Center (中國民航計算機信息中心), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). Mr. Xiao served as an executive director of the first session of the Board of the Company from October 2000 to December 2003. From October 2000 to August 2008, Mr. Xiao served as a Vice General Manager of the Company and has served as the General Manager of the Company since August 2008. Since October 2008, Mr. Xiao served as an executive director of the third session of the Board of the Company. Since March 2010, Mr. Xiao served as an executive director of the fourth session of the Board of the Company. Since June 2013, Mr. Xiao has served as an executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee. Since October 2016, Mr. Xiao has been serving as an executive director of the sixth session of the Board of the Company and has been re-appointed as a member of the Strategic Committee. Since December 2017, he has served as director of China TravelSky Holding Company Limited. China TravelSky Holding Company Limited has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Xiao is a director of China TravelSky Holding Company Limited.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Cao Jianxiong, aged 59, a non-executive director of the Company and a senior economist, was awarded a master's degree in economics. He was appointed as the deputy general manager and chief financial officer of China Eastern Airlines Corporation Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and a subsidiary of China Eastern Air Holding Company (a promoter and a substantial shareholder of the Company); stock code: 00670 (Hong Kong Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)) in December 1996. From September 1999 to December 2008, he served as the deputy general manager of China Eastern Air Holding Company. From October 2000 to June 2007, he served as the non-executive director, Vice Chairman and the chairman of the Strategic Committee of the Company. From June 2001 to December 2008, he served as a director of China Eastern Airlines Corporation Limited. From October 2006 to December 2008, he served as the general manager of China Eastern Airlines Corporation Limited. Since December 2008, Mr. Cao served as the deputy general manager and a member of Communist Party Group of China National Aviation Holding Company Limited. Since November 2016, Mr. Cao has been serving as the Deputy Party Secretary and vice general manager of the Communist Party Committee of the China National Aviation Holding Company Limited. Since May 2017, he has been concurrently serving as the deputy party secretary and vice president of Air China Limited. Since March 2019, he has been serving as the Deputy Party Secretary and Director of China National Aviation Holding Company Limited. From June 2009 to October 2017, Mr. Cao has been a non-executive director of Air China Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and a subsidiary of China National Aviation Holding Company (a promoter and a substantial shareholder of the Company); stock code: 00753 (Hong Kong Stock Exchange); 601111 (Shanghai Stock Exchange); AIRC (London Stock Exchange)). Since December 2014, Mr. Cao has served as a non-executive director of the fifth session of the Board of the Company and a member of the Strategic Committee. Since October 2016, Mr. Cao has been serving as a non-executive director of the sixth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee. China National Aviation Holding Company Limited has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Cao is an employee of China National Aviation Holding Company Limited.

Mr. Tang Bing, aged 52, a qualified senior engineer, graduated from Nanjing University of Aeronautics and Astronautics majoring in electrical technology. He obtained a Master of Business Administration degree from the Administration Institute of Sun Yat-sen University, an Executive Master of Business Administration degree from the School of Economics and Management of Tsinghua University and a doctoral degree in national economics from the Graduate School of Chinese Academy of Social Sciences. Mr. Tang joined the civil aviation industry in 1993. He served as vice executive president (general manager representing Chinese shareholder) of MTU Maintenance Zhuhai Co., Limited (珠海摩天宇發動機維修有限公司), office director of China Southern Air Holding Company and president of Chongqing Airlines Company Limited (重慶航空有限公司). From December 2007 to May 2009, he served as chief engineer and general manager of the Aircraft Engineering Department of China Southern Airlines Company Limited. From May 2009 to December 2009, he was appointed as president of the Beijing Branch of China Eastern Airlines Corporation Limited ("**CEA**") and was the president of Shanghai Airlines Co., Limited from January 2010 to December 2011. Since February 2010, Mr. Tang is currently a vice president of CEA. He served as the chairman and executive director of Shanghai Airlines Co., Limited from January 2012 to January 2018, and was appointed a party member of China Eastern Air Holding Company in May 2011 and a director of CEA from June 2012 to August 2018. He served as the vice president of China Eastern Air Holding Company from December 2016 to August 2018. Since August 2018, Mr. Tang has been serving as a non-executive director of the sixth session of the Board of the Company, and has been appointed as a member of the Strategic Committee. China Eastern Air Holding Company Limited has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Tang is an employee of China Eastern Air Holding Company Limited.

