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 2016

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, 2016, it had a direct controlling equity interest in each of the following subsidiaries: Accounting Centre of China Aviation Limited Company ("**ACCA**"), TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd., TravelSky Technology Australia Pty. Ltd, TravelSky R&D USA, INC., TravelSky Technology (Taiwan) Limited, Beijing TravelSky Technology Limited, TravelSky Mobile Technology Limited, Beijing HangJu Credit Management Co., Ltd., Shanghai TravelSky Information Technology Limited, Guangzhou TravelSky Information Technology Limited, Hunan TravelSky Information Technology Limited, Inner Mongolia TravelSky Information Technology Limited, Henan TravelSky Information Technology Limited, Zhejiang TravelSky Information Technology Limited, TravelSky Technology Huadong Data Center Limited, TravelSky CARES (Beijing) Real Estate Limited, Beijing TravelSky Travel Service Limited, Hainan Civil Aviation Cares Co., Ltd., Cares Shenzhen Co., Ltd., Cares Hubei Co., Ltd., Cares Chongqing Information Technology Co., Ltd., Aviation Cares of Yunnan Information Co., Ltd., Civil Aviation Cares of Xiamen Ltd., Civil Aviation Cares of Qingdao Ltd., Civil Aviation Cares Technology of Xi'an Ltd., Civil Aviation Cares Technology of Xinjiang Ltd., InfoSky Technology Co., Ltd., Shanghai Yeexing E-Business Limited, Beijing TravelSky Birun Technology Co., Ltd., Guangxi TravelSky Cloud Data Service Co., Ltd., Aviation Cares of Southwest Chengdu, Ltd. and Guangzhou Skyecho Information Technology Limited. The Company also held an equity interest in each of the following associated companies: Shanghai Civil Aviation East China Cares System Integration Co., Ltd., Shenyang Civil Aviation Cares of Northeast China, Ltd., Heilongjiang TravelSky Airport Technology Limited, Yunnan TravelSky Airport Technology Limited, Shanghai Dongmei Aviation Tourism Online Co., Ltd., Dalian TravelSky Airport Technology Limited, Hebei TravelSky Airport Technology Limited, Guangzhou Airport AirSpan Information Technology Co., Ltd. and Yantai TravelSky Airport Technology Limited.

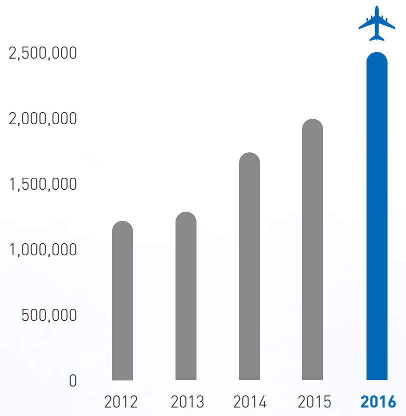
The Group had 7,255 employees as of December 31, 2016.

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. As of the date of this report, the largest shareholder of the Company is China TravelSky Holding Company, which holds an equity interest of approximately 29.29% in the Company. A total of approximately 38.84% of the equity interest in the Company is held by 13 Chinese commercial airlines, including the holding companies of the three largest Chinese commercial airlines, namely, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company. The remaining 31.87% of the equity interest in the Company is held by holders of its H shares.

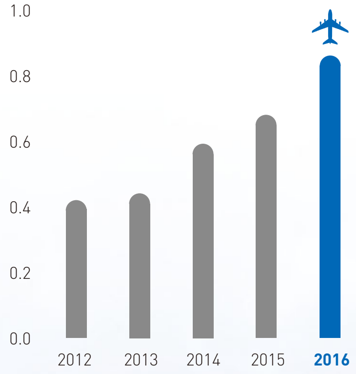
The Company has established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market (OTC) on December 27, 2002.

FINANCIAL HIGHLIGHTS

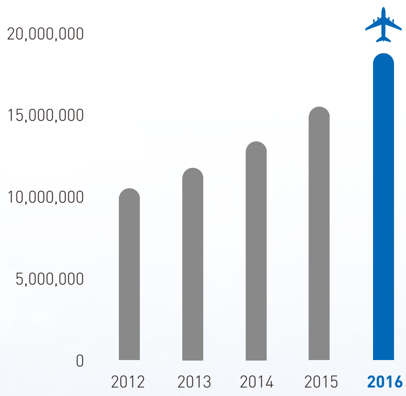
Profit Attributable to Owner of the Parent
RMB'000



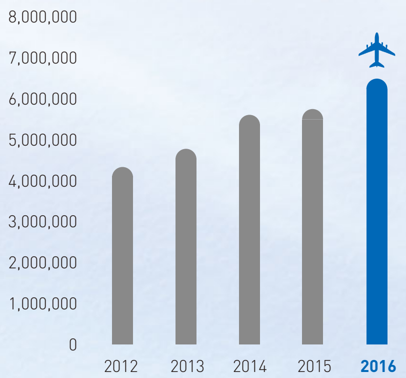
Earnings Per Share (Basic and Diluted)
RMB



Total Assets
RMB'000

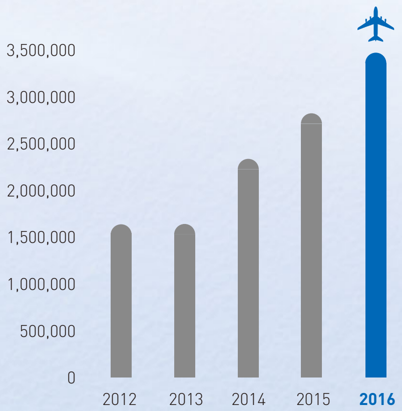


Revenues
RMB'000



Profit before Taxation
RMB'000

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



Note:

1. Earnings per share were calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2016.
2. The financial statements for the year 2010 have been adjusted due to changes in accounting policies in 2011.

STATEMENT OF THE BOARD

Cui Zhixiong
Chairman

DEAR SHAREHOLDERS,

In 2016, the Group strived for reformation and was open for cooperation, and actively coped with challenges from such complicated market conditions. The Group has improved certain aspects such as safety protection, technological innovation, joint venture and cooperation, business transformation, management reformation and infrastructure development to a new level, leading to a steady growth in its operating results and hence a positive start of the 13th Five-Year Plan.

2017 is a critical year of implementation of the 13th Five-Year Plan and comprehensive enhancement of the reformation. Being at the intersection of the civil aviation industry and information service industry, the Group encounters both opportunities and challenges at the same time. On one hand, the market base remains solid. The PRC is at the critical stage of evolving from an advanced country in civil aviation to a country with dominating power in civil aviation; tourism in China is gradually uplifted to a level close to the major tourism countries worldwide; the PRC has pushed forward the national cyber development strategy, the Internet Plus Action Plan, and the national big data strategy; and the requirements in informatization level and network information security in civil aviation industry have been upgraded. All these have brought forth development opportunities for the Group to utilize its experiences and technological advantage. On the other hand, the constantly changing industry landscape further added to the market pressure on the Group. New technologies, new products, new operating models and new business models have been emerging at an increasingly hectic pace. Overseas competitors have been continuously penetrating the domestic market. The industry also saw augmenting concentration in channels. The needs of commercial airlines for information technology solutions have been changing. Ever higher standards of service have been expected of commercial airlines.

STATEMENT OF THE BOARD

In this connection, the Group will build on its existing results and development in strengthening its core businesses, developing new businesses, raising its capabilities and strengthening areas of weakness through pursuing its strategies and carrying out reforms. Firstly, the Group will lay a solid foundation in safety and security matters by enhancement of corporate mechanisms, enforcement of accountability, inspection of risks, and ensuring that the relocation and operation of the new operating centre in Shunyi, Beijing proceed smoothly, enhancing its support capabilities of operational safety and information security. Secondly, the Group will switch to a growth strategy of raising the quality of development and enhancing its research and development and service capabilities, guided by technological innovation, driven by capital operation and coordinated through resource allocation. Thirdly, the Group will speed up the transformation and upgrade of its businesses by solidifying the advantages of its core businesses, pushing ahead the integration of new businesses and seeking breakthroughs in overseas businesses, in order to enhance the Group's competitiveness in the market. Fourthly, the Group will improve its fundamental management by further optimizing the organizational structure, refining the incentive and bind mechanism, strengthening the construction of talent team and enhancing the sustainability of the Group's internal driving forces.

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 collective endeavours. Given the dedicated joint efforts from all parties, I believe the Group will be able to make persistent efforts 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 29, 2017

BUSINESS REVIEW

Xiao Yinhong
Executive Director, General Manager

As the leading provider of information technology solutions for China's aviation and travel industry, the Company stands at a core tache along the value chain of China's aviation and travel service distribution. The Group 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, 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, etc. With more than three decades of tenacious development, the Group has built up a complete industry chain for aviation and travel information technology services, established a relatively comprehensive, competitively priced product line of aviation and travel information technology services 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 aviation information technology ("**AIT**") services offered by the Company, which consist of a series of products and solutions, are provided to 38 commercial airlines in the PRC and more than 350 foreign and regional commercial airlines. The AIT services comprised electronic travel distribution ("**ETD**") services (including Inventory Control System ("**ICS**") services and Computer Reservation System ("**CRS**") services) and Airport Passenger

Processing ("**APP**") services, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product services for supporting aviation alliances, solutions for developing e-tickets and e-commerce, data services for supporting decision-making of commercial airlines as well as information management system for improvement of ground operational efficiency.

In 2016, the Group's electronic travel distribution (ETD) system processed approximately 524.2 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 11.4% over the same period in 2015. Among which, the processed flight bookings on commercial airlines in China increased by approximately 11.8%, while those on foreign and regional commercial airlines increased by approximately 2.3%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Company reached 137, with sales percentage through direct links exceeding 99.8%. In 2016, 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 service and the Angel Cue platform connecting services, resulting in the increase of the number of such users to 143, with approximately 14.3 million of passenger departures processed in 90 airports.

In 2016, the Company further aligned the research and development focus with the industrial trend and customers' demand and continued to enhance its aviation-related information technology services and its extended services, with an aim to fulfill the demand of commercial airlines for the information technology solutions on travel convenience, e-commerce, auxiliary services and international services. As a strategic partner of the Fast Travel project of IATA, the Company's has self-developed the self-help product series, which were in compliance with the IATA standards. Our self-help luggage processing system has already been brought into operation in 17 domestic and overseas airport sites of 7 domestic and regional commercial airlines. The commonly used self-service check-in system (CUSS) has been launched in 142 major domestic and international airports, and the online check-in service has been applied in 267 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 176.8 million departing passengers. The number of users of our self-developed mobile application, "Umetrip", has reached over 30 million, and covered new functions such as ticket control, inflight meal selection, general forecast and pick-up services. In collaboration with more than 100 domestic airports, our application expedited the clearance procedure by making it easier and faster. The Company was among the first companies in the world to be awarded the highest level of IATA New Distribution Capability (NDC) certification – Level 3, participated in the relevant work of the NDC International Standard Management Working Group (Passenger Distribution Management Group, PDMG) and continued to optimize the e-commerce products such as Carriers Direct Platform (CDP), B2C e-commerce solutions (Travel

Retail Platform, TRP) and E-Build platform, which were all in compliance with IATA New Distribution Capability (NDC). The sales solutions for auxiliary services for commercial airlines (the "**Easy add value**" (增值易) product platform) assisted more than 10 large-to-medium scale commercial airlines in expanding the auxiliary service business, among which the Electronic Miscellaneous Document (EMD) for on-spot baggage system covered the self-owned counters of domestic large-scale commercial airlines in more than 60 domestic and overseas airports. In 2016, the Company continued to work closely with airline alliance and supported the implementation of projects such as SkyTeam Rebooking (天合聯盟旅客保護).

In 2016, the development of the new-generation passenger service system (the "**NG-PSS**") researched and developed by the Group together with the major domestic commercial airlines progressed at a steady pace. The new-generation flight management system, which supports Origin & Destination revenue management and full-life flight management, has been fully in operation in one of host airlines, while the implementation for the subsequent airlines has been gradually initiated. The successful switch of the new electronic ticketing system into a localized software environment marked the achievement of the key goals of the national CHB (Core electronic devices, High-end generic chips and Basic software) project. This has enhanced the processing capacity and reliability of the system, which is of utmost significance to the upgrading, reformation, safety and security of the core information platform in civil aviation in China. New functions of the NG-PSS such as automatic validation and rule-based CodeShare control have been put into operation, leading to a significant increase in efficiency of user-management and revenue level of the airlines. Meanwhile, the measures of real-name user account management, service bus expansion, core open-platform based application monitor upgrade have effectively guaranteed the implementation and delivery of the NG-PSS.

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

In 2016, the Group consolidated and expanded the market of accounting, settlement and clearing services, optimizing the research and development of management system and stepped up its efforts in research and development. The Group was awarded numerous patents, software copyrights and certificates of software products, and the key projects were in smooth progress. For the project of IATA new generation BSP DP System ("**IBSPs**"), implementation was completed for BSPs in Canada, Russia, India, Japan and 21 countries in Europe region. The upgrade and development of IBSPs was also completed. In 2016, there were approximately 805 million transactions and approximately 303.9 million BSP tickets processed by the system services business of ACCA, while passenger, cargo and postal revenues, miscellaneous fees as well as international and domestic clearing fees settled through our system amounted to approximately USD8.8 billion, and e-payment transactions amounted to approximately RMB43.8 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

The Group's travel service distribution network comprises more than 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 137 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 422.4 million transactions during 2016 with its transaction amount reaching RMB424.8 billion.

In 2016, the Group continued to optimize the product lines for distribution information technology services, in response to the needs of various users. The Group also stepped up its efforts in development and promotion of products of distribution information technology service such as the business travel platform ("**1etrip**"(行啊)) for small and medium enterprises, the cloud platform ("**Man Yi**" (滿驛)) for business travel of state-owned enterprises, international ticketing business and management system ("**IntlStar**" (星際)), and international fare search engines, while reinforced the analysis in ticket sales and statistics. Focusing on setting up a group purchase platform for business trips of state-owned enterprises, the Group quickened steps in the transformation of its travel product distribution business.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2016, the Group pursued greater efforts in researching and developing and marketing the airport information technology service products, persistently reinforced its market share in the traditional departure front-end service product market and actively participated in the information system construction projects of domestic airports. The Airport Shared Connectivity and Integration (ASCII) System has been promoted to the reconstruction and expansion projects of 3 airports including Guangzhou Airport, Wuhan Airport and Chongqing Airport. The Airport Message Broker (AMB) Platform, one of the product line of ground operation products, has been extended to 9 airports including Tianjin Airport, Wuhan Airport and Bo'ao Airport. The operation of the newly-developed commanding platform of flight operation has been commenced in Shenzhen Airport, which would help the airport in comprehensive management and precise control in all sections of ground operation of flight on the basis of automatic, timely and accurate data collection, and hence further reinforced the Group's leading position in airport information integration.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2016, coupled with the national "Belt and Road" initiative and the policy requirement of air transportation safety, the Group constantly refined and promoted the air freight logistics information technology services products and helped the cargo terminals and cargo shippers to uplift the operational and safety level. The Group promptly facilitated the project of "air freight logistics and customs clearance integration" (航空物流通關一體化), in which the electronic custom declaration products have been applied in 17 air cargo terminals including those in Chongqing, Shenyang and Wuxi. The cargo security inspection system has established cooperative relationship with 4 air cargo terminals including Chengdu China Airline Cargo Terminal and Xi'an Airport, while electronic air waybills have been applied in commercial airlines, including China Cargo Airlines Company Limited and Air China Cargo Company Limited. In 2016, the air freight logistics information system handled approximately 16.93 million air waybills, representing an increase of 6.1% from the corresponding period in 2015.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2016, building on its data centre services, the Group set up an independent and manageable cloud computing service platform, developed multi-layered cloud computing solutions and laid the foundation for creating a community-wide "Civil Aviation Information Cloud" service brand. While providing long-term data centre services to clients such as China Galaxy Securities Company Limited, the information centre under the Ministry of Civil Affairs, Settlement Centre of the Civil Aviation and Administration of China and China Investment Corporation, the Group leveraged upon the opportunity offered by the completion and commencement of operation of the Beijing Shunyi New Operating Centre by further pushing ahead with the cooperation with government agencies and enterprises in the financial, transportation and internet industries.

INFRASTRUCTURE

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

In 2016, the Group's ICS, CRS, APP and the core open system have maintained stable operation. The construction of Beijing Shunyi New Operating Centre and the relocation preparation work progressed on schedule and the relocation has already begun. The reformation of the multi-host system was successfully completed, while the capacity of the system has been expanded, the level of security of the system has also been enhanced. With a series of safety management platforms, such as the self-developed safety production commanding platform, an active defence system of information security has been constructed to perform safety monitoring and safety penetration for the use of the internet, thereby enhance the Group's production safety and information security protection capability. The Group persistently enhanced the level of facilities localization, pushed ahead with the promotion and application of self-developed software, and lowered the costs of operations and maintenance. The implementation of specific safety inspection and contingency skill drills secured the safe operation of the civil aviation passenger information system in its daily operations and also during the heavy security period around Chinese New Year, the convention of meetings of the National People's Congress and the People's Political Consultative Conference, the Davos Forum, the G20 Summits and during China's National Day Holiday.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

SUMMARY

For Year 2016, profit before taxation of the Group was approximately RMB2,869.7 million, representing an increase of approximately 23.8% over that in the year ended December 31, 2015 ("**Year 2015**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB3,216.8 million, representing an increase of approximately 19.5% over that in Year 2015. Profit attributable to equity holders of the Company was approximately RMB2,421.1 million, representing an increase of approximately 26.5% over that in Year 2015.

The basic and diluted earnings per share of the Group in Year 2016 were RMB0.83.