(as of the issue date of this report)

Mr. Han Wensheng, aged 52, graduated from Engineering Management Department of Tianjin University, majoring in engineering management, with qualification of a Master's degree. He began his career in August 1987. From September 1999 to June 2001, he acted as deputy director general of Cadre Training Center of China Southern Airlines Company Limited. He served as director of The Research Bureau of China Southern Airlines Company Limited from June 2001 to January 2002. From January 2002 to November 2005, he acted as general manager of Labour Department and secretary of CPC General Committee of China Southern Airlines Company Limited. From November 2005 to June 2007, he served as a member of Party Committee and the deputy director of the Commercial Steering Committee and general manager as well as deputy party secretary of the sales and marketing department of China Southern Airlines Company Limited. From June 2007 to December 2009, he served as general manager of Shanghai base and deputy party secretary of China Southern Airlines Company Limited. He acted as deputy party secretary and deputy director of the Marketing Management Committee of China Southern Airlines Company Limited from December 2009 to October 2011. From October 2011 to October 2016, he was party secretary and deputy director of the Marketing Management Committee of China Southern Airlines Company Limited. From October 2016 to November 2018, he has been the party member and deputy general manager of China Southern Air Holding Company Limited. He served as the party committee member and deputy general manager of China Southern Airlines Company Limited since November 2017; Served as Deputy Secretary of the Party Members' Group and director of China Southern Air holding Company Limited since November 2018. He also acts as vice chairman of Sichuan Airlines Corporation Limited and vice director general of China Air Transport Association. Since August 2018, Mr. Han has been serving as a non-executive director of the sixth session of the Board of the Company, and has been appointed as a member of the Strategic Committee. China Southern Air Holding Company Limited has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Han is an employee of China Southern Air Holding Company Limited.

Mr. Cao Shiqing, aged 64, an independent non-executive director of the Company, is a professor-level senior engineer and graduated from Tsinghua University. Mr. Cao served successively as the deputy dean and party secretary of the Seventh Design and Research Institute of the Ministry of Machinery Industry (機械工業部第七設計研究院) from September 1990 to October 2000. From October 2000 to December 2004, Mr. Cao served as the party secretary and deputy dean of the China Machinery International Engineering Consultant & Design Institute (中機國際工程諮詢設計總院). From December 2004 to August 2006, he served as the party secretary and deputy dean of the China Information Technology Designing & Consulting Institute (中訊郵電諮詢設計院). Mr. Cao served as the party secretary and deputy general manager of China New Era Group Corporation (中國新時代控股集團公司) from August 2006 to January 2010, and as the party secretary and deputy dean of the China Academy of Machinery Science & Technology (機械科學研究總院) from January 2010 to August 2015. Since January 2016, Mr. Cao has served as an independent non-executive director of the fifth session of the Board of the Company, a member of the Audit and Risk Management Committee, the chief member of the Remuneration and Evaluation Committee and a member of the Nomination Committee. Since October 2016, Mr. Cao has been serving as an independent non-executive director of the sixth session of the Board of the Company, and has been re-appointed as a member of the Audit and Risk Management Committee, a chief member of the Remuneration and Evaluation Committee and a member of the Nomination Committee.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Dr. Ngai Wai Fung, aged 57, an independent non-executive director of the Company, is a director and the group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, formerly known as SW Corporate Services Group Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. Dr. Ngai has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chips companies. Dr. Ngai led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. Dr. Ngai is a member of the General Committee of the Chamber of Hong Kong Listed Companies and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC. He was the president of The Hong Kong Institute of Chartered Secretaries (2014-2015), a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants (2013-2018) and a member of the Working Group on Professional Services under the Economic Development Commission of The Hong Kong Special Administrative Region (2013-2018). He is a fellow of The Association of Chartered Certified Accountants in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of The Hong Kong Institute of Chartered Secretaries, a fellow of The Hong Kong Institute of Directors and a member of The Hong Kong Securities and Investment Institute. Dr. Ngai obtained a Doctoral Degree in Finance at Shanghai University of Finance and Economics, a Master's Degree in Corporate Finance from Hong Kong Polytechnic University, a Master's Degree in Business Administration from Andrews University of Michigan and a Bachelor's Degree in Law at University of Wolverhampton. Dr. Ngai is the independent non-executive director of the following companies, namely BaWang International (Group) Holding Limited (SEHK, Stock Code: 01338), Health and Happiness (H&H) International Holdings Limited (SEHK, Stock Code: 01112), Bosideng International Holdings Limited (SEHK, Stock Code: 03998), Beijing Capital Grand Limited (SEHK, Stock Code: 01329), Powerlong Real Estate Holdings Limited Limited (SEHK, Stock Code: 01238), SITC International Holdings Company Limited (SEHK, Stock Code: 01308), Yangtze Optical Fibre and Cable Joint Stock Limited Company (SEHK, Stock Code: 06869), BBMG Corporation (formerly known as BBMG) (English translation denotes for identification purposes only) (SEHK, Stock Code: 02009) and China Communications Construction Company Limited (SEHK, Stock Code: 01800). Dr. Ngai is also the independent director of LDK Solar Co., Ltd. and SPI Energy Co., Ltd. Dr. Ngai was the independent non-executive director of Sany Heavy Equipment International Holdings Company Limited from November 2009 to December 2015, China Coal Energy Company Limited from December 2010 to June 2017, China Railway Group Limited from June 2014 to June 2017 and HKBridge Financial Holdings Limited (formerly known as China HKBridge Holdings Limited) from March 2016 to April 2018. Since January 2016, Dr. Ngai had served as an independent non-executive director of the fifth session of the Board of the Company. Since October 2016, Dr. Ngai has served as an independent non-executive director of the sixth session of the Board of the Company, the Chairman of Audit and Risk Management Committee and a member of the Remuneration and Evaluation Committee.

Mr. Liu Xiangqun, aged 65, holds an Executive MBA (EMBA) degree awarded by the University of Hong Kong and Fudan University. Mr. Liu started his career in 1970. From February 1986 to February 1987, Mr. Liu worked as a cadre of the Secretariat of the Tenth Division of the Beijing Municipal Public Security Bureau. From February 1987 to May 1991, he served successively as the principal staff member and deputy chief of the Secretariat of General Office of the Ministry of Justice of the PRC. From May 1991 to December 1999, he served successively as the director of general office and head of the second division of the Personnel Department of the National Administration under the Ministry of Personnel of the PRC. From December 1999 to November 2001, he served successively as head of the Second Division and deputy director-level consultant of the State-owned Enterprises Working Committee Organization Department. He served as the deputy party secretary and secretary of the disciplinary inspection committee of China Satellite Communications Corporation from November 2001 to December 2007. From December 2007 to July 2014, he served as the deputy party secretary, secretary of the disciplinary inspection committee and director of China National Agricultural Development Group Co., Ltd. From May 2008 to June 2010, Mr. Liu concurrently served as the chairman of the supervisory committee of CNFC Overseas Fisheries Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock abbreviation: CNFC Fishery; stock code: 000798). Mr. Liu has been serving as an external director of China National Salt Industry Corporation since July 2015. Since October 2016, Mr. Liu has been serving as an independent non-executive director of the sixth session of the Board of the Company, a member of the Audit and Risk Management Committee, a member of the Remuneration and Evaluation Committee and a member of the Nomination Committee.