TOTAL REVENUE

The total revenue of the Group in Year 2016 amounted to approximately RMB6,223.2 million, representing an increase of approximately RMB751.4 million, or 13.7%, from approximately RMB5,471.8 million in Year 2015. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 56.2% of the Group's total revenue in Year 2016, as compared to 57.3% for Year 2015. Aviation information technology service revenue increased by 11.5% from RMB3,135.0 million in Year 2015 to RMB3,496.4 million in Year 2016. The main sources of the revenue were Inventory Control System ("**ICS**") service, Computer Reservation System ("**CRS**") service and Airport Passenger Processing ("**APP**") service, as well as other extended information technology services related to the above core businesses provided by the Group to commercial airlines. The increase of revenue was mainly due to the growth in the number of air travelers.

- Accounting, settlement and clearing services revenue accounted for 8.3% of the Group's total revenue in Year 2016, as compared to 9.0% for Year 2015. Accounting, settlement and clearing services revenue increased by 5.1% from RMB492.7 million in Year 2015 to RMB517.7 million for Year 2016. 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 15.3% of the Group's total revenue in Year 2016, as compared to 11.8% for Year 2015. System integration service revenue increased by 47.7% from RMB643.4 million in Year 2015 to RMB950.3 million for Year 2016. 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 20.2% of the Group's total revenue in Year 2016, as compared to 21.9% for Year 2015. Data network revenue and other revenue increased by 4.8% from RMB1,200.8 million in Year 2015 to RMB1,258.8 million for Year 2016. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels, air freight logistics information technology service provided to commercial airlines, airports and cargo shippers, as well as airport information technology service, public information technology services and other businesses etc. provided by the Group. The growth 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 2016 amounted to RMB4,046.3 million, representing an increase of RMB322.1 million, or 8.6%, from RMB3,724.2 million in Year 2015. The change in operating expenses is reflected as follows:

- Business taxes and other surcharges increased by 58.2%, primarily due to expansion in tax scope due to "Business Tax to Value-Added Tax Transformation" policy;

- Costs of software and hardware sold increased by 26.6%, primarily due to the increase in newly-signed system integration projects of the Group;

- Operating lease payments increased by 19.5%, primarily due to increase in leased office area and unit price;

- Technical support and maintenance fees increased by 16.2%, mainly due to the intensifying efforts of the Group in research and development of new products and new technologies; and

- Staff costs increased by 10.7%, primarily due to the increase in the number of staff for supporting the Group's business development.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB429.4 million, or approximately 24.6%, from approximately RMB1,747.6 million in Year 2015 to approximately RMB2,177.0 million in Year 2016.

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 2014, 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 2014 to Year 2016 as a "High and New Technology Enterprise".

In addition to the recognised "High and New Technology Enterprise", enjoying a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the year, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded. The Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout since Year 2006 to Year 2014.

Pursuant to the Notice on Issues Concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (Cai Shui [2016] No. 49) (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》(財稅[2016]49號)) issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Industry and Information Technology of the People's Republic of China on May 4, 2016, the Company had made an application to the relevant authorities for a preferential corporate income tax rate of 10% for the financial year 2015, and the excess tax amount paid in 2015 has been refunded in November 2016 (please refer to the announcement of the Company dated 9 November 2016), which has been reflected in the consolidated financial statements of the Company for the year 2016. The application for a preferential tax rate of 10% for the year 2016 will commence in year 2017, hence the Company has calculated the expenses on corporate income tax for the year 2016 using the preferential tax rate of 15%.

The Company's subsidiaries in the PRC are entitled to different corporate income tax rates, ranging from 15% to 25% under the CIT Law. Under the relevant provisions, with effect from September 1, 2012, all of the revenue from the Group's provision of aviation information technology services and accounting, settlement and clearing services in Beijing shall be subject to value-added tax instead of business tax, and with effect from August 1, 2013, such tax reform was implemented throughout China. For details of the business tax and value-added tax to which the Group is subject, please refer to Note 11 to the "Notes to the Consolidated Financial Statements".

PROFIT ATTRIBUTABLE TO OWNER OF THE PARENT

As a result of the above factors, the profit attributable to owner of the Parent increased by approximately 26.5% from approximately RMB1,914.4 million in Year 2015 to approximately RMB2,421.1 million in Year 2016.

PROFIT AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 35 to the consolidated financial statements) from the profit distributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2016, amounted to RMB5,159.9 million (as at December 31, 2015: RMB3,999.1 million).

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2016 (RMB in million)	2015 (RMB in million)
Net cash generated from operating activities	**3,645.4**	2,383.2
Net cash used in investing activities	**(2,054.7)**	(1,737.3)
Net cash used in financing activities	**(501.2)**	(396.3)
Net increase in cash and cash equivalents	**1,089.5**	249.6
Effect of foreign exchange rate changes on cash and cash equivalents	**–**	(1.9)

The Group's working capital for Year 2016 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB3,645.4 million. As at December 31, 2016, 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, 2016, cash and cash equivalents of the Group amounted to RMB3,332.1 million, of which 90.5%, 7.6% and 0.5% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

HELD-TO-MATURITY FINANCIAL ASSETS

As at December 31, 2016, the Group held commercial bank financial products in the amount of RMB840 million with a yield rate from 2.9% to 3.3%. Such products are principal-protected financial products with a maturity of 91 to 359 days, and not redeemable prior to the maturity date.

CHARGE ON ASSETS

As at December 31, 2016, the Group had no charge on its assets.

RESTRICTED BANK DEPOSITS

As at December 31, 2016, restricted bank deposits in the amount of RMB468.4 million (as at December 31, 2015: RMB299.6 million) mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing and for TravelSky Technology (Singapore) Limited to acquire borrowings which have been fully settled before the end of the reporting period.

GOVERNMENT GRANTS

The Group received an industry support development fund from Houshayu Town People's Government amounting to RMB500 million in June 2016. For details, please refer to the announcement of the Company dated June 30, 2016 and Note 6 of the "Note to the Consolidated Financial Statement". The fund was received in July 2016.

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB1,160.2 million in Year 2016, representing an increase of approximately RMB106.0 million as compared to that of approximately RMB1,046.2 million in Year 2015. The capital expenditure of the Group in Year 2016 consisted principally of upgrade and maintaining of the existing system, development of the new generation aviation passenger service system and promotion of other new businesses, as well as the construction of the new operating centre in Beijing.

The Board estimates that the Group's planned capital expenditure for 2017 will amount to approximately RMB2,205.0 million, which is mainly used for the construction of the new operating centre in Beijing, development of the new generation aviation passenger service system and promotion of other new businesses. The sources of funding for the capital expenditure commitments will include existing cash on hand and internal cash flow generated from operating activities. The Board estimates that the sources of funding of the Group in 2017 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

NEW OPERATING CENTRE IN BEIJING

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

As at the end of 2016, the Phase I work of the new operating centre in Beijing has accumulated an expenditure of approximately RMB2,260 million, representing approximately 61.8% of the construction budget of the Phase I work. The expenditure in 2016 was approximately RMB530 million. The production area of Phase I work was already under the inspection processes. The pre-carried forward process of fixed assets in the office building of the operating centre was completed. Another 9 buildings under the Phase I work have already been under construction. Among which, the office area consists of the headquarters building, the research and development centre and the settlement centre, with a gross floor area of approximately 170,000 sq. m.; and the ancillary area consists of an energy building, a cultural and sports centre, a shift dormitory and an underground garage, etc., with a gross floor area of approximately 81,000 sq. m. In 2017, the required expenditure for the Phase I work of the new operating centre in Beijing is expected to be approximately RMB1,140 million, which has been included in the capital expenditure plan of the Company for 2017.

MAIN INVESTMENTS

– Overseas Acquisition – Acquisition of OpenJaw

TravelSky Technology (Singapore) Limited, a subsidiary of the Company, acquired 100% equity interest in OpenJaw Technologies Inc. ("**OpenJaw**") on May 5, 2016 (Eastern Canada Time), at a price of approximately US$39.4 million. OpenJaw is a company incorporated under the laws of Ireland, and it is mainly engaged in the provision of services in relation to the travel technologies and products. Its principal business is related to the principal business of the Company. For details, please refer to the Company's announcements dated April 6, 2016 and May 6, 2016 and Note 44 of the "Notes to the Consolidated Financial Statements".

– Discloseable Transactions – Formation of Two Joint Ventures

On May 20, 2016, the Company entered into 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. As at December 31, 2016, the application for establishment preparation of CMRH P&C were in progress. The approval for establishment preparation of CMRH Life had been obtained from regulatory authorities and the establishment work and the application for commencement of business were under preparation. The Company will make capital contribution in accordance with the relevant terms under the share subscription agreement. For details, please refer to the Company's announcement dated May 20, 2016 and Note 47 of the "Notes to the Consolidated Financial Statements".

EXCHANGE RISK

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

GEARING RATIO

As at December 31, 2016, the gearing ratio of the Group was approximately 21.9% (as at December 31, 2015: 18.1%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2016.

CONTINGENT LIABILITIES

As at December 31, 2016, the Group had no material contingent liabilities.

EMPLOYEES

As at December 31, 2016, the total number of employees of the Group was 7,255. Staff costs amounted to approximately RMB1,403.9 million for Year 2016 (Year 2015: RMB1,268.2 million), representing approximately 34.7% of the total operating expenses of the Group for Year 2016.

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 2016, the aggregate corporate annuity expenses of the Group amounted to approximately RMB32.7 million (Year 2015: RMB38.9 million).

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

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

DISTRIBUTION OF PROFIT

In Year 2016, according to the Company Law of the People's Republic of China (the "**PRC Company Law**"), relevant laws and regulations, and the articles of association of the Company (the "**Articles**"), the distributable net profit after taxation and minority interest is distributed in the following order:

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

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

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

The appropriation of 10% of its net profit to the discretionary surplus reserve fund for the year ended December 31, 2015 was approved at the annual general meeting held on June 28, 2016. The amount was accounted for in shareholder's equity as a distribution of retained earnings for Year 2016.

The proposed appropriation of 10% of its net profit amounted to RMB204.8 million to the discretionary surplus reserve fund for the year ended December 31, 2016 is subject to shareholders' approval at the forthcoming annual general meeting (the "**AGM**"). Therefore, the amount will be recorded in the Group's financial statements for the year ending December 31, 2017.

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2016

On March 29, 2017, the Board proposed the distribution of a final cash dividend of RMB649.6 million, which represented RMB0.222 per share (tax inclusive) for Year 2016 ("**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 subject to further adjustment (if any). Upon distribution of the above Dividend, the distributable profit as at December 31, 2016 is approximately RMB4,510.3 million (as at December 31, 2015: RMB3,513.3 million).

The Company will submit the above Dividend distribution proposal to the AGM. If such proposal is approved at the AGM, the Dividend for Year 2016 is expected to be paid on or before September 30, 2017. 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 Dividend, including, among other things, the amount of Dividend per share in Hong Kong dollar, book closure period, ex-date, dividend payment date and dividend tax.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

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

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

In 2016, 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 2016.

THE BOARD

According to the provisions of the Articles, the Board comprises 9 directors, including 3 independent directors.

On January 26, 2016, as approved at the general meeting of the Company, Mr. Pan Chongyi and Mr. Zhang Hainan, each of whom as an independent non-executive director of the Company, resigned since their terms of office had expired. The terms of all offices of Mr. Pan Chongyi and Mr. Zhang Hainan in all relevant committees of the Company had expired simultaneously. For details, please refer to the announcements of the Company dated December 10, 2015 and January 26, 2016. At this general meeting, the shareholders of the Company elected Mr. Cao Shiqing and Dr. Ngai Wai Fung as the independent non-executive directors of the fifth session of the Board of the Company. As resolved by the Board, Mr. Cao Shiqing acted as a member of Audit and Risk Management Committee, a member of Nomination Committee and the Chief Member of Remuneration and Evaluation Committee; and Dr. Ngai Wai Fung acted as a member of Audit and Risk Management Committee and a member of Remuneration and Evaluation Committee. All these appointments became effective from January 26, 2016. For details, please refer to the announcement of the Company dated January 26, 2016.

On March 31, 2016, the fifth session of the Board of the Company elected Mr. Cui Zhixiong as the Chairman. Details are set out in the announcement of the Company dated March 31, 2016.

On October 18, 2016, the election of the members of the new session of the Board took place at the extraordinary general meeting of the Company. Upon the election by the shareholders, (i) Mr. Cui Zhixiong and Mr. Xiao Yinhong have been re-appointed as the executive directors of the sixth session of the Board of the Company; (ii) Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an have been re-appointed as the non-executive directors of the sixth session of the Board of the Company; (iii) Mr. Cao Shiqing, and Dr. Ngai Wai Fung have been re-appointed as the independent non-executive directors of the sixth session of the Board of the Company. Mr. Liu Xiangqun was appointed to be the independent non-executive director of the sixth session of the Board of the Company. Upon the expiry of the term as a director, Mr. Cheung Yuk Ming ceased to be an independent non-executive director of the Company and ceased to perform the duties in all relevant committees with effect from October 18, 2016. On the same day, the sixth session of the Board elected Mr. Cui Zhixiong, an executive director, was re-appointed to serve as Chairman of the sixth session of the Board, and all senior management shall continue to perform their duties; re-appointed the members of the relevant committees under the Board as follows: (i) Audit and Risk Management Committee: Dr. Ngai Wai Fung (Chief Member), Mr. Cao Shiqing and Mr. Liu Xiangqun; (ii) Remuneration and Evaluation Committee: Mr. Cao Shiqing (Chief Member), Mr. Yuan Xin'an, Dr. Ngai Wai Fung and Mr. Liu Xiangqun; (iii) Nomination Committee: Mr. Cui Zhixiong (Chief Member), Mr. Cao Shiqing and Mr. Liu Xiangqun; (iv) Strategic Committee: Mr. Cui Zhixiong (Chief Member), Mr. Xiao Yinhong, Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an. For details, please refer to the announcements of the Company dated August 26, 2016 and October 18, 2016, and the circular of the Company dated September 2, 2016.

For 2016, the list of directors of the Company is set out below and the attendance of each of the directors for relevant meetings is as follows:

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings and shareholder' class meeting	Attendance rate for Audit and Risk Management Committee	Attendance rate for Remuneration and Evaluation Committee	Attendance rate for Nomination Committee	Attendance rate for Strategic Committee
Cui Zhixiong	Chairman, Executive Director; Chief Member of Nomination Committee; Chief Member of Strategic Committee	100%	100%	–	–	–	100%
Xiao Yinhong	Executive Director, General Manager; Member of Strategic Committee	67% (Note 1)	20%	–	–	–	100%
Cao Jianxiong	Non-executive Director; Member of Strategic Committee	100%	100%	–	–	–	100%
Li Yangmin	Non-executive Director; Member of Strategic Committee	50% (Note 1)	60%	–	–	–	33% (Note 1)

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings and shareholder' class meeting	Attendance rate for Audit and Risk Management Committee	Attendance rate for Remuneration and Evaluation Committee	Attendance rate for Nomination Committee	Attendance rate for Strategic Committee
Yuan Xin'an	Non-executive Director; Member of Remuneration and Evaluation Committee; Member of Strategic Committee	67% (Note 1)	20%	–	100%	–	67% (Note 1)
Cao Shiqing (Note 2)	Independent Non-executive Director; Member of Audit and Risk Management Committee; Chief Member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	100%	100%	100%	–	–
Ngai Wai Fung (Note 2)	Independent Non-executive Director; Chief Member of Audit and Risk Management Committee; Member of Remuneration and Evaluation Committee	100%	100%	100%	100%	–	–
Liu Xiangqun (Note 2)	Independent Non-executive Director; Member of Audit and Risk Management Committee; Member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	–	–	–	–	–
Pan Chongyi (Note 2)	Resigned as Independent Non-executive Director; Resigned as Member of Audit and Risk Management Committee; Resigned as Chief Member of Remuneration and Evaluation Committee; Resigned as Member of Nomination Committee	–	–	–	–	–	–

CORPORATE GOVERNANCE REPORT

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings and shareholder' class meeting	Attendance rate for Audit and Risk Management Committee	Attendance rate for Remuneration and Evaluation Committee	Attendance rate for Nomination Committee	Attendance rate for Strategic Committee
Zhang Hainan (Note 2)	Resigned as Independent Non-executive Director; Resigned as Member of Audit and Risk Management Committee; Resigned as Member of Remuneration and Evaluation Committee; Resigned as Member of Nomination Committee	–	–	–	–	–	–
Cheung Yuk Ming (Note 2)	Resigned as Independent Non-executive Director; Resigned as Chief Member of Audit and Risk Management Committee; Resigned as Member of Remuneration and Evaluation Committee; Resigned as Member of Nomination Committee	80% (Note 1)	80%	100%	100%	–	–

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the director in 2016, excluding meetings by way of circulation of written proposals.

   During 2016, the Board held five physical meetings, one work meeting for all directors and four meetings by way of circulation of written proposals, and convened one AGM, one domestic shareholders' meeting, one H shareholders' meeting and two extraordinary general meetings. The Audit and Risk Management Committee held three meetings. The Remuneration and Evaluation Committee held one meeting and one meeting by way of circulation of written proposals. The Nomination Committee held three meetings by way of circulation of written proposals. The Strategic Committee held three meetings.

   When Director Xiao Yinhong, Director Li Yangmin, Director Yuan Xin'an and Director Cheung Yuk Ming 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 Pan Chongyi and Director Zhang Hainan resigned on January 26, 2016. Director Cao Shiqing and Director Ngai Wai Fung assumed their duties with effect from January 26, 2016. Director Cheung Yuk Ming resigned on October 18, 2016. Director Liu Xiangqun assumed his duties with effect from October 18, 2016.

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

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

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

In 2016, the Board completed comprehensive inspection and valuation on its risk management and internal control system, and considered that the risk management and internal control system of the Company was effective and sufficient, while no material or major defects were found which would affect the financial control, operational control and compliance control of the Company.

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

Last year, the Company identified 10 material and major risks in various risk areas such as strategy, market, operation and finance, and formulated risk responding measures and solutions based on analyzes of these areas. Upon the assessment for the current year, both the possibility and extent of impact of risks were lowered, and there was no material risk claim occurred in 2016, indicating that the risk responding measures implemented by the Company over the previous year could effectively reduce the aforementioned risks. 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.