SUPERVISORS

Mr. Huang Yuanchang, aged 56, Chairperson of the Supervisory Committee and a staff supervisor of the Company, is a senior engineer graduated from Nanjing Institute of Technology (南京工學院). Mr. Huang holds a master's degree of administration from Beihang University and has more than 30 years of management and technical support experience in China's aviation industry. From August 1983 to October 2000, Mr. Huang served as the deputy head and head of the Machine Room, the head of Operation Room, the head of Production Management Department, assistant to the general manager and the deputy general manager of China Civil Aviation Computer Center (中國民航計算機中心), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). Mr. Huang served as an executive director of the first session of the Board of the Company from October 2000 to December 2003. Mr. Huang served as a vice general manager of the Company from October 2000 to November 2006. From August 2007 to August 2008, Mr. Huang was the general manager of the Marketing and Research & Development Department of China TravelSky Holding Company, a promoter of the Company. From August 2008 to January 2015, Mr. Huang acted as a vice general manager of the Company. He has become the chairperson of the labour union of the Company since January 2015. Since March 2015, he has become a staff supervisor and the chairperson of the fifth session of the Supervisory Committee of the Company. Since October 2016, he continued to serve as a staff supervisor and the chairperson of the sixth session of the Supervisory Committee of the Company.

(as of the issue date of this report)

Mr. Xiao Wei, aged 49, a staff supervisor of the Company, graduated as a postgraduate from Beihang University with a master's degree in engineering. Mr. Xiao joined China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), in April 1995. From October 2000 (when the Company was established) to October 2008, Mr. Xiao served as a general manager of Shenyang Civil Aviation Cares of Northeast China, Ltd., a subsidiary of the Company, and deputy director and director of the Community Union Working Department of the Company. Mr. Xiao has been working as Office Director to the Disciplinary Committee (Supervision) of the Company since October 2008. Since March 2010, Mr. Xiao served as a staff supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Mr. Xiao has been re-appointed as a staff supervisor of the fifth session of the Supervisory Committee of the Company. Since October 2016, he continued to serve as a staff supervisor of the sixth session of the Supervisory Committee of the Company. Since September 2017, Mr. Xiao served as Deputy secretary for discipline inspection of China TravelSky Holding Company. Currently, Mr. Xiao is also a supervisor of TravelSky Technology Huadong Data Center Limited, Beijing TravelSky Birun Technology Co., Ltd., Cares Hubei Co., Ltd., Civil Aviation Cares Technology of Xi'an Ltd. and InfoSky Technology Co., Ltd., all of which are subsidiaries of the Company.