The management of the Company is responsible for the design, execution and supervision of risk management and internal control system, and reports to the Board about the outcome on a regular basis.

The Company reviews the risk management and internal control system for the previous year at least once a year and presents the annual report of risk and internal control to the Audit and Risk Management Committee of the Board in order to assist the Board in assessment of the situation of control and effectiveness of risk management of the Company. Since the Company launched the risk management and internal control, no material risk claim has occurred.

There were no material failures or weakness of control for the current year. The Company has effective procedures in relation to financial reporting and compliance with the Listing Rules.

Procedures for risk identification, assessment and management:

(1) Collection of initial information of risk management and update on risk event database

In carrying out its comprehensive risk management, the Company ceaselessly and extensively gathered all internal and external information related to its risk management. Each business unit and functional management unit shouldered the responsibility of collecting primary information. The internal control and risk management department of the Company organized an update of the company-wide risk event database once a year by working with the various units of the Company in identifying the risks in the major operating activities and operational workflow of the Company based on the changes in the internal and external environment actually facing the Company, supplementing and revising the description and classification of pre-existing risk events, and updating the risk event database prior to the annual risk assessment.

(2) Risk assessment

In 2016, the Company launched comprehensive risk assessment, which covered all business units and areas of functional management. The individuals participated in assessment included staff of the Company at all levels. The Company adopted a well-developed risk assessment model through the internal control and risk management system in order to evaluate the relevant risk events from two dimensions, which include the possibility of occurrence and its level of impact, and five key risk areas, namely corporate strategy, market, finance, law and operation.

(3) Risk responding and management

In respect of risk events with higher risk ratings, the relevant responsible units have been organized to thoroughly analyze the source of risks and risk factors, proposed risk management strategies and risk solutions, and performed ongoing control and monitoring to ensure the measures adopted have been implemented effectively. An information system keeps track of all assessment processes and responding history to streamline the procedure for managing significant risks and make sure the methodology applied is more scientific.

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

The review procedures of the Company's risk management and internal control system include self-assessments for each unit, examination by the Company's internal audit team to review and prudently enhance the results in risk management and internal control. Meanwhile, professional entities have been engaged to review whether the risk management and internal control conducted in relation to certain major risks are adequate and to evaluate the results. The Company is of the opinion that such practice will help improve the quality of corporate governance and business operations of the Company in the future. 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, major risks, organize the relevant units to rectify the defects and response to the risks, and perform ongoing supervision and evaluation.

The procedures and internal controls for the handing 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 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 2016, 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 2016, the Company Secretary provided each director with updates and amendments to the Listing Rules and other laws and regulations from time to time and arranged induction training for the newly appointed directors, including talks on directors' responsibilities by the legal advisor and trainings on directors' continuing obligations under the Listing Rules.

In 2016, 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. Li Yangmin	A
Mr. Yuan Xin'an	A,B
Independent Non-executive Directors	
Mr. Cao Shiqing	A,B
Dr. Ngai Wai Fung	A,B
Mr. Liu Xiangqun	A,B

Notes:

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

B: attending thematic training talks organised by professional bodies

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date/ Termination Date
Cao Jianxiong	Non-executive Director	October 18, 2016	October 17, 2019
Li Yangmin	Non-executive Director	October 18, 2016	October 17, 2019
Yuan Xin'an	Non-executive Director	October 18, 2016	October 17, 2019
Cao Shiqing	Independent Non-executive Director	October 18, 2016	October 17, 2019
Ngai Wai Fung	Independent Non-executive Director	October 18, 2016	October 17, 2019
Liu Xiangqun	Independent Non-executive Director	October 18, 2016	October 17, 2019
Pan Chongyi	Independent Non-executive Director (resigned)	June 18, 2013	January 26, 2016
Zhang Hainan	Independent Non-executive Director (resigned)	June 18, 2013	January 26, 2016
Cheung Yuk Ming	Independent Non-executive Director (resigned)	June 18, 2013	October 18, 2016

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

BOARD COMMITTEES

Corporate governance functions

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

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

Audit and Risk Management Committee ("Audit Committee")

As mentioned in the announcement of the Company dated March 31, 2016, the Audit Committee was renamed as the Audit and Risk Management Committee, the role and functions of which 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 fifth session of the Board comprised three independent non-executive directors, namely Mr. Cheung Yuk Ming, Mr. Pan Chongyi and Mr. Zhang Hainan. Mr. Cheung Yuk Ming acted as the Chief Member (chairman) of the Audit Committee. Mr. Pan Chongyi and Mr. Zhang Hainan resigned on January 26, 2016, while Mr. Cao Shiqing and Dr. Ngai Wai Fung acted as members of the Audit Committee from the same day. On March 31, 2016, the Audit Committee was renamed as the Audit and Risk Management Committee. The new session of the Board started their duties on October 18, 2016; Mr. Cheung Yuk Ming resigned on the same day. On the same day, the Audit and Risk Management Committee appointed by the sixth session of the Board comprises the three independent non-executive directors of the sixth session of the Board, namely Dr. Ngai Wai Fung, Mr. Cao Shiqing and Mr. Liu Xiangqun. Dr. Ngai Wai Fung is acting as the Chief Member (chairman) of the Audit and Risk Management Committee. The term of each member of the committee is the same as his respective term as a director.

In 2016, the fifth session of the Audit Committee convened three meetings, and the attendance rate of all members at the meetings was 100%. The sixth session of the Audit Committee did not convene any meeting in 2016. The work of the fifth session 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. discussed, in particular, the risk management and internal control of the construction project of the Company's high technology park/headquarters park in Shunyi District, Beijing and conducted site visits, and gave specific recommendations and opinions on enhancing the control mechanism, ensuring the sufficiency of internal resources and avoiding risks. The committee is continuously monitoring the work progress.

4. 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.

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

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

Remuneration and Evaluation Committee

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

The Remuneration and Evaluation Committee appointed by the fifth session of the Board comprised three independent non-executive directors, namely Mr. Pan Chongyi, Mr. Cheung Yuk Ming and Mr. Zhang Hainan and a non-executive director, namely Mr. Yuan Xin'an. Mr. Pan Chongyi acted as the Chief Member (chairman) of the Remuneration and Evaluation Committee. Mr. Pan Chongyi and Mr. Zhang Hainan resigned on January 26, 2016, while Mr. Cao Shiqing and Dr. Ngai Wai Fung acted as members of the Remuneration and Evaluation Committee from the same day, and Mr. Cao Shiqing acted as the Chief Member (chairman). On 18 October, 2016, the new session of the Board took office, and Mr. Cheung Yuk Ming resigned on that day. On the same day, the Remuneration and Evaluation Committee appointed by the sixth session of the Board comprises three independent non-executive directors, namely Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun, and a non-executive director, namely Mr. Yuan Xin'an. Mr. Cao Shiqing is continuing to serve as the Chief Member (chairman) of the Remuneration and Evaluation Committee. The term of each member of the committee is the same as his respective term as a director.

In 2016, the fifth session of the Remuneration and Evaluation Committee held one physical meeting and one meeting by way of circulation of written proposals. All members attended the meeting to confirm the proposal on renewal of the liability insurance for directors and senior management, and proposed the remuneration of the new session of the Board. The sixth session of the Remuneration and Evaluation Committee did not convene any meeting in 2016. Pursuant to the approval obtained in the general meeting and the relevant rules and requirements issued by the domestic regulators as well as the obligations assumed by each of the directors, the current remuneration policies of the sixth session of the Board and the sixth session of Supervisory Committee of the Company are as follows: (i) the annual basic remuneration of each independent non-executive director is RMB60,000 (inclusive of tax). If he serves as a Chief Member of a committee, his annual remuneration shall be RMB70,000 (inclusive of tax). He may receive a meeting allowance of RMB3,000 or RMB2,000 (inclusive of tax) for each attendance at the Board meetings or committee meetings. If an independent non-executive director is a retired person-in-charge of a state-owned enterprise, then he is not entitled to receive the remuneration of directors pursuant to the aforementioned standards. Instead, he is entitled to receive a monthly work subsidy (basic salary) of RMB5,000 per person (inclusive of tax) and cannot receive any other monetary income from the Company; (ii) the basic annual remuneration of each independent supervisor is RMB60,000 (inclusive of tax), with no meeting allowance; (iii) with reference to the relevant regulatory requirements, except for independent directors and independent supervisors, other directors and supervisors (regardless of being Chairman of the Board and chairperson of the Supervisory Committee, or member or Chief Member of any relevant Committee) are not entitled to such remuneration, bonus and meeting subsidies; (iv) the adjustment procedures of remuneration standard: the remunerations of directors and supervisors are determined by the general meeting of the Company. The aforementioned adjustments of the current remuneration have to be submitted to the general meeting of the Company for the consideration and approval in accordance with the instruction of supervisory authorities and relevant requirements of laws and regulations before implementation. In particular, the adjustment proposal of director remuneration has to be formulated by the Remuneration and Evaluation Committee of the Board of the Company and submitted to the Board for consideration and approval.

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

Nomination Committee

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

The fifth session of the Board appointed Mr. Cui Zhixiong, an executive director, and two independent non-executive directors, namely Mr. Pan Chongyi and Mr. Zhang Hainan, to form the Nomination Committee. Mr. Cui Zhixiong acted as the Chief Member (chairman) of the Nomination Committee. Mr. Pan Chongyi and Mr. Zhang Hainan resigned on January 26, 2016, and Mr. Cao Shiqing and Mr. Cheung Yuk Ming acted as members of the Nomination Committee from the same day pursuant to the resolution of the Board. On 18 October, 2016, the new session of the Board took place, and Mr. Cheung Yuk Ming resigned on that day. On the same day, the sixth session of the Board appointed the chairman of the Board, namely Mr. Cui Zhixiong, and two independent non-executive directors, namely Mr. Cao Shiqing and Mr. Liu Xiangqun, to form the Nomination Committee. Mr. Cui Zhixiong is acting as the Chief Member (chairman) of the Nomination Committee. The term of each member of the Nomination Committee is the same as his respective term as a director.

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

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

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

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

In 2016, the Nomination Committee held three meetings by way of circulation of written proposals. The attendance rate of members at the meeting was 100%. During the reporting period, the Nomination Committee considered the relevant issues of nomination of chairman of the Board, the nomination of directors for the election of new session of the Board, the nomination of deputy general manager, chief financial officer and secretary to the Board.

Strategic Committee

The Strategic Committee is responsible for studying and advising the Company on its long term development strategies and significant investment decisions, including major issues like significant investment financing plans, significant capital operations and asset operations, which have an impact on the Company's development. Its duties are available at the Company's website.

The Strategic Committee of the fifth session of the Board currently comprises 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. Mr. Cui Zhixiong acted as the Chief Member (chairman) of the Strategic Committee. Upon the new session of the Board took office on October 18, 2016, the sixth session of the Board continued to appoint the two executive directors, namely Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an to form the Strategic Committee. Mr. Cui Zhixiong is acting as the Chief Member (chairman) of the Strategic Committee. The term of each member of the committee is the same as his respective term as a director.

The Strategic Committee convened three meetings in 2016. Please refer to page 20–21 of the report for the attendance rate of each committee meeting. During the reporting period, the Strategic Committee had considered several significant projects including the project regarding acquisition of OpenJaw and the formation of CMRH Life and CMRH P&C.

Executive Committee

On March 31, 2016, the Board resolved to cancel the Executive Committee, and terminate the power granted to the Executive Committee during 2014 and the committee's terms of reference. All offices of the Executive Committee formerly taken charge of by the executive directors shall terminate simultaneously. Details are set out in the announcement of the Company dated March 31, 2016.

REMUNERATION OF EXTERNAL AUDITORS

The aggregate service fees paid to Baker Tilly Hong Kong Limited ("**Baker Tilly Hong Kong**", Certified Public Accountants in Hong Kong) and Baker Tilly China ("**Baker Tilly China**", Certified Public Accountants in the PRC) for Year 2016 amounted to RMB2,825,200, comprising annual audit fee of approximately RMB1,594,100 and non-audit service fees of approximately RMB1,231,100 for the review of interim financial statements, compliance review of continuing connected transactions and compliance review of preliminary results announcements and others.

The Board recommended to re-appoint Baker Tilly Hong Kong and Baker Tilly China as the Group's international and PRC auditors respectively for Year 2017.

COMPANY SECRETARY

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

POWER OF SHAREHOLDERS

Procedures for convening an extraordinary general meeting

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

Procedures for shareholders to make enquiries to the Board at any time

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

Procedures for putting forward a proposal at the general meeting

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

Shareholders may contact the Company via the following means:

Telephone: 861057650696
Facsimile: 861057650695
Email: ir@travelsky.com
Postal address: No.157 Dongsi West Street, Dongcheng District, Beijing 100010, PRC

INVESTOR RELATIONS

There were no amendments or changes to the Articles in 2016.

SUPERVISORY COMMITTEE

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

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

The sixth session of the Supervisory Committee of the Company comprised Mr. Huang Yuanchang, Mr. Xiao Wei, Ms. Zeng Yiwei, Mr. He Haiyan and Mr. Rao Geping. Mr. Rao Geping was an independent supervisor while Mr. Huang Yuanchang and Mr. Xiao Wei were staff supervisors. Mr. Huang Yuanchang acted as the chairperson of the Supervisory Committee upon the election of the Supervisory Committee. Mr. Huang Yuanchang and Mr. Xiao Wei were re-elected as the staff supervisors in the staff representative meeting of the Company held on 17 January 2017.

The list of supervisors of the Supervisory Committee of the Company and the attendance of each supervisor at the Supervisory Committee meetings in 2016 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings	Attendance rate for general meetings	Attendance rate for Board meetings (as non-voting attendee)
Huang Yuanchang	Chairperson of the Supervisory Committee, Staff Supervisor	100%	100%	100%
Xiao Wei	Staff Supervisor	100%	80%	100%
Zeng Yiwei	Supervisor	33% (Note 1)	0%	20%
He Haiyan	Supervisor	67% (Note 1)	100%	60%
Rao Geping	Independent Supervisor	33% (Note 1)	80%	60%

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the supervisor in 2016. The attendance rate for meetings by way of circulation of written proposals was not included in the above attendance rate.

   In 2016, the Supervisors shall be present in three meetings of the Supervisory Committee; five physical meetings of the Board; one AGM, one domestic shareholders' meeting, one H shareholders' meeting and two extraordinary general meetings.

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

During 2016, the Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2015 and the interim results for the six months ended June 30, 2016, 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 2016.

By Order of the Board
Yu Xiaochun
Company Secretary

March 29, 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The board of directors is responsible for the Environmental, Social and Governance (ESG) strategies and reports. The ESG report (hereinafter referred to as the report) is prepared with reference to the Guideline on Environment, Society and Governance ("**ESG**") specified in Annex 27 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The report covers a period from January 1, 2016 to December 31, 2016 (hereinafter referred to as "**the reporting period**"), and certain parts may be beyond this time frame. The report is applicable to the headquarters and affiliates of TravelSky Technology Limited.

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

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

A. ENVIRONMENT

A1. Emissions

The Group strictly abides by *Environmental Protection Law of the People's Republic of China* and relevant laws and regulations and strengthens its work on energy conservation and emission reduction, especially on major emissions, based on the characteristics of the industry and itself.

During the reporting period, major emissions from the Group are greenhouse gases produced by various energy consumption, household wastes and domestic sewage produced in business operation, and emissions produced in constructing Shunyi Industrial Park.

- Greenhouse gas emissions are strictly performed statistical analysis and monitoring and included in carbon emission trading in Beijing.

- Household wastes and domestic sewage produced in business operation are intensively disposed by local municipal administration institutions.

- Emissions produced in the construction of Shunyi Industrial Park are classified for disposal. Sewage at construction sites is discharged into municipal sewage pipelines after sediment in septic tanks; solid wastes produced in construction are separately collected, intensively stacked and timely removed; and resource wastes and waste materials are minimized by optimizing construction schemes, preparing reasonable material procurement plans, reducing the consumption of temporary and revolving materials.

A2. Use of Resources

The Group pays close attention to the trend of energy conservation and emission reduction, implements resource saving and environmental protection into all links of operation, control the use of resources by means of green office, green construction and E-services, so as to promote sustainable development.

Green office

The Group actively popularizes the concept of green office through informatization, electronization and other technical means, aiming to realize paperless office without the need of faxing and printing in many fields, so as to avoid paper wastes.

- Since the headquarters' OA system was officially launched in 2014, the system has been fully applied in management of receiving and sending document, routine maintenance of nodes, filing, stamping and other internal daily work and approval process.

- Requirement change management system (CQ system) with the help of ClearQuest software is used to handle the headquarters' all development requirements on tests and production. During the reporting period, 10,768 requirements have been processed with CQ system.

- The Group has established a customer service system which enables 100% computerization management of customers' requirements on main business and online acceptance of customers' problems and faults through electronic work order flow. During the reporting period, approximately 37,000 requirements and problem work orders have been accepted by the customer service system.

Green construction

Shunyi Industrial Park under construction takes Green Building LEED Certification as standard and adopts advanced technologies for low-carbon operation. It is included on the list of the fifth batch of "National Green Building Demonstration Projects".

- The layout of on-site water supply network is reasonable, and the configuration rate of water saving instrument is 100%; and no leakage is found from pipe network and water supply instrument.

- High-intensity, long service life and low-power LEDs are used in project construction area, such energy conservation and environmental protection technologies as solar-powered street lamps are adopted, the usage rate of energy saving lamps is up to 100% in construction site.

- Solar PV power generation equipment is equipped to supply power for work and life.

E-service

The Group has introduced many e-service products such as electronic tickets, online check-in, electronic boarding pass, electronic bills of lading and electronic customs declaration. Whiling providing convenience to customers, the Group uses high-tech means to fulfill the responsibility of resource conservation, which only not reduces the consumption of paper raw materials but also cuts the release of carbon emissions and harmful substances from aviation enterprises in making, transporting and utilizing of passenger lists in paper form.

In 2016, the Group's ETD system processed approximately flight reservations of 524.2 million passengers for domestic and foreign commercial airlines, the accounting, settlement and clearing system processed about 303.9 million BSP tickets which were used in 142 major domestic and international airports through CUSS, online check-in services which were available in 267 domestic and international airports processed check-in for approximately 176.8 million passengers together with mobile check-in and SMS check-in products, air cargo logistics system processed 210,000 electronic waybills, with electronic customs declaration services applied in 17 airport cargo terminals.

A3. Environment and Natural Resources

Emissions induced by group operation are properly disposed in order to minimize adverse impacts on environment and natural resources. Equipment and measures that can reduce dusts are used in the construction site of Shunyi Industrial Park; a series of soil protection measures are taken to protect local soil from damages as far as possible and minimize the negative impacts of project construction on environment and natural resources.

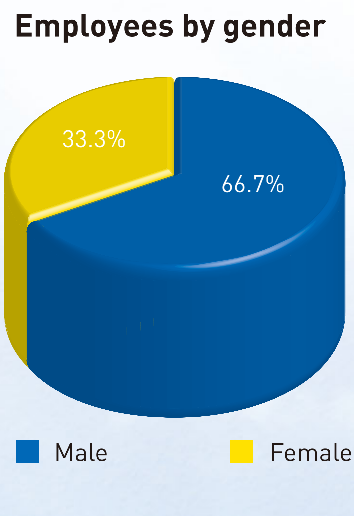
During the reporting period, the Group has not involved any litigation and fine due to violation of environmental laws and regulations.

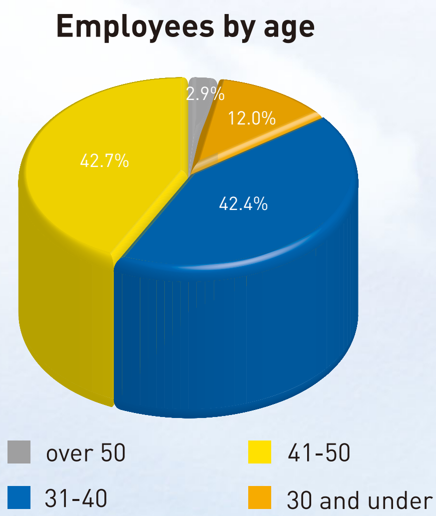
B. SOCIETY

B1. Employment

The Group strictly complies with the *Labor Law of the People's Republic of China* and relevant regulations, standardizes employment procedures, signs labor contracts and non-competition agreements with employees in accordance with laws, conscientiously implement attendance and discipline management systems, improves salary incentive and post promotion systems, and enhances democratic management, sparing no effort to ensure legitimate rights and interests of employees. In order to improve the level of human resource management and establish equal employment relationship, the Group has formulated Rules on the Administration of Labor Contracts (Trial), Employee Handbook (Discipline Part) and other related rules.

As of the reporting period, the Group has 7,255 employees, 87.5% of whom have bachelor's degree or higher and 24.1% have master's degree or higher. The statistics on employee structure are summarized as follows:





The Group continues to explore and expand channels to recruit IT talents on a broad scale. In 2016, it was granted "Best Graduates Talent Development Award" in "HR Selection Awards in Greater China 2016" organized by ATA, the largest independent third-party examination and evaluation organization in China.

The Group adheres to the principle of "two-way selection, competition for posts, appropriate vacancy, and preparation for both promotion and demotion". It can been seen from the annual performance appraisal results of the recent two years that, the Group has taken such comprehensive means as examination, inspection and evaluation to make position adjustment to reinforce the strength of key-position staff in administrative department and staffing optimization.

B2. Health and Safety

Occupational health and safety

The Group attaches importance to the occupational health of employees and strictly abides by *Trade Union Law of the People's Republic of China, Law of the People's Republic of China on Labor Rights and Interests, Law of the People's Republic of China on the Protection of the Rights and Interests of Women* and relevant laws and regulations, reasonably arrange work schedule, makes endeavors to provide employees with a safe, healthy and comfortable working environment. The Group has hired professional organization to conduct special physical examination for female workers.

The Group pays close attention to safety guarantee, does its best to create "zero accident" working environment, and puts security work into place by drafting security-related management rules and job responsibilities; reinforces fire management in accordance with Job Responsibilities of Fire Control Room Staff, Practice Code of Fire Control Room and other rules; conducts fire evacuation drill and newcomer fire control training regularly, so as to improve staff's fire control and self-saving consciousness. No job-related death is reported during the reporting period.

Caring for employees

The Group pursues Generalized System Preference services and continuously helps employees ignite career development and improve quality, lends a hand to those in difficulties, safeguards their rights and interests, and provides them with mental care and culture and sports services.

- The Group has taken such initiatives as offering holiday gifts, buying fitness equipment, setting up "caring mother" house, furnishing green plants and air purifiers and distributing face masks to provide collective welfare and enhance the sense of belonging.

- The Group has taken "Warm-winter and Cool-summer" activities as the main carrier to care for employees at the production line, in remote areas and in difficulties. During the reporting period, the Group leaders inspected the production line and visited nearly 1,000 employees in 22 enterprises, helping them to settle problems and difficulties.

- The Group has promoted the implementation of "Mental Health and New Journey" Employee Assistance Program (EAP) to provide all employees and their family members with 24-hour consulting services. During the reporting period, the Group has offered 532.5-hour consulting services through hotline and other consultation ways and has held 34 EAP implementation road shows and introduction activities, with 1,173 people participated.

- The Group has carried out special activities for female employees themed "Wisdom Women and Harmonious Family", aiming to cultivate cultural literacy and hobbies of female employees. It also carried out series of articles and photo solicitation campaigns around the concept of "family", and gave awards and recognitions to excellent works.

- The Group has established Staff Recreational Activity Association of TravelSky Technology Limited and prepared *Measures for the Administration of Staff Recreational Activity*. During the reporting period, seven recreational activities were held in Beijing, such as "TravelSky Cup" sports matches and Table Tennis Match".

▲ "TravelSky Cup" Table Tennis Match

▲ Preliminary Training on "Mental Health and New Journey" Employee Assistance Program (EAP) Ambassadors

B3. Development and Training

The Group puts emphasis on talent development and training and makes efforts to improve staff adaptability and executive ability by setting up staff career development system and learning organization, so as to meet human resource needs for its long-term development and provide staff with support for the realization of their own value.

During the reporting period, the Group has organized the selection of Employees for Special Government Allowances of the State Council 2016, the recommendation of Top-notch Personnel of State-owned Enterprises, the recommendation and selection of Individuals and Teams for Innovative Talents Promotion Projects of State-owned Enterprises (National High-level Personnel of Special Support Program), and application of the Qualification of Intermediate and Senior Professional and Technical Posts, making efforts to explore employees' capabilities and optimize talent team.

Based on *Medium- and Long-term Plan for Talent Development (2012-2020)*, the Group pushes the construction of training system, prepares *Measures for the Management of Internal Trainers (Trial), Interim Provisions on the Administration of Employee Education and Training* and other training-related system, and puts them into full implementation.

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

Category of trainees	The number of trainees	Training hours
Medium-level and senior management	388	26.6
General employees	15,000	15.5

Trainings conducted by the Group during the reporting period include:

- Orientation training for newcomer
- Fire control training for newcomer
- Professional skill training for on-the-job employee
- Special training for professional and technical personnel
- Required job-related qualification certification training
- Participation into technology and skill-related professional training, general learning and academic discussion, etc. upon assignment

Case: Team leader training

In 2016, the Group organized a series training on team leaders, with 212 team leaders from 55 enterprises participating in it; meanwhile, 90 team leaders from 22 enterprises were selected to participate in remote training on team leaders from state-owned enterprises. Through team leader training, the Group set up 47 exemplary teams responsible for the following five business sectors: operation guarantee, product R&D, marketing, customer services and operation management.

▲ Team leader training

B4. Labor Standards

The Group strictly abides by the relevant laws and regulations accepted in the international community and operation location, conducts detailed screening and verification of the age information of the staff to be recruited, and prohibits the recruitment of child labor. The Group has signed The Collective Contract, The Special Collective Contract on the Protection of Women Workers' Rights and Interests, The Special Collective Contract on Labor Safety and Health with employees, in order to protect the staff's working environment, labor remuneration, working hours and holiday, labor safety and health, and other welfare and requirements, and to put an end to the forced labor. During the reporting period, no lawsuit on labor and child labor has been filed.

B5. Supply Chain Management

In order to regulate the Group's supplier management mechanism and ensure that the supplier provides qualified products and services, the Group has formulated the *Supplier Management Measures*. According to the Measures, the Group upholds the principle of a fair, open, and just procurement, conducts a rather strict review and supervision of supplies by adopting the procedure of the introduction, cooperation, management and review, and builds a safe, reliable, stable and win-win supply-demand partnership.

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

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

B6. Product Responsibility

The Group adheres to the concept of "safety coming first", conforms to the industrial laws and regulations, for instance, *Internet Information Management Measures*, guarantees the safe operation, and fulfills product responsibility. The Group has maintained a steady trend of safety production for many years and comprehensively safeguarded the information security and the business construction and operation quality, so as to realize the commitment for the civil aviation safety.

After the continuous research and development for many years, the Group, centering on such four major information systems as the flight control, seat distribution, check-in cargo, and accounting, settlement and clearing system, has gradually created a complete aviation tourism information technology service industry chain and formed a relatively abundant, powerful, and competitively priced aviation tourism information technology services product line that includes aeronautical information technology, accounting, settlement and clearing, distribution information technology, airport information technology, air cargo logistics information technology, public information service, and other services. These services have extended to more than 30 Chinese commercial airlines, more than 350 foreign and regional commercial airlines, more than 200 domestic airports (freight depot), and more than 8,000 travel agencies and travel agents in over 300 domestic cities and more than 100 foreign cities.

Safeguarding production safety

In the face of the increasingly prominent problems of network, system and data security, the Group has continuously strengthened the information security protection capability, protected customer privacy, and strictly controlled the safety operation, so as to service the determination and confidence in the overall development of the Group.

Safety management

The Group is operated in a standardized way since it has passed the ISO9001 quality management system certification, ISO20000 information technology service management certification, and ISO27001 information security management system certification.

The Group has formed a complete *system information emergency management system, information system audit management system, and information system security management system*, based on such provisions as Safety Production System, Information System Security Management System, and Safety Quality Process Management Standard, so as to strengthen the source control, implement the responsibility supervision, and ensure the effective operation of the safety control system. In addition, the Group has promoted the improvement and implementation of such safety systems as New-Generation System Commissioning Management System and System Information Security Classification Management Measures; organized emergency drills for several times to ensure the effective operation of emergency management system; implemented the basic safety management project construction and strengthened the record management of information system, especially of the new system, and the dynamic tracking capability of information system security information.

During the reporting period, the Group has maintained an overall stable safety production and its security protection capability continues to be enhanced. The various production and operation activities are conducted in a safe and orderly way, since the breakdown time of the flight control system, computer distribution system, outbound control system and the core network is zero, and annual availability rate of other core business systems exceeds 99.99%. The new-generation system security monitoring has realized 100% coverage and the active discovery rate of information security vulnerabilities is more than 99%. Operation safety and information security assessment covers production systems and production units for 100%.

Case: Guarantee to major tasks

In 2016, the civil aviation provided guarantee to major tasks for more than 100 days, hitting a new record. During the reporting period, the Group has effectively safeguarded the safety operation of the civil aviation passenger information system during the periods of major protection, such as Spring Festival, the National Day, the annual sessions of National People's Congress and Chinese People's Political Consultative Conference, G20 Summit and Davos Forum.

Early major protection period	Founded the leading group, deployed carefully, and established the three-dimensional protection system
During the major protection period	"Five-level duty system", fulfilled the task without delays, complaints, or incidents

Ensuring privacy safety

The Group has always attached great importance to the privacy protection of civil aviation passengers. Through various measures in business constraints, technical support, self-management, such as the strict issuance of agent system configuration and authority, the elimination of the potential security hazards of the external platform and the upgrading of the technical level, and the strict monitoring and prevention, the Group has constantly improved its safety management level and protection capability to enhance customer information security protection, and provide the travelers with convenient and reliable travel services.

Case: Umetrip

"Umetrip", the only civil aviation travel service App officially introduced by the Group, provides travelers with active civil aviation travel information service and creates a brand new convenient electronic trip mode and green trip experience. It has become the typical representative of "Internet + civil aviation". At present, with the number of users exceeding 30 million. In 2016, Umetrip has helped frequent travelers save the queuing time of 4.66 million hours through the mobile phone check-in. The "Ticket Monitoring", "National Quiz", and other functions newly introduced in 2016 in the industry are well received. Since its emergence, the App has innovated more than 20 major industry initiatives, applied for more than 20 national patents, won the "Jin Rui Best Innovation Award", "E-commerce Integration Innovation Award", "The Best Travel Service App", and other honors, obtained a good user reputation and high industry attention, worthy of the title as the star product used by civil aviation passengers in recent years.

Technological and business innovation

Through the construction of a complete technological innovation system and a thorough research and development capabilities measurement system, the Group concentrates on the product transformation of the research results. The Group has formulated some systems, such as Technical Support Services Management Rules for Business Innovation Projects, Interim Measures for Patent Management, and Interim Measures for Innovation Award Funds, to systematically manage and protect the innovation results and promote the industry development while enhancing the technological and business innovation.

Establishing the innovation platform

The Group has set up a business innovation incubation platform to discuss the strategic planning, planning management, and operational improvement of new businesses, and the research, exploration, incubation, and cultivation of new models, and to establish the institutional support with regards to the innovation incubation projects, personnel, special fund support and other aspects, based on the enterprises' situations.

Case: TravelSky Innovation and Creativity Contest

In March 2016, the Group hosted "TravelSky Innovation and Creativity Contest", in which almost 500 employees involving more than 150 innovation projects in 17 units in the company's headquarter and subsidiaries participated. Their innovations concerned more than 10 fields, such as aviation, airport, tourism, data analysis, and general aviation. Some projects promised good business prospects and values. A total of 27 innovation winning awards in this contest entered the "2016 Central Enterprises Stars Innovation and Creativity Contest" and 9 of them entered the finals.

▲ TravelSky Innovation and Creativity Contest

While enhancing the technological innovation, the Group underscores the product transformation of the scientific research achievements, expands the external cooperation, and promotes the construction of the project technology center and scientific research projects.

- The Group has completed the application and assessment of Beijing Science and Technology Commission Engineering Technology Center and obtained the identification of Beijing Design Innovation Center.

- The major special national science and technology major project "Core Electronic Devices, High-end General Chips and Basic Software Products" (referred to as CHB Project for short) – *Civil Aviation Ticket Trading System Application Research and Demonstration Project Based on the Safe and Reliable Basic Software* has made a major breakthrough. The e-ticket system platform of Tibet Airlines, Capital Airlines, and Air China has been tested and adapted based on the domestic operating system Standard Qilin, autonomous middleware and the dream database, and successfully switched to completely domestic software platform. The project won the high recognition of leaders in the Ministry of Science and Technology and Civil Aviation Authority, passed the interior acceptance of CHB experts in the Ministry of Industry and Information Technology, and is now transferred to the Ministry of Industry and Information Technology for the comprehensive acceptance stage.

- The Group has completed the national cloud computing project special platform research and development (R&D), the R&D tasks of two civil aviation science and technology projects which has entered into the acceptance stage, the approval of a major civil aviation project, and a major civil aviation declaration. A total of 8 products have been delivered for the actual use, such as Yupiaobao, E Take-off, and Navigation Airport Information Platform, Navigation Sales Platform and others for the general aviation projects.

Intellectual property management

The Group respects independent scientific research achievements and underscores intellectual property management. After issuing *Interim Measures for Patent Management and Patent Management Implementation Rules* in 2010, the Group has continuously and effectively organized the independent intellectual property rights declaration and protection work.

In 2016, the Group established a patent value assessment indicator system which laid a good foundation for the later hierarchic management and operation of intellectual property rights. In addition, 30 patents were successfully applied, more than 30 computer software copyright registration certificates were obtained, and 4 trademark certificates were registered.

Industry development promotion

Within the reporting period, the Group has made several major scientific and research achievements, for instance, the new-generation flight management system construction; formulated and participated in the formulation of several industry standards. 4 detailed standards in *Air Flight E-data Norms* which entails the Group has been issued as the industry standard by CAAC, effectively regulating the industry order and promoting the rapid development of the industry.

Case: the new-generation flight management system has gone through the R&D, production, and delivery

The new-generation flight management system has gone through the R&D, production, and delivery, marking not only the successful application of the system to the large full-service airlines but also the periodical major achievements of the CAAC new-generation traveler service system construction led by the Group and involving several domestic airlines.

▲ Photo of commencing operation of the new-generation flight management system

Improving customer experience

Within the reporting period, the Group has worked hard to improve customer experience and customer service system construction from customer service system construction, innovative strategic layout, satisfaction survey, and other aspects.

- built a customer service system which has been put into use in the main business divisions, back offices, subsidiaries, and very important customers, providing support for the front-line customer service division and realizing the transparent monitoring the service.

- Our company has formulated some related regulations, such as Service Specifications, Airline Complaint and Compensation Process Flow, and others, offers customers the comprehensive and thorough services.

- Our company has preliminarily completed the "Internet + Customer" service strategic layout and can now make accurate matches between customers' service demands and the existing service resources through the service web portals, Wechat service account and mobile terminals.

- Our company has officially launched the monthly service satisfaction assessment in subsidiaries and employed the third-party agency to make the annual survey on customers' satisfaction about services. The survey results are fed back in time, which can promote the backstage service for the front desk, the full implementation of service concept of organs serving the grassroots, and provide the basis for the Group divisions' service capability improvement.

- Our company conducted a deep research of service resources and customer service demands, periodically visited customers, and provided customers with online and offline training. Within the reporting period, our company has visited airlines in different places for 435 times, airports for 791 times, and agents for 3,980 times. These visits have helped search, supervise, and handle 25 key problems fed back by customers.