Ms. Zeng Yiwei, aged 48, a supervisor of the Company, graduated from Xiamen University and has a master's degree of EMBA from Tsing Hua University and is a senior accountant enjoying the benefits of professor. Since 1993, Ms. Zeng has been working as the deputy manager and manager of the Finance Division of the Finance and Accounting Department and deputy general manager and general manager of the Finance and Accounting Department of Xiamen Airlines (廈門航空有限公司). She has been served as deputy chief accountant and the general manager of the Finance and Accounting Department of Xiamen Airlines from August 2015 to May 2017. Since June 2017, she has served as chief accountant in Xiamen Airlines. Since March 2010, Ms. Zeng served as a supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Ms. Zeng has been re-appointed as a supervisor of the fifth session of the Supervisory Committee of the Company. Since October 2016, she continued to serve as a supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. He Haiyan, aged 56, graduated from Lanzhou University, majoring in nuclear physics. Mr. He has extensive technological research and development and management experience in IT industry. From July 1982 to October 1992, Mr. He was a lecturer in Lanzhou University. From November 1992 to July 1994, Mr. He visited and studied at GSI Helmholtz Centre for Heavy Ion Research (德國國立重粒子研究所). From August 1994 to December 1994, Mr. He worked at the computer centre of Hainan Provincial Airlines Co., Ltd. (海南省航空公司). From December 1994 to June 2000, Mr. He served as the department manager and then the general manager of Hainan Phoenix Information System Co., Ltd. (海南鳳凰信息系統有限公司). From July 2004 to September 2007, Mr. He served as the general manager of Information Planning and Management Department of HNA Group Co., Ltd. (海航集團有限公司), and from November 2006 to January 2010, he served as the general manager of Hainan Baicheng Systems Co., Ltd. (海南百成信息系統有限公司). From October 2000 to November 2012, Mr. He successively served as the deputy general manager, general manager, president and chairman of HNA Systems Co., Ltd. (海南海航航空信息系統有限公司). Mr. He served as the general manager of the Information Management Department and the IT Department of HNA Airlines Group Co., Ltd. (海航航空集團有限公司) from November 2012 to January 2016. From June 2016 to December 2016, Mr. He served as the Information Technology Director of HNA Tourism Group Co., Ltd. (海航旅業集團有限公司). From January 2016 to August 2017, Mr. He served as the Information Technology Director of HNA Aviation Management & Consulting Co., Ltd (海航航空管理服務有限公司). From August 2017 to September 2018, Mr. He served as the vice president of Hainan Airlines Holding Co., Ltd. (海航航空控股股份有限公司), Since December 2018, he has been serving as supervisor of HNA Aviation and Tourism Group. Mr. He has served as a supervisor of the fifth session of the Supervisory Committee of the Company since June 2013. Since October 2016, he continued to serve as a supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. Rao Geping, aged 71, an independent supervisor of the Company, is a professor and doctorate tutor of the Law School of Peking University, the head of the Hong Kong and Macau Research Center and the head of Hong Kong, Macau and Taiwan Law Research Center in Peking University, a member of the 12th Chinese People's Political Consultative Conference and a member of the Committee for the Basic Law of Hong Kong Special Administrative Region of the Standing Committee of the National People's Congress of the PRC. Mr. Rao specialises in areas such as laws of Hong Kong, Macau and Taiwan as well as international law. Mr. Rao served as an independent director of CITIC Securities Company Limited (Hong Kong Stock Exchange stock code: 06030, Shanghai Stock Exchange stock code: 600030) and now acts as a non-employee supervisor of CITIC Securities Company Limited. Since December 2003, Mr. Rao served as an independent supervisor of the second session of the Supervisory Committee of the Company and was re-appointed as an independent supervisor of the third session of the Supervisory Committee in January 2007. Since March 2010, Mr. Rao was re-appointed as an independent supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Mr. Rao has been re-appointed as an independent supervisor of the fifth session of the Supervisory Committee of the Company. Since October 2016, he continued to serve as an independent supervisor of the sixth session of the Supervisory Committee of the Company.

SENIOR MANAGEMENT

Mr. Rong Gang, aged 56, a vice general manager of the Company, is a professor-grade senior engineer. He graduated from Chongqing University and holds a master's degree in business administration from Guanghua School of Management, Peking University. He has over 30 years of management experience in China's civil aviation industry. From August 1983 to May 1996, Mr. Rong worked in Civil Aviation Computer Information Centre (民航計算機信息中心), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). From May 1996 to May 1999, he worked in General Administration of Civil Aviation of China (中國民用航空總局). From May 1999 to September 2002, Mr. Rong served as the vice president and secretary of the disciplinary committee of Civil Aviation Computer Information Centre. He was a deputy general manager of China TravelSky Holding Company, a promoter of the Company, from September 2002 to June 2008. From October 2000 to March 2009, Mr. Rong acted as a non-executive director of the Company. He also served as a member of the Company's Strategic Committee from March 2004 to March 2009. Mr. Rong has been a vice general manager of the Company since December 2008.

Mr. Wang Wei, aged 58, a vice general manager of the Company, is a senior engineer. He graduated from Tsinghua University and holds a master's degree in business administration from the China Europe International Business School. From July 1993 to April 2002, he served as a deputy general manager of the Beijing branch of China Aviation Supplies Import and Export Corporation (中國航空器材進出口總公司北京分公司). He was the assistant to the general manager of China Aviation Supplies Import and Export Corporation from April 2002 to September 2002. From September 2002 to March 2008, Mr. Wang served as deputy general manager of China Aviation Supplies Import and Export Group Corporation (中國航空器材進出口集團公司). From March 2008 to June 2008, he served as a deputy general manager of China TravelSky Holding Company, a promoter of the Company. Mr. Wang has been a vice general manager of the Company since December 2008.