B7. Anti-corruption

The Group strictly abides by *Company Law of the People's Republic of China* and relevant laws and regulation, promote compliance governance and operation, reinforce the development of a credibility system, and resolutely resist commercial bribery and business corruption. As a responsible state-owned enterprise, the Group has formulated rules and regulations related to anti-corruption, performed anti-embezzlement, anti-bribery and anti-corruption process.

The Group continuously improved and developed anti-embezzlement and anti-commercial bribery mechanism, has set up a sound petition reporting process, with channels of email and petition reporting the illegal activity anonymously, analyze regularly and report the data to the supervision departments. In the key area of anti-corruption risk, the Group strengthens the supervision and control of key fields and key aspects by establishing a comprehensive inspection, supervisory institution accreditation and other relevant management regulations, meanwhile, urges the grassroots units to implement anti-corruption work. During the reporting period, education of clean politics has been carried out for 5 times, involving 2,113 participants. During the reporting period, no interpellations, cases and punishments under the laws and regulations of operating place related to anti-embezzlement, anti-racketeering, anti-fraud and anti-money laundry occurred.

B8. Community Investment

The Group, which never forgets the water's source, is deeply concerned with the people's livelihood, and always ready to contribute to the society. In order to comply with policy guidelines in files such as the Outline of China's Rural Poverty Alleviation and Development (2011-2020) and fulfill the public service responsibility, the Group practices targeted poverty alleviation consistently, participates in public charity and community investment actively, and organizes staff to carry out a series of volunteer activities.

- **Targeted poverty alleviation**. During the reporting period, the Group has continued to promote the targeted assistance to Shenchi county, according to the principles and guidelines set in *TravelSky Work Plan for Targeted Assistance to Shenchi County (2015-2020)*. Throughout the year, the Group has directly invested more than RMB2.4 million, donated goods worthy of RMB70,000, and helped attracting capital more than RMB550,000, which directly help 1,123 poor people to be documented, benefiting more than 2,000 other poor households.

▲ Clothing distribution in Shenchi County


▲ Condolence from the leaders on a snowy day

- **Providing aid in the construction of Hope primary school**. The TravelSky Hope Primary School, located in Sanshui Town, Guanghan City, Sichuan Province, was formally completed on December 8, 2010. Till now, TravelSky has carried out a series of public welfare activities, such as, the construction of the "TravelSky Library", the setting up of the student fund, the donation of sports facilities and supplies, and "hand in hand continuous help" program. During the reporting period, the Group has raised more than RMB30,000 through charity bazaar to buy books and materials for the school.

- **Launching "Warm Winter" volunteer service activity**. Based on branches throughout the country, the Group has made full use of its technical advantages, launching several "Warm Winter" volunteer service activities in the airports of cities like Beijing, Qingdao and Xi'an. The volunteers help passengers print boarding pass and install the App of "Umetrip", and guide their boarding, which eases the pressure of the airport during the Spring Festival Travel Rush.

▲ The launching ceremony of TravelSky voluntary service team's "Warm Winter" activity.

- **Carrying out Learn-from-Lei Feng voluntary service activity**. The Group has always attached great importance to and supported the implementation of Learn-from-Lei Feng voluntary service activity in order to cultivate good morality and demonstrate the spirit of TravelSky staff. In 2016, the Group carried out a number of voluntary service activities such as helping the old with science and technology, voluntary blood donation, compulsory route-directing, donating, visiting and condoling the needed, and purifying the environment, which promoted the popularization of the activity.

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 2016.

GROUP ACTIVITIES

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

The analysis of the Group's financial performance is set out under the section headed "Management Discussion and Analysis of Financial Condition and Results of Operations". No analysis of the Group's revenues and contribution to operating profit by geographical areas is presented, as revenues and results of the Group during the Year 2016 were principally derived from the operations of the Group in the PRC.

BUSINESS REVIEW

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

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2016 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2016, 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, 2016, 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)
Templeton Asset Management Ltd.	55,763,491 H shares of RMB1 each (L)	Investment manager	5.98%	1.91%
JPMorgan Chase & Co.	93,487,299 H shares of RMB1 each (P) (Note 3)	Custodian-corporation/ approved lending agent	10.02%	3.19%
	109,682,771 H shares of RMB1 each (L) (Note 3):		11.76%	3.75%
	93,487,299 H shares (L)	Custodian-corporation/ approved lending agent		
	2,425,472 H shares (L)	Beneficial owner		
	13,770,000 H shares (L)	Investment manager		
	398,000 H shares of RMB1 each (S) (Note 3)	Beneficial owner	0.04%	0.01%
Platinum International Fund	43,293,433 H shares of RMB1 each (L) (Note 4)	Beneficial owner	6.96%	1.48%
Norges Bank	59,534,876 H shares of RMB1 each (L)	Beneficial owner	6.38%	2.03%

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.	55,102,327 H shares of RMB1 each (P) (Note 5)	Custodian-corporation/ approved lending agent	5.91%	1.88%
	55,176,801 H shares of RMB1 each (L) (Note 5):		5.92%	1.89%
	55,102,327 H shares (L)	Custodian-corporation/ approved lending agent		
	74,474 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	200,000 H shares of RMB1 each (S) (Note 5)	Interest of corporation controlled by the substantial shareholder	0.02%	0.01%
BlackRock, Inc.	55,293,589 H shares of RMB1 each (L) (Note 6)	Interest of corporation controlled by the substantial shareholder	5.93%	1.89%
China TravelSky Holding Company	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Southern Air Holding Company	349,381,500 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	65,773,500 domestic shares of RMB1 each (L) (Note 7)	Interest of controlled corporation	3.30%	2.25%

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
China Eastern Air Holding Company	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	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, 2016. 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, 2016; 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, 2016.

3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on December 19, 2016, JPMorgan Chase & Co. was deemed to be interested in 109,682,771 H shares (L) and 93,487,299 H shares (L)(P) and 398,000 H shares (S). These shares were held by J.P. Morgan Securities LLC, JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., JPMorgan Asset Management (UK) Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, J.P. Morgan Capital Financing Limited, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holdings Inc, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Chase (UK) Holdings Limited, JPMorgan Asset Management Holdings (UK) Limited, J. P. Morgan Overseas Capital Corporation, JPMorgan Asset Management International Limited, JPMorgan Chase Bank, N.A., J.P. Morgan International Finance Limited, which were directly or indirectly controlled by JPMorgan Chase & Co. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.

4) As the latest filing date of Platinum International Fund was November 12, 2010, which was prior to the date of the distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company in 2011, and its number of shares and percentage of shareholding as at December 31, 2016 is uncertain. The number of shares and the approximate percentage of respective class of share capital of Platinum International Fund stated in the above table were based on the disclosure of information on November 12, 2010.

5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on December 30, 2016, Citigroup Inc. was deemed to be interested in 55,176,801 H shares (L), 55,102,327 H shares (P) and 200,000 H shares (S). These shares were held by Citigroup Global Markets Hong Kong Limited, Citigroup Global Markets Limited, Citigroup Global Markets Inc., Morgan StanleySmith Barney Holdings LLC, Citibank N.A., Citigroup Alternative Investments LLC, Automated Trading Desk Financial Services, LLC, Citigroup Trust – Delaware, National Association, Citicorp Trust, National Association, Citicorp Trust South Dakota, Citigroup Global Markets Asia Limited, Cititrust (Bahamas) Limited, Cititrust (Switzerland) Limited, Citigroup Global Markets Deutschland AG, Citigroup Derivatives Markets Inc., Citigroup First Investment Management Limited, Cititrust Jersey Limited, Citibank (Switzerland) AG, Citigroup Global Markets Funding Luxembourg SCA, Impulsora de Fondos Banamex S.A. de C.V., Acciones y Valores, S.A. de C.V., Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc., Citigroup Global Markets Europe Limited, Citigroup Global Markets (International) Finance AG, Citigroup Global Markets International LLC, Citigroup Global Markets Inc., Citicorp Holdings Inc., Citigroup Investments Inc., Automated Trading Desk, LLC, Automated Trading Desk Holdings, Inc., Citigroup Acquisition LLC, Citibank N.A., Citigroup Global Markets Hong Kong Holdings Ltd, Citigroup Global Markets Overseas Finance Limited, Citigroup Global Markets Switzerland Holding GmbH, Citigroup Participation Luxembourg Limited, Citigroup International Luxembourg Limited, Citigroup Overseas Investments Bahamas Inc., Citibank Overseas Investment Corporation, Citigroup Global Markets Hong Kong Holdings Limited, Grupo Financiero Banamex, S.A. de C.V., Citicorp (Mexico) Holdings LLC, NAMGK Mexico Holding, S. de R.L. de C.V., Citigroup Capital Partners Mexico, S. de R.L. de C.V., Citicorp Global Holdings, Inc., Citicorp Banking Corporation, Citigroup Global Markets Finance Corporation & Co. beschrankt haftende KG, Citigroup Global Markets Finance LLC, Acciones y Valores, S.A. de C.V., Citibank N.A., Citibank Canada, Citigroup 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 12, 2016, BlackRock, Inc. was deemed to be interested in 55,293,589 H shares (L). These shares were held by Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Cayco Limited, BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock Asia-Pac Holdco, LLC, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock (Netherlands) B. V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Luxembourg Holdco S.à r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock (Singapore) 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. China Southern Air Holding Company 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. China Eastern Air Holding Company 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. China Eastern Air Holding Company 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. China National Aviation Holding Company was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.

11) 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 Hong Kong Exchanges and Clearing Limited ("**HKEx**") (www.hkexnews.hk).

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2016, no person (other than directors, supervisors or chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company that are required to be recorded in the register maintained by the Company under Section 336 of the SFO.

PUBLIC FLOAT

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

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

As at December 31, 2016, 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, 2016.

As at December 31, 2016, each of China TravelSky Holding Company, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company 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, 2016,

(a) Mr. Cui Zhixiong (an executive director) was an employee of China TravelSky Holding Company;

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

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

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

Save as disclosed above, as at December 31, 2016, 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 fifth session of the Board and the fifth session of the Supervisory Committee of the Company have entered into service contracts with the Company. The term for the sixth session of the Board and the Supervisory Committee is from October 18, 2016 to October 17, 2019. Pursuant to the relevant requirements of the PRC Company Law and the Articles, the respective term of the directors and supervisors shall commence from the conclusion of the general meeting at which such directors and supervisors are elected until the forming of the next session of the Board and the Supervisory Committee upon election by a general meeting.

For the year ended December 31, 2016, 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 determinable 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 fifth 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 in that section, 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 2016.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

PERMITTED INDEMNITY PROVISION

As of December 31, 2016, 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 2016.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2016 are summarised in Note 14 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2016 are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board proposed the payment of a final cash dividend amounting to RMB0.222 per share (tax inclusive) for Year 2016. For details, please refer to the section headed "Proposed Distribution of a Final Cash Dividend for 2016" in "Management Discussion and Analysis of Financial Condition and Results of Operations".

SHARE APPRECIATION RIGHTS

For the share appreciation rights scheme provided by the Company and details of share appreciation rights as at December 31, 2016, please refer to Note 38 to the consolidated financial statements.

EMPLOYEES' RETIREMENT SCHEME

Details of the employees' retirement scheme of the Group are set out in the section headed "Employees" in "Management Discussion and Analysis of Financial Condition and Results of Operations" and Note 9 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

Unisys (China) Co., Ltd. was the largest supplier of the Group for Year 2016 and the total fees paid by the Group to the company in Year 2016 accounted for 1.59% of the Group's total operating expenses (after deducting depreciation and amortisation expenses). During Year 2016, the total amount paid to the five largest suppliers of the Group accounted for 6.3% of the Group's total operating expenses (after deducting depreciation and amortisation expenses).

Sales to the largest customer of the Group, China Eastern Airlines Corporation Limited, accounted for 12.4% of the Group's revenues from its sales of goods or rendering of services for the Year 2016. During the Year 2016, total sales to the Group's five largest customers accounted for 42.8% 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 (a substantial shareholder of the Company), China Eastern Air Holding Company (a substantial shareholder of the Company) and China National Aviation Holding Company, held an aggregate of approximately 36.2% of the number of the issued shares of the Company as at December 31, 2016. 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 42 to the consolidated financial statements.

Save as disclosed in this report and in Note 42 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, 2016 are set out in Note 1 to the consolidated financial statements.

CONNECTED TRANSACTIONS

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

Continuing Connected Transactions

During the Year 2016, the Group continued to carry out the following transactions, which constitute continuing connected transactions as defined in the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

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

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

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

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

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

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

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

In accordance with the prescribed prices of Civil Aviation Administration of China ("**CAAC**") determined through amicable negotiation between both parties, depending on 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 balancing 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 November 1, 2013, October 17, 2014, March 25, 2015 and September 21, 2015 and circulars of the Company dated November 7, 2014 and October 23, 2015.

Waiver regarding written agreements:

As stated in the circular of the Company dated November 7, 2014, 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, 2016 were as follows:

Airlines (connected persons)	**Term of Waiver**	**Latest Signing of Agreements**	**Year 2016 Annual Caps** (RMB'000)	**Year 2016 Transaction Amounts** (RMB'000)
Southern Airlines	No waiver	Agreement for a term of two years was entered into for 2015–2016 on September 21, 2015.	605,981.480	540,872.69
Sichuan Airlines	No waiver	Agreement for a term of three years was entered into for 2014–2016 on November 1, 2013, annual caps for 2015 and 2016 were revised on March 25, 2015. Agreement for a term of three years was entered into for 2017–2019 on October 20, 2016.	221,346.000	186,441.03
Eastern Airlines	Three years from 2015 to 2017	Agreement for a term of two years was entered into for 2015–2016 on December 11, 2015.	730,988.534	639,891.21
Hebei Airlines*	No waiver	Agreement for a term of three years was entered into for 2014–2016 on April 7, 2013.	Nil	26,058.12

* As stated in the announcement of the Company dated November 19, 2014, Southern Airlines announced the acquisition of Hebei Airlines Company Limited ("**Hebei Airlines**") in October 2014. Hebei Airlines is also an associate of a substantial shareholder of the Company. Pursuant to Rule 14A.60, the Company has disclosed the connected transaction between the Group the Hebei Airlines in this report.

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

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

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

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

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

For Year 2016, the total rental paid by the Company to China TravelSky Holding Company for the lease of the Dongsi properties in Beijing stated in (i) above amounted to approximately RMB37,115,310, and the total rental paid by the Company to China TravelSky Holding Company for the Shanghai properties stated in (ii) amounted to approximately RMB13,158,958.

(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.

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

Details of the Services Framework Agreement

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

Service fees

The basis of 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, 2016 were as follows:

Connected Cares	**Year 2016 Annual Caps** (RMB'000)	**Year 2016 Transaction Amounts** (RMB'000)
Hainan Cares	20,000	13,622
Shenzhen Cares	37,200	28,376
Xiamen Cares	35,000	27,671
Xinjiang Cares	5,987	5,376
Dongbei Cares	33,000	26,020
Hubei Cares	14,239	9,600
Yunnan Cares	4,005	2,387
Xi'an Cares	7,805	5,776
Huadong Cares	42,900	36,681
Qingdao Cares	8,500	8,370

(d) Services Provided by ACCA to the Airlines (as Specified in Item (a) of the Section Headed "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 November 28, 2014, December 30, 2014 and November 27, 2015.

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

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

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

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

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

(1) the pricing of the provision of application systems in relation to passenger transport as well as relevant support and maintenance services is as follows: (i) the pricing of the abovementioned provision of domestic and international passengers transport revenue accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). The rate of unit price for such services is not more than RMB0.4 for domestic passengers and not more than RMB1.65 for international passengers. (ii) the pricing of the abovementioned provision of passenger transport business analysis system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but are determined through arm's

length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB3,200,000 for the usage and technology support of business analysis system products; a one-off system implementation fee of RMB100,000; and a customized development fee of RMB2,000 per person per day. (iii) the pricing of the abovementioned passenger transport promotion and incentive accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB1,200,000 for the technology support of the system products; a one-off system implementation fee of not more than RMB100,000; and a customized development fee of RMB2,000 per person per day;

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

(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; and (ii) if the transaction amount is more than USD1 million, then the exceeding part will be charged at a rate not more than 0.09%; and

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

In Year 2016, 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 2016 Annual Caps (RMB'000)	Year 2016 Transaction Amounts (RMB'000)
Southern Airlines	Agreement for a term of two years was entered into for 2015–2016 on November 28, 2014. Agreement for a term of two years was entered into for 2017–2018 on December 28, 2016.	78,644.826	74,211.41
Sichuan Airlines	Agreement for a term of three years was entered into for 2015–2017 on December 30, 2014.	10,747.675	10,714.80
Eastern Airlines	Agreement for a term of two years was entered into for 2016–2017 on November 27, 2015.	83,169.000	76,084.91
China Cargo	Agreement for a term of two years was entered into for 2016–2017 on November 27, 2015.	13,785.000	11,900.86

(ii) IATA (International Air Transport Association) – BSP Services (Provision of Sales Data Processing and Settlement Service)

Scope of services includes: provision of sales data processing and capital settlement service between IATA's agencies and certain airline companies in the PRC, Hong Kong, Macau and Taiwan, and supply of software application support, development and maintenance services. Pursuant to the service fee basis defined in the agreement dated March 27, 2008 between ACCA and IATA, service fees were charged on IATA on the basis of a "Standard Charging Unit" per processing transaction, and ACCA could obtain from the BSP DP system the corresponding service fees paid to IATA by certain connected persons of the Company (certain airline companies) for the services obtained under this agreement, i.e. the transaction amount of continuing connected transactions under this agreement. This agreement is for a term commencing March 27, 2008 and ending December 31, 2017.

As stated in the announcement of the Company dated August 30, 2013, the annual cap for Year 2016 for this continuing connected transaction between ACCA and the connected persons (as defined under the Listing Rules) of the Company (comprising Southern Airlines, Sichuan Airlines and Eastern Airlines) and certain associates of them was RMB32,770,000. In 2016, the transaction amount of such continuing connected transaction was approximately RMB24,742,870.

(iii) Domestic Mail Revenue Accounting and Settlement

As disclosed in the announcements of the Company dated August 18, 2011 and May 12, 2009, during the period from September to December 2008, ACCA entered into such agreement with each party thereto, for a term from January 1, 2009 to December 31, 2016. In August 2011, each party agreed to amend the relevant terms concerning computation of the receipt and payment under the agreement.

The agreement was entered into and signed by the following parties on dates set forth below:

Southern Airlines: November 5, 2008;
Xiamen Airlines: October 23, 2008;
Sichuan Airlines: September 10, 2008;
Eastern Airlines: December 11, 2008;
Shanghai Airlines: September 11, 2008

Scope of services under the agreement includes: provision of stock control, sales control, sales audit, uplift revenue proration, accounting processing, sales and uplift matching and clearing services by ACCA to the airlines. The system service fee was charged on a monthly basis. The service fee was based on the rate as set out in the agreement in which ACCA received payment of 5.5% handling charges based on the uplift amount from the airlines, and paid 4% handling fee to the airline based on sales amount. Such uplift amount and sales amount were determined based on the different roles (as carrier or seller) performed by the airlines in mail services transaction, and such fees were charged by reference to the relevant documents issued by the industry regulatory authorities.

The annual cap for Year 2016 for this continuing connected transaction was RMB147.3 million. The transaction amount in 2016 was approximately RMB29,685,734.

(e) Technology Services Provision Agreement for Air Freight Business

As mentioned in the announcement of the Company dated December 19, 2013, the Company entered into the Technology Services Provision Agreement, for a term commencing January 1, 2014 and ending December 31, 2016, with each of Shanghai Eastern Air Logistics Co., Ltd. ("**Eastern Logistics**") and China Cargo Airlines Co., Ltd. ("**China Cargo**").

China Cargo and Eastern Logistics are both subsidiaries of Eastern Airlines, i.e. the associates of a substantial shareholder of the Company. Eastern Logistics and China Cargo are therefore connected persons of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Contents of service: The Company will provide air freight logistics system services, which mainly include computer management technology services for air freight business, including services for computer management of flights, routings, space, reservations, ratings, sales, warehouse and claims and settlement, etc., as well as the relevant technology supports.

Pricing of fees: The service fees for the technology services include (i) fees for each waybill handled by the air freight logistics system up to a maximum allowable price of RMB6 for international and regional routes and up to a maximum allowable price of RMB2.5 for domestic routes depending on the types of waybills; and (ii) other miscellaneous fees, including but not limited to communication fees. Such fees will be payable by China Cargo/Eastern Logistics in cash every two months.

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

In Year 2016, the transaction amounts and annual caps of the above continuing connected transactions between the Company and each of Eastern Logistics and China Cargo were as follows:

Connected persons	Year 2016 Annual Caps (RMB'000)	Year 2016 Transaction Amounts (RMB'000)
Eastern Logistics	18,150	11,595
China Cargo	7,260	2,199

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 2016:

Connected Cares	Date of Agreement and Announcement	Content of contracts	Contract Sum (RMB)
Hainan Care	11 January	The Company will provide to Hainan Cares comprehensive software expansion and implementation service in relation to the departure system and security inspection information system, which includes a five-year software license and oneyear back-end maintenance service, for the Sanya Phoenix International Airport. The expansion content includes the provision and implementation of 20 sets of departure check-in software, 7 sets of departure boarding systems and 6 sets of security information management system software for security checks.	3,614,000.00
		The Company will provide to Hainan Cares comprehensive software expansion and implementation service in relation to the departure system and security inspection information system, which includes a five-year software license and oneyear back-end maintenance service, for the Haikou Meilan International Airport. The expansion content includes the provision and implementation of 16 sets of departure check-in software, 19 sets of departure boarding systems and 14 sets of security information management system software for security checks.	4,670,000.00

Connected Cares	Date of Agreement and Announcement	Content of contracts	Contract Sum (RMB)
	7 April	Hainan Cares shall provide the Company the implementation and services for the departure information system of the Boao Airport.	606,000.00 The parties may enter into a supplemental agreement to amend the consideration. The adjustment shall not exceed 10% of the consideration.
		Hainan Cares shall provide the required software and hardware equipment for the departure information system of the Boao Airport, which includes but not limited to, the procurement, installation and testing of the required software and hardware equipment, and the one-year quality warranty.	5,018,220.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the aforementioned consideration. The adjustment shall not exceed 10% of the consideration.
Qingdao Cares	11 March	The Company will undertake the construction of the departure system and security inspection information system for the Zhalantun Airport, 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 security inspection information system.	8,892,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Construction Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement and Announcement	Content of contracts	Contract Sum (RMB)
	31 August	The Company will subcontract to Qingdao Cares the overall construction of the financial settlement for the Yinchuan Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the two-year quality warranty for the financial settlement system.	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 Qingdao Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		The Company will subcontract to Qingdao Cares the procurement of the required software and hardware equipment for the flight information display system, the public broadcast system and the parking structure broadcast system for the Wuhan Airport Project, which includes but not limited to, the provision, installation and testing of the required software and hardware equipment, and the two-year quality warranty.	39,758,221.85 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Qingdao Cares Procurement Agreement. The adjustment shall not exceed 10% of the consideration.
		The Company will subcontract to Qingdao Cares the implementation of the flight information display system, the public broadcast system and the sign guidance system for the Wuhan Airport Project, and the two-year quality warranty for the abovementioned systems.	24,681,058.99 The parties may enter into a supplemental agreement to amend the consideration. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement and Announcement	Content of contracts	Contract Sum (RMB)
	20 October	The Company will subcontract to Qingdao Cares the construction of the weak current related system for the Xiangyang 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 six-month quality warranty for the weak current related system.	29,763,989.80 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.
	30 November	The Company will subcontract to Qingdao Cares the construction of the flight operation command information platform system for the Shenzhen Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware, the provision of back-end application module and front-end graphical interface, the system implementation as well as the three-year-and-six-month quality warranty for the flight operation command information platform system.	10,069,680.00 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.
Huadong Cares	20 July	The Company will subcontract to Huadong Cares the construction of the security inspection information system for the Shangrao Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the security inspection information system.	8,262,150.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual amount of the required software and hardware, and the provision of services under the Huadong Cares Shangrao Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement and Announcement	Content of contracts	Contract Sum (RMB)
		The Company will subcontract to Huadong Cares the construction of the GSM system, Wechat platform and flight control system for the Chongqing Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the implementation of GSM system, Wechat platform and flight control system and the two-year quality warranty for the systems mentioned above.	4,853,800.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual amount of the required software and hardware, and the provision of services under the Huadong Cares Chongqing Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
		The Company will subcontract to Huadong Cares the overall construction of the self-service check-in system for the Jinan Airport Project, which includes, but not limited to, the procurement, installation and testing of the required hardware and the overall system implementation and the oneyear quality warranty for the self-service check-in system.	890,000.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual amount of the required hardware, and the provision of services under the Huadong Cares Jinan Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	31 August	The Company has agreed to subcontract Huadong Cares to the overall construction of the Wi-Fi project for the Dalian Airport, which includes, but not limited to, the provision of technical proposal and relevant blueprint for the Company's review, the procurement, installation and testing of the required software and hardware and the overall project implementation and the one-year quality warranty for the Dalian Airport Project.	2,135,134.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Construction Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement and Announcement	Content of contracts	Contract Sum (RMB)
Xiamen Cares	20 July	The Company will subcontract to Xiamen Cares the construction of the security inspection information system for the Chongqing Airport Project, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation and the two-year quality warranty for the security inspection information system.	11,714,960.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual amount of the required software and hardware, and the provision of services under the Xiamen Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	31 August	The Company will subcontract to Xiamen Cares the procurement of the required software and hardware equipment for the security inspection information system for the Wuhan Airport Project, which includes but not limited to, the provision, installation and testing of the required software and hardware equipment, and the two year quality warranty.	4,279,219.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Xiamen Cares Procurement Agreement. The adjustment shall not exceed 10% of the consideration.
		The Company will subcontract to Xiamen Cares the implementation of the security inspection information system for the Wuhan Airport Project, and the two-year quality warranty.	600,781.00 The parties may enter into a supplemental agreement to amend the consideration. The adjustment shall not exceed 10% of the consideration.
	20 December	The Company will subcontract to Xiamen Cares the procurement of the required software and hardware equipment for the departure control system, the BRS system and the security inspection information management system for the Guangzhou Airport Project, which includes but not limited to, the provision, installation and testing of the required software and hardware equipment, and the two-year quality warranty.	9,734,700.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Xiamen Cares Procurement Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement and Announcement	Content of contracts	Contract Sum (RMB)
		The Company will subcontract to Xiamen Cares the implementation of the departure control system, the BRS system and the security inspection information management system for the Guangzhou Airport Project, and the two-year quality warranty for the aforementioned systems.	6,304,350.00 The parties may enter into a supplemental agreement to amend the consideration. The adjustment shall not exceed 10% of the consideration.
Xi'an Cares	31 August	The Company will subcontract to Xi'an Cares the overall construction of the departure system for the Yinchuan Airport Project, which includes but not limited to,the procurement, installation and testing of the required software and hardware and the system implementation as well as the two-year quality warranty for the departure system.	11,751,490.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware, and the provision of services under the Xi'an Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Hubei Cares	31 August	The Company will subcontract to Hubei Cares the procurement of the required software and hardware equipment for the specialized weak current systems for the south and north information centres, the geographic information system, the management platform for IT operation and maintenance, the information integration system, the computer network and security system, the departure system, the commercial POS system and the parking structure system for the Wuhan Airport Project, which includes but not limited to, the provision, installation and testing of the required software and hardware equipment, and the two-year quality warranty.	75,745,988.00 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Hubei Cares Procurement Agreement. The adjustment shall not exceed 10% of the consideration.

Connected Cares	Date of Agreement and Announcement	Content of contracts	Contract Sum (RMB)
		The Company will subcontract to Hubei Cares the implementation of the specialized weak current systems for the south and north information centres, the computer network and security system, the departure system and the commercial POS system for the Wuhan Airport Project, and the two-year quality warranty for the abovementioned systems.	13,527,147.00 The parties may enter into a supplemental agreement to amend the consideration. The adjustment shall not exceed 10% of the consideration.
	20 October	The Company will subcontract to Hubei Cares the construction of the departure system for the Xiangyang 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 six-month quality warranty for the departure system.	6,770,200.00 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 Hubei Cares Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Dongbei Cares	20 December	The Company will subcontract to Dongbei Cares the construction of the departure system and the security inspection information management system for the Songyuan Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the two-year quality warranty for the departure system and the security inspection information management system.	6,141,650.00 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 Agreement and Announcement	Content of contracts	Contract Sum (RMB)
	23 December	The Company will subcontract to Dongbei Cares the construction of the departure system and the security inspection information management system for the Wudalianchi Airport Project, which includes but not limited to, the procurement, installation and testing of the required software and hardware and the system implementation as well as the two-year quality warranty for the departure system and the security inspection information management system.	7,865,150.00 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.

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 42(2) to the consolidated financial statements) which are the connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2016, the Group did not have any trust deposits or irrecoverable overdue time deposits. All of the Group's cash deposits are deposited with commercial banks and are in compliance with applicable laws and regulations.

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, 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has reviewed the accounting policies and practices adopted by the Group and has also discussed certain other matters relating to audit, internal control and financial reporting, including the review of the audited consolidated financial statements of the Group for the Year 2016.

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 2016.

DONATION

In 2016, the Company donated RMB2,644,000.

AUDITORS

Pursuant to the resolutions passed at the AGM held on June 28, 2016, Baker Tilly Hong Kong and Baker Tilly China were engaged as the Company's international and PRC auditors respectively for Year 2016. They were also the Company's international and PRC auditors respectively for Year 2011, Year 2012, Year 2013, Year 2014 and Year 2015.

A resolution relating to the appointment of Baker Tilly Hong Kong and Baker Tilly China as the Company's international and PRC auditors for the year ending December 31, 2017 respectively will be proposed at the forthcoming AGM of the Company.

By order of the Board
Cui Zhixiong
Chairman

March 29, 2017

REPORT OF SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2016, 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. The fifth session of the Supervisory Committee of the Company comprises five supervisors, namely Mr. Huang Yuanchang (Chairperson of the Supervisory Committee and staff supervisor), Mr. Xiao Wei (staff supervisor), Ms. Zeng Yiwei, Mr. He Haiyan, and Mr. Rao Geping (independent supervisor). 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.

Ms. Zeng Yiwei and Mr. He Haiyan were appointed as the supervisors of the sixth session of Supervisory Committee, and Mr. Rao Geping was appointed as an independent supervisor of the sixth session of Supervisory Committee by the election at the extraordinary general meeting held on October 18, 2016. Mr. Huang Yuanchang and Mr. Xiao Wei continued to serve as staff supervisors of the sixth session of Supervisory Committee. The first meeting of the sixth session of Supervisory Committee was held on October 18, 2016, at which it was resolved that Mr. Huang Yuanchang would be re-elected as the chairperson of the Supervisory Committee. Mr. Huang Yuanchang and Mr. Xiao Wei were re-elected as the staff supervisors in the staff representative meeting of the Company held on January 17, 2017.

The fifth session of Supervisory Committee of the Company convened two meetings in Year 2016. The Supervisory Committee reviewed the Company's annual consolidated financial statements for Year 2015 and interim financial statements for Year 2016. The sixth session of Supervisory Committee convened one meeting after its establishment on October 18, 2016, and elected the chairperson of the Supervisory Committee. Both the fifth session and the sixth session of Supervisory Committee attended the Board meetings held during their tenures, while the chairman of the Supervisory Committee also attended the meetings of Strategic Committee and Audit and Risk Management Committee of the Board, 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 29, 2017, the sixth session of Supervisory Committee of the Company reviewed the Company's consolidated financial statements for Year 2016, 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 2016.

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 2016, 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, 2016 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
Chairperson of the Supervisory Committee

March 29, 2017

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG | 天職香港

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

OPINION

We have audited the consolidated financial statements of TravelSky Technology Limited (the "**Company**") and its subsidiaries (collectively referred to as, the "**Group**") set out on pages 86 to 170, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How the matter addressed in our audit
Business combination	
Refer to Note 44 to the consolidated financial statements and the accounting policy 3(a).	
The Group's acquisition of OpenJaw Technologies Limited and its subsidiaries (the "**OpenJaw**") in the Republic of Ireland made during the year was significant to our audit due to the complexity of the assessment process and the significant judgements and assumptions involved in the purchase price allocation and attributable goodwill.	With respect to the accounting treatment for the acquisition of OpenJaw, our audit included: – obtaining and examining the sale and purchase agreements, confirming that the correct accounting treatment has been applied being in compliance with the Group's accounting policies and applicable accounting standards; – assessing the valuations involved in the acquisition and the professional valuation report relating to that acquisition and related accounting treatment of the consideration payable including tracing the relevant payments to the bank statements; and – inspecting the documents relating to the identification and fair valuation of the assets and liabilities of the acquisition including any fair value adjustments; assessing the valuation assumptions; and challenging the reasonableness of the key assumptions made by the professional valuer engaged by management based on our understanding of the business and the industry benchmark used in valuations.

KEY AUDIT MATTERS (continued)

Key audit matter	How the matter addressed in our audit
Valuation of goodwill	
Refer to Note 17 to the consolidated financial statements and the accounting policies 3(b) and 3(h).	
As required by IAS 36, the Group is required to test its goodwill for impairment annually, or more frequently where there is an indication that carrying value of the cash-generated unit may be impaired. The impairment tests were significant procedures for our audit because of the complexity of the valuation assessment process and the significant judgements and assumptions involved in the valuation process which might be affected by, amongst other factors, the expected condition of the Group's market and future general economic conditions.	Our procedures in relation to goodwill and management's impairment assessment included: – assessing the valuation methodology; – considering the historical financial performance and growth rates of the relevant cash-generating units; – challenging the reasonableness of key assumptions by the management based on our understanding of the Group's business and its industry; and – reconciling input data and relevant factors with supporting evidence, such as approved financial budgets and considering the reasonableness of these budgets including in the light of the accuracy of historical budgets and forecasts. We found the assumptions applied by management in relation to the value in use calculations of the cash-generating unit to be reasonable based on available evidence. The significant inputs of discount rate and growth rate involved have been appropriately disclosed in note 17.