(as of the issue date of this report)

Mr Li Jinsong, aged 49, a vice general manager and the Chief Financial Officer of the Company, is a senior engineer. He graduated from Tsinghua University and holds a bachelor degree of engineering, master degree of business administration and a doctor of philosophy degree in law from Tsinghua University. He is currently a certified public accountant, lawyer and an arbitrator of the Beijing Arbitration Commission. Mr Li served as a business manager of the Investment Management Department of China Huaqing Industrial Corporation (中國華輕實業公司) from August 1990 to September 1995, the general manager of Liaoning Huaqing Inc. (遼寧華輕實業有限責任公司) from September 1995 to September 2000, and the assistant to general manager of China Huaqing Industrial Corporation from September 2000 to March 2002. He served as a certified public accountant of Xinhua Accounting Firm (新華會計師事務所) from March 2002 to February 2004, and served as associate professor and a member of the Academic Committee of Beijing National Accounting Institute from February 2004 to March 2007 (during this period, he was also a research scholar at the London School of Economics and Political Science). In March 2007, he held the position of general counsel of China TravelSky Holding Company. From August 2007 to December 2008, he also served as the general manager of Department of Corporate Audit Monitoring and Law Affairs (公司審計監察與法律事務部) of China TravelSky Holding Company. From December 2008 to March 2014, Mr Li has been the general counsel of the Company. Mr Li served as the chief accountant of China Academy of Machinery Science and Technology (機械科學研究總院) from March 2014 to September 2016. Since October 2016, Mr. Li has been serving as the vice general manager of the Company and the Chief Financial Officer of the Company.

Mr. Zhu Xiaoxing, aged 54, a vice general manager and a senior engineer of the Company, graduated from Jilin University majoring in computer software and was awarded an Executive Master degree of Business Administration (EMBA) by Tsinghua University. Mr. Zhu has more than 30 years of experience in operating management and technical management in China's civil aviation industry. Mr. Zhu held positions including system engineer and division head of the System Division, the deputy head and head of the Operation Department and Head of the Customer Service Department of China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), from August 1987 to October 2000. From October 2000 to August 2004, Mr. Zhu was successively the general manager of the Operation Department, the Customer Service Department and the Technical Management Department of the Company. From August 2004 to August 2008, Mr. Zhu served as the General Manager of the Company. From October 2004 to March 2009, he served as an executive director of the Company. Mr. Zhu has been a vice general manager of the Company since August 2008.

COMPANY SECRETARY

Mr. Yu Xiaochun, aged 51, the company secretary of the Company (Secretary to the Board), received a bachelor's degree from Beihang University majoring in management engineering and obtained a master's degree in management from Beihang University in 2002. Since joining China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), in July 1989, Mr. Yu has nearly 30 years of experience in China's civil aviation industry. Mr. Yu was the deputy director of the marketing department of China Civil Aviation Computer Information Center from July 1999 to October 2000. From October 2000 (when the Company was established) to December 2002, he held various positions in the Company such as the deputy director of the Marketing Department, the general manager of the DCS Department (離港部) and the deputy general manager of the Marketing Department. From December 2002 to July 2009, Mr. Yu was the general manager of the planning and development department of China TravelSky Holding Company, a promoter of the Company. From July 2009 to March 2013, he was the head of the Planning and Development Department of the Company. Mr. Yu served as a joint company secretary and secretary to the Board of the Company since March 2010. Mr. Yu has served as the company secretary and secretary to the Board of the Company since June 2013.

Tel: (8610) 5765 0696
Fax: (8610) 5765 0695
Email: ir@travelsky.com
Address: TravelSky High-Tech Industrial Park, Houshayu Town, Shunyi District, Beijing, PRC
Postal Code: 101318
Website: www.travelskyir.com