KEY AUDIT MATTERS (continued)

Key audit matter	How the matter addressed in our audit
Revenue recognition	
Refer to Note 5 to the consolidated financial statements and the accounting policy 3(s).	
The Group recognises revenue when the services are rendered and risks and reward of the underlying products sold have been transferred to the customer. We identified the recognition of revenue as key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet financial targets.	Our audit procedures included: – assessing the appropriateness of the Group's accounting policies for revenue recognition and assessing the compliance of those the policies with IFRSs; – testing on a sample basis the effectiveness of the Group's monitoring controls and the correct timing of the Group's recognition of revenue; and – assessing the testing results of the cut-off of sales transactions taking place before and after the year-end to ensure that revenue was recognised in the correct period and assessing the accuracy of the recorded sales transactions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

The engagement director on the audit resulting in this independent auditor's report is Choi Kwong Yu.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, March 29, 2017

Choi Kwong Yu
Practising Certificate number P05071

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2016
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	2016 RMB'000	2015 RMB'000
Revenues			
Aviation information technology services		**3,496,437**	3,134,973
Accounting, settlement and clearing services		**517,682**	492,659
System integration services		**950,332**	643,429
Data network and others		**1,258,816**	1,200,770
Total revenues	5	**6,223,267**	5,471,831
Operating expenses			
Business taxes and other surcharges		**(32,975)**	(20,839)
Depreciation and amortisation		**(479,315)**	(503,673)
Network usage fees		**(65,396)**	(64,506)
Personnel expenses		**(1,403,927)**	(1,268,188)
Operating lease payments		**(184,458)**	(154,342)
Technical support and maintenance fees		**(501,475)**	(431,617)
Commission and promotion expenses		**(537,725)**	(566,971)
Costs of software and hardware sold		**(521,207)**	(411,596)
Other operating expenses		**(319,835)**	(302,459)
Total operating expenses		**(4,046,313)**	(3,724,191)
Operating profit		**2,176,954**	1,747,640
Financial income, net		**164,118**	137,090
Government grant	6	**500,000**	410,000
Share of results of associated companies		**26,709**	22,628
Gain on disposal of a subsidiary	45	**1,865**	–
Profit before taxation	7	**2,869,646**	2,317,358
Taxation	11	**(384,045)**	(343,779)
Profit after taxation for the year		**2,485,601**	1,973,579
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(615)**	6,987
Other comprehensive income, net of tax		**(615)**	6,987
Total comprehensive income for the year		**2,484,986**	1,980,566

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2016
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	2016 RMB'000	2015 RMB'000
Profit after taxation attributable to			
Owner of the Parent		**2,421,114**	1,914,362
Non-controlling interests		**64,487**	59,217
		2,485,601	1,973,579
Total comprehensive income attributable to			
Owner of the Parent		**2,420,499**	1,921,349
Non-controlling interests		**64,487**	59,217
		2,484,986	1,980,566
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	13	**0.83**	0.65
Cash dividends	12	**649,619**	485,751

Details of the dividends payable to Owner of the Parent are disclosed in note 12 to the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2016
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	14	**3,401,218**	2,741,925
Lease prepayment for land use right, net	15	**1,755,842**	1,808,574
Intangible assets, net	16	**423,583**	249,346
Goodwill	17	**141,466**	4,426
Investments in associated companies	18	**209,623**	198,256
Deferred income tax assets	20	**134,095**	78,771
Other long-term assets	21	**48,555**	88,650
Available-for-sale financial assets	22	**1,180,000**	–
Deposits with banks with original maturity date over three months	29	**320,174**	220,105
Restricted bank deposits	30	**5,893**	129,856
		7,620,449	5,519,909
Current assets			
Inventories	23	**36,967**	33,824
Trade receivables, net	24	**1,096,241**	817,345
Due from related parties, net	25, 42(3)	**2,518,302**	2,491,953
Due from associated companies	26	**31,663**	16,890
Income tax recoverable		**1,399**	479
Prepayments and other current assets	27	**608,703**	539,682
Held-to-maturity financial assets	28	**840,000**	1,690,000
Deposits with banks with original maturity date over three months	29	**1,582,336**	1,348,689
Restricted bank deposits	30	**462,470**	169,763
Cash and cash equivalents	30	**3,332,134**	2,242,661
		10,510,215	9,351,286
Total assets		**18,130,664**	14,871,195
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital	33	**2,926,209**	2,926,209
Reserves	34	**4,002,547**	3,641,176
Retained earnings	35	**6,856,345**	5,282,968
		13,785,101	11,850,353
Non-controlling interests		**379,809**	330,732
Total equity		**14,164,910**	12,181,085

Consolidated Statement of Financial Position

as at December 31, 2016
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	**35,087**	23,694
Deferred revenue		**10,045**	4,795
		45,132	28,489
Current liabilities			
Trade payables and accrued liabilities	31	**3,503,630**	2,354,742
Due to related parties	32	**136,123**	151,392
Income tax payable		**249,099**	126,645
Deferred revenue		**31,770**	28,842
		3,920,622	2,661,621
Total liabilities		**3,965,754**	2,690,110
Total equity and liabilities		**18,130,664**	14,871,195

Approved by the Board of Directors on March 29, 2017.

Cui Zhixiong
Director

Xiao Yinhong
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2016
(Amounts expressed in thousands of Renminbi ("RMB"))

		Attributable to Owner of the Parent				
	Note	Paid-In capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2015		2,926,209	3,334,380	4,058,000	257,629	10,576,218
Profit for the year		–	–	1,914,362	59,217	1,973,579
Other comprehensive income:						
Currency translation differences	34	–	6,987	–	–	6,987
Total comprehensive income		–	6,987	1,914,362	59,217	1,980,566
Deemed disposal of interest in a subsidiary	43	–	(399)	–	399	–
Capital injection from non-controlling equity shareholder of a subsidiary	43	–	–	–	24,500	24,500
Dividends relating to 2014		–	–	(389,186)	(11,013)	(400,199)
Appropriation to reserves	34, 35	–	300,208	(300,208)	–	–
Balance at December 31, 2015		2,926,209	3,641,176	5,282,968	330,732	12,181,085
Balance at January 1, 2016		**2,926,209**	**3,641,176**	**5,282,968**	**330,732**	**12,181,085**
Profit for the year		**–**	**–**	**2,421,114**	**64,487**	**2,485,601**
Other comprehensive income:						
Currency translation differences	34	**–**	**(615)**	**–**	**–**	**(615)**
Total comprehensive income		**–**	**(615)**	**2,421,114**	**64,487**	**2,484,986**
Dividends relating to 2015	12	**–**	**–**	**(485,751)**	**(15,431)**	**(501,182)**
Disposal of a subsidiary	45	**–**	**–**	**–**	**21**	**21**
Appropriation to reserves	34, 35	**–**	**361,986**	**(361,986)**	**–**	**–**
Balance at December 31, 2016		**2,926,209**	**4,002,547**	**6,856,345**	**379,809**	**14,164,910**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2016
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	37	**3,962,725**	2,640,872
Refund of enterprise income tax		**36,518**	20,445
Enterprise income tax paid		**(353,851)**	(278,133)
Net cash generated from operating activities		**3,645,392**	2,383,184
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets, land use right and other long-term assets		**(1,134,231)**	(988,765)
Purchases of available-for-sale financial assets		**(1,180,000)**	–
Maturities of deposits with banks with original maturity date over three months		**1,361,641**	1,297,230
Placement of deposits with banks with original maturity date over three months		**(1,695,357)**	(1,602,717)
Interest received		**138,845**	114,221
Net cash paid for acquisition of subsidiaries	44	**(234,907)**	–
Net cash received from disposal of a subsidiary	45	**5,476**	–
Net cash paid for establishment of an associate	18	**(1,960)**	–
Dividends received from associated companies		**–**	4,364
Decrease/(increase) in held-to-maturity financial assets		**850,000**	(480,000)
Increase in restricted bank deposits		**(168,744)**	(82,126)
Proceeds from disposal of property, plant and equipment		**4,523**	510
Net cash used in investing activities		**(2,054,714)**	(1,737,283)
Cash flows from financing activities			
Proceeds from borrowings		**274,355**	–
Repayment of borrowings		**(274,355)**	–
Dividend paid to the Company's shareholders		**(485,751)**	(389,186)
Dividend paid to non-controlling shareholders of subsidiaries		**(15,431)**	(11,013)
Capital contributions from non-controlling shareholders of subsidiaries		**–**	3,911
Net cash used in financing activities		**(501,182)**	(396,288)
Net increase in cash and cash equivalents		**1,089,496**	249,613
Cash and cash equivalents at beginning of the year		**2,242,661**	1,994,953
Effect of foreign exchange rate changes on cash and cash equivalents		**(23)**	(1,905)
Cash and cash equivalents at end of the year	30	**3,332,134**	2,242,661

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

As at December 31, 2016, the Company had direct or indirect interests in the following subsidiaries and associated companies. All of these subsidiaries and associated companies are limited liability companies incorporated and operated in the PRC except for TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd., TravelSky R&D USA, Inc., TravelSky Technology (Taiwan) Limited, TravelSky Technology Australia Pty. Ltd., OpenJaw Technologies Limited, OpenJaw Technologies Iberica S.L., OpenJaw Technologies Polska Sp. Z.O.O. and OpenJaw Technologies AsiaPac Ltd. which are limited liability companies incorporated and operated in Hong Kong, Singapore, Korea, Japan, Europe, the United States, Taiwan, Australia, Ireland, Spain, Poland and Hong Kong respectively.

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect		
Subsidiaries							
Hainan Civil Aviation Cares Co., Ltd. ("**Hainan Cares**")	March 2, 1994	**64.78%**	**-**	64.78%	-	RMB 10,000,000	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems
Cares Shenzhen Co., Ltd. ("**Shenzhen Cares**")	April 14, 1995	**61.47%**	**-**	61.47%	-	RMB 61,000,000	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Cares Hubei Co., Ltd. ("**Hubei Cares**")	July 25, 1997	**50%**	**12.5%**	50%	12.5%	RMB 15,000,000	Provisions of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems
Cares Chongqing Information Technology Co., Ltd. ("**Chongqing Cares**")	December 1, 1998	**51%**	**-**	51%	–	RMB 14,800,000	Provisions of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems
Aviation Cares of Yunnan Information Co., Ltd. ("**Yunnan Cares**")	June 15, 2000	**51%**	**-**	51%	–	RMB 20,000,000	Computer hardware and software development and data network services
InfoSky Technology Co., Ltd. ("**InfoSky**")	September 20, 2000	**90%**	**10%**	90%	10%	RMB 164,738,100	Provision of cargo management services and related software and technology development; and provision of technical support, training and consulting services
TravelSky Technology (Hong Kong) Limited ("**TravelSky Hong Kong**")	December 13, 2000	**100%**	**-**	100%	–	RMB 11,385,233	Provision of internet exchange platform services for travel agents

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Civil Aviation Cares of Xiamen Ltd. ("**Xiamen Cares**")	September 14, 2001	**51%**	**-**	51%	-	RMB 20,000,000	Computer hardware and software development and data network services
Civil Aviation Cares of Qingdao Ltd. ("**Qingdao Cares**")	January 11, 2002	**51%**	**-**	51%	-	RMB 25,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xi'an Ltd. ("**Xi'an Cares**")	July 9, 2002	**51%**	**-**	51%	-	RMB 15,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xinjiang Ltd. ("**Xinjiang Cares**")	August 16, 2002	**51%**	**-**	51%	-	RMB 10,000,000	Computer hardware and software development and data network services
TravelSky Technology (Singapore) Limited ("**TravelSky Singapore**")	October 21, 2005	**100%**	**-**	100%	-	RMB 277,568,328	Computer hardware and software consulting services
TravelSky Technology (Korea) Limited ("**TravelSky Korea**")	December 28, 2005	**100%**	**-**	100%	-	RMB5,421,746	Computer software development and data network services
TravelSky Technology (Japan) Limited ("**TravelSky Japan**")	December 16, 2005	**100%**	**-**	100%	-	RMB3,939,483	Software development and computer equipment maintenance services
Shanghai TravelSky Information Technology Limited ("**TravelSky Shanghai**")	July 1, 2008	**100%**	**-**	100%	-	RMB4,000,000	Computer hardware and software development and data network services

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Guangzhou TravelSky Information Technology Limited ("**TravelSky Guangzhou**")	September 28, 2008	100%	-	100%	-	RMB 400,000,000	Computer hardware and software development and data network services
Accounting Center of China Aviation Limited Company ("**ACCA**")	October 26, 2007	100%	-	100%	-	RMB 759,785,200	Accounting, settlement and clearing services, and related information system development and support services
Beijing YaKe Development Company Limited ("**YaKe**")	October 30, 2007	-	100%	-	100%	RMB 116,121,600	Provision of information system development and related services
TravelSky Technology (Europe) GmbH ("**TravelSky Europe**")	March 23, 2009	100%	-	100%	-	RMB 4,680,000	Technology services and technology support
TravelSky CARES (Beijing) Real Estate Limited ("**Beijing Estate**")	August 28, 2009	100%	-	100%	-	RMB10,000,000	Real estate development, sales of commercial and residential building, professional contracting, labor subcontracting and investment management
TravelSky Technology (USA) Ltd. ("**TravelSky USA**")	September 8, 2009	100%	-	100%	-	RMB9,738,500	Technology services and technology support

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Beijing TravelSky Travel Service Limited ("**BTTSL**")	January 11, 2011	100%	-	100%	-	RMB 72,000,000	Conference service, exhibition of tour consulting services and technology promotion services
TravelSky Technology (Taiwan) Limited ("**TravelSky Taiwan**")	April 4, 2011	100%	-	100%	-	RMB 12,456,767	Technology services and technology support
Inner Mongolia TravelSky Information Technology Limited ("**TravelSky Inner Mongolia**")	May 26, 2011	100%	-	100%	-	RMB 5,000,000	Computer and related equipment, development on network systems, sales, provision of rental, maintenance, computer system and tour consulting services
Hunan TravelSky Information Technology Limited ("**TravelSky Hunan**")	June 13, 2011	100%	-	100%	-	RMB 5,000,000	Computer hardware and software development, import and export business and provision of tour consulting services
TravelSky Technology Huadong Data Center Limited ("**Huadong Data Center**")	November 8, 2011	100%	-	100%	-	RMB 50,000,000	Provision of Internet Data Center services, computer system services, rental of computer and related equipment, technology service and technical consulting services

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Shanghai Yeexing E-Business Limited ("**Shanghai Yeexing**")[1]	January 22, 2007	60%	-	60%	-	RMB 8,800,000	E-commerce, provision of online and ticketing agency services
Henan TravelSky Information Technology Limited ("**TravelSky Henan**")	August 27, 2012	100%	-	100%	-	RMB 10,000,000	Computer software and hardware project contracting; technical consulting services; integrated system projects
Zhejiang TravelSky Information Technology Limited ("**TravelSky Zhejiang**")[2]	September 25, 2012	51%	-	51%	-	RMB37,347,300	Electrical system project contracting; trading, repair and rental of computer software and hardware; and technical consulting services
Beijing TravelSky Technology Limited ("**TravelSky Beijing**")	December 5, 2012	100%	-	100%	-	RMB 50,010,000	Technical development services and transfer; trading of computer software, hardware and accessory equipments
Beijing TravelSky HuaYi Software Technology Co.,Ltd ("**TravelSky HY-Software**")[3]	October 16, 2009	-	-	60%	-	RMB 1,000,000	Software and computer system services, conference service, consulting and trading of computer software and hardware
Beijing TravelSky Birun Technology Co., Ltd ("**TravelSky Birun Technology**")	January 9, 2013	51%	-	51%	-	RMB 8,000,000	Technical development, transfer and consulting services

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Guangxi TravelSky Cloud Data Service Co., Ltd. ("**TravelSky Cloud Data**")	February 7, 2013	**51%**	**-**	51%	–	RMB 5,000,000	Computer software and hardware project contracting and data network service; commercial and tour information consulting services
Aviation Cares of Southwest Chengdu, Ltd. ("**Xinan Cares**")[4]	November 28, 1999	**44%**	**-**	44%	–	RMB 10,000,000	Air passenger traffic handling, provision of electronic travel distribution and airport passenger processing
TravelSky Technology Australia Pty. Ltd. ("**TravelSky Australia**")	February 25, 2014	**100%**	**-**	100%	–	RMB 6,158,000	Technology services and technology support
TravelSky R&D USA, Inc. ("**TravelSky R&D USA**")	April 18, 2013	**100%**	**-**	100%	–	RMB 62,078,850	Technology development, technology services and technical consulting services
TravelSky Mobile Technology Limited ("**TravelSky Mobile Tech**")	May 13, 2014	**100%**	**-**	100%	–	RMB 60,000,000	Technology services, technical development and consulting services, provision of rental and sales of computer hardware and software, import and export business, advertising design, production and release
Guangzhou Skyecho Information Technology Limited ("**Skyecho**")	March 7, 2012	**51%**	**-**	51%	–	RMB2,000,000	Computer hardware and software technology support services

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect		
Subsidiaries (continued)							
Beijing HangJu Information Technology Limited ("**Beijing Hangju**")[5]	November 14, 2014	**100%**	**-**	100%	-	RMB5,000,000	Technical development, transfer and consulting services and computer software development
OpenJaw Technologies Limited ("**OpenJaw Ireland**")[6]	February 21, 2002	**-**	**100%**	-	-	EURO252,101	Research and development, marketing and selling of travel distribution software solutions to travel industry
OpenJaw Technologies Iberica S.L. ("**OpenJaw Iberica**")[6]	August 16, 2005	**-**	**100%**	-	-	EURO3,010	Sale of travel distribution software and development services
OpenJaw Technologies Polska Sp. Z.O.O. ("**OpenJaw Polska**")[6]	July 21, 2011	**-**	**100%**	-	-	EURO1,170	Software development services
OpenJaw Technologies AsiaPac Ltd. ("**OpenJaw AsiaPac**")[6]	May 27, 2014	**-**	**100%**	-	-	HKD1	Software development services

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

1 The Company is in the voluntary winding up process and expects to be completed in 2017.

2 In February 2015, the Company and an independent third party entered into an agreement to make additional capital contributions to TravelSky Zhejiang. The equity interest in TravelSky Zhejiang held by the Group was thereafter diluted from 100% to 51%. Please refer to Note 43 for details.

3 The Company disposed Travelsky HY-Software in August 2016. Please refer to Note 45 for details.

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

5 This company was newly set up during the year of 2014 with issued capital fully paid in January 2015.

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

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect	RMB	
Associated Companies							
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**")	May 21, 1999	**41%**	**-**	41%	–	10,000,000	Computer hardware and software development and data network services
Shenyang Civil Aviation Cares of Northeast China, Ltd. ("**Dongbei Cares**")	November 2, 1999	**46%**	**-**	46%	–	20,000,000	Computer hardware and software development and data network services
Yunnan TravelSky Airport Technology Limited ("**Yunnan Konggang**")	April 1, 2003	**40%**	**-**	40%	–	15,000,000	Computer hardware and software development and technical consulting services
Heilongjiang TravelSky Airport Technology Limited ("**Heilongjiang Konggang**")	April 30, 2003	**50%**	**-**	50%	–	6,000,000	Computer hardware and software development and technical consulting services
Shanghai Dongmei Aviation Tourism Online Co., Limited ("**Dongmei Online**")	September 28, 2003	**50%**	**-**	50%	–	24,800,000	E-commerce, sales of computers and related parts and provision of network, technical services and economic consulting services
Dalian TravelSky Airport Technology Limited ("**Dalian Konggang**")	January 28, 2005	**50%**	**-**	50%	–	6,000,000	Computer hardware and software development and technical consulting services
Hebei TravelSky Airport Technology Limited ("**Hebei Konggang**")	April 5, 2007	**50%**	**-**	50%	–	3,000,000	Computer hardware and software development and technical consulting services

Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2016		2015			
		Direct	Indirect	Direct	Indirect	RMB	
Associated Companies (continued)							
Guangzhou Airport AirSpan Information Technology Co. Ltd. ("**Guangzhou Konggang**")	December 24, 2007	**20%**	**-**	20%	–	20,000,000	Computer hardware and software development and technical consulting services
Yantai TravelSky Airport Technology Limited ("**Yantai Konggang**")	April 3, 2014	**40%**	**-**	40%	–	10,000,000	Computer hardware and software development and technical consulting services
HangTu Cruse (Wuhan) Information Technology Services Co., Ltd. ("**HangTu Cruse**")[@]	December 22, 2015	**-**	**49%**	–	–	4,000,000	Technical development, transfer and consulting services and computer software development

[@] This company was newly set up during the year of 2015 with issued capital fully paid in 2016.

Notes to the Consolidated Financial Statements

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

2. BASIS OF PREPARATION

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

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

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The IASB has issued a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27, Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 1, Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle, Amendments to IFRSs

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

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

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

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

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

- In September 2014, the IASB issued the final version of IFRS 9, it replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 will become effective for annual periods beginning on or after January 1, 2018. The Group is assessing the impact of IFRS 9.

- IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on January 1, 2018 and is currently assessing the impact of IFRS 15 upon adoption.

- IFRS 16 becomes effective for accounting periods beginning on or after January 1, 2019. The standard eliminates the lessee's classification of leases as either operating leases or finance leases as is required by International Accounting Standard ("**IAS**") 17 "Leases" and, instead, introduces a single lease accounting model. Applying that model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss. The Group is currently assessing the impact of IFRS 16.

- Amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments classify that an entity need to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. The amendment is effective for annual periods beginning on or after January 1, 2017. The Group is currently assessing the impact of the Amendments to IAS 12 upon adoption.

- Amendments to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendment is effective for annual periods beginning on or after January 1, 2017. The Group is currently assessing the impact of the Amendments to IAS 7 upon adoption.

There are no other IFRSs or IFRIC interpretations which are not yet effective that would be expected to have a material impact on the Group.

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Merger accounting for common control combination

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(ii) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations by the Group other than the common control combination (Note 3(a)(i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

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

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3(h)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iii) Disposal of subsidiaries

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

(iv) Transactions with non-controlling interests

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(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 associates are treated as non-current assets and are stated at cost less any impairment losses.

(b) Goodwill

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

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

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

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Except for TravelSky Hong Kong, TravelSky Singapore, TravelSky Korea, TravelSky Japan, TravelSky Europe, TravelSky USA, TravelSky R&D USA, TravelSky Taiwan, TravelSky Australia, OpenJaw Ireland, OpenJaw Iberica, OpenJaw Polska and OpenJaw AsiaPac, the functional currency of the Company's subsidiaries is in Renminbi.

(ii) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "finance income or cost".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the other comprehensive income.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Foreign currencies (continued)

(iii) Group companies

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, cumulative exchange differences that were recorded in currency translation differences in equity relating to that operation up to the date of disposal are recognised in the consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to expense in the year in which they are incurred. When the expenditure results in increase in the future economic benefits expected to be obtained from the use of the asset and the cost of the asset can be measured reliably, the expenditure is capitalised.

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is provided using the straight-line method over their estimated useful lives, after taking into consideration their estimated residual value. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20-30 years
Computer systems and software	3-8 years
Motor vehicles	6 years
Furniture, fixtures and other equipment	4-11 years
Leasehold improvements	Over the lease term

The asset's useful lives, depreciation method and residual values are reviewed, and adjusted if appropriate, at each of the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3(h)).

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.

Assets under construction are stated at cost. Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the assets during the period of construction or installation and testing. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for use.

(e) Intangible assets (other than goodwill)

(i) Computer software

Intangible assets mainly represent purchased computer software.

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

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

(ii) Contractual customer relationships

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Intangible assets (other than goodwill) (continued)

(iii) Development costs

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

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

(f) 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.

(g) Research and development costs

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

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

Capitalised development costs are stated at cost less their residual values and amortised on a straight-line basis over their expected useful lives. The period of amortisation does not normally exceed 5 years. During the year ended December 31, 2016, no development costs were capitalised as they did not meet all the criteria listed above (2015: nil).

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) 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.

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at their initial recognition.

Loans and receivables

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

Held-to-maturity financial assets

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

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

(j) 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.

(k) 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.

(l) 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 and other comprehensive income. 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.

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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.

(o) Borrowings and borrowing costs

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Taxation

(i) Current income tax

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Taxation (continued)

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of an asset or liability and its carrying amount in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(iii) Other tax

Other tax liabilities (such as value-added tax and business tax) are provided in accordance with the regulations issued by the respective government authorities.

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

(q) Employee benefits

(i) Pension

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

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

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

Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(ii) Other employee benefits

All Chinese employees of the Group participate in employee social security plans, including medical, housing and other welfare benefits, organised and administered by the government authorities. Other than the welfare benefits provided by these social security plans as disclosed, the Group has no material commitments to employees.

According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed in profit or loss as when incurred.

(iii) Share appreciation rights

Compensation expense in respect of the share appreciation rights granted is accrued as a charge to the consolidated statement of profit or loss and other comprehensive income over the applicable vesting period based on the fair value of the share appreciation rights. The liability of the accrued compensation expense is remeasured to fair value at each of the end of the reporting period with the effect of changes in the fair value of the liability is charged or credited to the consolidated statement of profit or loss and other comprehensive income. Further details of the Group's share appreciation rights scheme are set out in Note 38.

(r) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimation can be made for the amount of the obligation. Provisions are not recognised for future operating losses.

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(s) Revenue recognition

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

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

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

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

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

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

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

(t) 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. PRINCIPAL ACCOUNTING POLICIES (continued)

(u) Dividend distribution

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

(v) Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(w) Segment reporting

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

(x) Related parties

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

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group in making financial and operating policy decisions; or has joint control over the Group;

(ii) the party is an associate of and has significant influence over the Group;

(iii) the party is a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Related parties (continued)

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the party.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS

The preparation of consolidated financial statements in conformity with IFRSs requires the Group to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, the Group evaluates its estimates based on historical experience and on other various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Notes to the Consolidated Financial Statements

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

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (continued)

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

The property, plant and equipment of the Group are depreciated at rates sufficient to write off their costs less accumulated impairment losses and estimated residual values over their estimated useful lives on a straight-line basis. The Group reviewed the useful lives periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of economic benefits from the property, plant and equipment. The Group estimates the useful lives of the property, plant and equipment as set out in Note 3(d) based on the historical experience with similar assets, taking into account anticipated technological changes. The depreciation expenses in the future periods will change if there are significant changes to these estimates.

(b) Impairment of assets

At each end of the reporting period, the Group considers both internal and external sources of information to assess whether there is any indication that the Group's assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised to reduce the carrying amount of the asset to its recoverable amount. Accordingly, there will be an impact to the future results if there is a significant change in the recoverable amounts of the assets.

(c) Income taxes and deferred taxes

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

(d) Services fees

The aviation information technology services fees of the Group are subject to discussion with airlines. The departure technology support fees are subject to discussion with airports. In certain cases, in situation where final agreement has not been reached, management makes estimates of the fees with reference to the status of negotiation and taking into accounts of historical experiences and industry performance.

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Details of impairment of goodwill are set out in Note 17.

Notes to the Consolidated Financial Statements

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

5. REVENUE

Revenues primarily comprise the service fees earned by the Group for the provision of the Group's aviation information technology services, accounting, settlement and clearing services, system integration services and related data network services. A major portion of these revenues was generated from the substantial shareholders of the Company.

6. GOVERNMENT GRANT

	2016 RMB'000	2015 RMB'000
Industry support development fund	**500,000**	410,000

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

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

	2016 RMB'000	2015 RMB'000
After charging:		
Depreciation	**183,638**	204,696
Amortisation of intangible assets	**234,211**	221,780
Amortisation of leasehold improvements	**8,734**	24,464
Amortisation of lease prepayment for land use right	**52,732**	52,733
Loss on disposal of property, plant and equipment	**759**	2,475
Provision for impairment of receivables	**32,452**	17,022
(Reversal of)/impairment loss on property, plant and equipment	**(906)**	16,974
Costs of software and hardware sold	**521,207**	411,596
Retirement benefits	**139,071**	130,601
Auditors' remuneration	**2,825**	2,659
Contribution to housing benefits	**78,581**	69,385
Research and development expenses	**355,271**	416,508
Staff costs arising from share appreciation rights	**–**	293
After crediting:		
Interest income	**(132,160)**	(128,659)
Exchange gain, net	**(34,391)**	(33,136)
Gain on disposal of a subsidiary	**(1,865)**	–

Notes to the Consolidated Financial Statements

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

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

(i) Directors' and supervisors' emoluments

The emoluments of the directors and supervisors during the year ended December 31, 2016 (tax inclusive) are as follows:

Name of director and supervisor	Remuneration for director RMB'000	Bonus for director RMB'000	Salary of employee, allowances and benefits (employer's contribution inclusive) RMB'000	Employees' discretionary bonus RMB'000	Employer's contribution to pension scheme for employee RMB'000	Total RMB'000
Executive directors						
Mr. Cui Zhixiong (Chairman) (viii)(xi)(xiv) #	-	-	244	350	89	683
Mr. Xiao Yinhong (xi)(xiv) #	-	-	244	350	89	683
Non-executive directors						
Mr. Cao Jianxiong (xi)	-	-	-	-	-	-
Mr. Li Yangmin (iv)(xi)	-	-	-	-	-	-
Mr. Yuan Xin'an (iv)(xi)	-	-	-	-	-	-
Independent non-executive directors						
Mr. Cheung Yuk Ming (x)	56	-	33	-	-	89
Mr. Cao Shiqing (vi)(xi)	63	-	33	-	-	96
Mr. Ngai Wai Fung (vi)(xi)	58	-	38	-	-	96
Mr. Liu Xianquan (ix)	12	-	-	-	-	12
Mr. Pan Chongyi (vii)	5	-	-	-	-	5
Mr. Zhang Hainan (vii)	4	-	-	-	-	4
Supervisors						
Mr. Huang Yuanchang (Chairman, Staff Representative Supervisor) (i)(xii) (xiii) (xiv)	-	-	278	454	81	813
Mr. Rao Geping (Independent Supervisor) (xi)	60	-	-	-	-	60
Ms. Zeng Yiwei* (xi)	-	-	-	-	-	-
Mr. Xiao Wei (Staff Representative Supervisor) (xiii) (xiv)	-	-	328	326	77	731
Mr. He Haiyan* (xi)	-	-	-	-	-	-
	258	-	1,198	1,480	336	3,272

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

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

(i) Directors' and supervisors' emoluments (continued)

The emoluments of the directors and supervisors during the year ended December 31, 2015 (tax inclusive) are as follows:

Name of director and supervisor	Remuneration for director RMB'000	Bonus for director RMB'000	Salary of employee, allowances and benefits (employer's contribution inclusive) RMB'000	Employees' discretionary bonus RMB'000	Employer's contribution to pension scheme for employee RMB'000	Total RMB'000
Executive directors						
Mr. Cui Zhixiong (Acting as the Chairman) (viii)(xi)(xiv)	–	–	213	770	90	1,073
Mr. Xiao Yinhong (xi)(xiv)	–	–	213	770	90	1,073
Non-executive directors						
Mr. Wang Quanhua* (v)	–	–	–	–	–	–
Mr. Cao Jianxiong (xi)	–	–	–	–	–	–
Mr. Cai Kevin Yang* (iii)	–	–	–	–	–	–
Mr. Li Yangmin (iv)(xi)	–	–	–	–	–	–
Mr. Yuan Xin'an (iv)(xi)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Cheung Yuk Ming (x)	70	–	40	–	–	110
Mr. Pan Chongyi (vii)	70	–	46	–	–	116
Mr. Zhang Hainan (vii)	60	–	46	–	–	106
Supervisors						
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor) (ii)(xiv)	–	–	48	35	20	103
Mr. Huang Yuanchang (Chairman, Staff Representative Supervisor) (i)(xiv)	–	–	273	454	80	807
Mr. Rao Geping (Independent Supervisor) (xi)	60	–	–	–	–	60
Ms. Zeng Yiwei* (xi)	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor) (xiii) (xiv)	–	–	316	310	70	696
Mr. He Haiyan* (xi)	–	–	–	–	–	–
	260	–	1,195	2,339	350	4,144

Notes to the Consolidated Financial Statements

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

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

(i) Directors' and supervisors' emoluments (continued)

* These directors and supervisors are employees of the shareholders of the Company or their subsidiaries, and obtain emoluments from them. No appropriation has been made as the directors of the Company considered it is impracticable to apportion this amount between their services to the Group and the parent of the Company or their subsidiaries.

\# The remuneration of the executive directors include the incentive bonus. In previous years, the amount of incentive bonus and the merit review was evaluated together according to the performance appraisal on annual basis and the incentive bonus was recorded on provisional basis, and would be paid only by the end of the contract. According to the latest regulations, the incentive bonus to management will not be accrued but be paid and recorded by the end of contract (i.e. 3 years) upon the performance evaluation result for the whole contract period. As a result, the total amount of remuneration for the year 2016 has decreased from the previous year due to the fact that no more provision for the current year's incentive bonus until the incentive bonus have been approved by evaluation appraisal after end of contract.

(i) Appointed on March 25, 2015
(ii) Resigned on March 25, 2015
(iii) Resigned on June 16, 2015
(iv) Appointed on December 10, 2015
(v) Resigned on December 10, 2015
(vi) Appointed on January 26, 2016
(vii) Resigned on January 26, 2016
(viii) Appointed as Chairman on March 31, 2016
(ix) Appointed on October 18, 2016
(x) Resigned on October 18, 2016
(xi) Re-appointed on October 18, 2016
(xii) Re-elected as Chairman on October 18, 2016
(xiii) Re-appointed on January 17, 2017
(xiv) Apart from the above emoluments, the Company's share appreciation rights scheme on August 29, 2011 have granted to certain directors, senior management and key technical and managerial personnel of the Company. The values of these share appreciation rights scheme is measured according to the Group's accounting policy as set out in Note 3(q)(iii). Please refer to Note 38 for details of this scheme.

Notes to the Consolidated Financial Statements

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

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

(i) Directors' and supervisors' emoluments (continued)

(xiv) (continued)

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

2016

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

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

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

(i) Directors' and supervisors' emoluments (continued)

(xiv) (continued)

2015

	Quantity of share appreciation rights				Exercised and actual paid during the year	Recognised in consolidated statement of profit or loss during the year
	January 1, 2015 Share'000	Exercised during the year Share'000	Forfeited during the year Share'000	December 31, 2015 Share'000	RMB'000	RMB'000
Executive directors						
Mr. Cui Zhixiong	165	(165)	–	–	–	60
Mr. Xiao Yinhong	165	(165)	–	–	–	60
Supervisors						
Ms. Li Xiaojun#	112	(112)	–	–	–	27
Mr. Huang Yuanchang*	112	(112)	–	–	–	27
Mr. Xiao Wei	71	(71)	–	–	–	4
	625	(625)	–	–	–	178

* Appointed as supervisor on March 25, 2015

\# Resigned as supervisor on March 25, 2015

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include Nil (2015: two) directors whose emoluments (excluding share appreciation rights) are reflected in the analysis presented above. The emoluments (excluding share appreciation rights) payable to the remaining five (2015: three) individuals during the year are as follows:

	2016 RMB'000	2015 RMB'000
Basic salaries and allowances	**1,935**	584
Bonuses	**1,907**	2,029
Retirement benefits	**410**	254
	4,252	2,867

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

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

(ii) Five highest paid individuals (continued)

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

	Number of the five highest paid individuals	
	2016	2015
Nil – HKD1,000,000 (equivalent to RMB894,000)	**–**	–
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,340,000)	**5**	5
	5	5

During the year ended December 31, 2016, 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 (2015: nil). No directors, supervisors and the five highest paid employees had waived or agreed to waive any emolument (2015: nil).

(iii) Emoluments of senior management

Other than the emoluments of directors and supervisors disclosed in Note 8(i), the emoluments (excluding share appreciation rights) of the senior management whose profiles are included in Biographies of Directors, Supervisors, Senior Management and Company Secretary section of this report fell within the following bands:

	Number of individuals	
	2016	2015
Nil – HKD1,000,000 (equivalent to RMB894,000)	**4**	2
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,340,000)	**2**	3
	6	5

Notes to the Consolidated Financial Statements

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

9. RETIREMENT BENEFITS

All the full time employees of the Group are covered by state-sponsored pension scheme under which the employees are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make specified contributions to the state-sponsored pension scheme at the rate of 20% of the employees' basic salaries subject to certain ceiling for the year ended December 31, 2016 (2015: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2016 amounted to approximately RMB106.3 million (2015: RMB91.7 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, 2016 amounted to approximately RMB32.7 million (2015: RMB38.9 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, 2016, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2015: nil).

10. HOUSING BENEFITS

All the full-time employees of the Group are entitled to participate in a state-sponsored housing fund. The fund can be one-off used by the employees for housing purchases, or may be one-off withdrawn upon their retirement. The Group is required to make annual contributions to this state-sponsored housing fund equivalent to a certain percentage of each employee's salary. The contributions made by the Group to the housing fund for the year ended December 31, 2016 amounted to approximately RMB78.6 million (2015: RMB69.4 million). This amount was recorded in personnel expenses.

In 2010, the Group obtained the approval from the relevant government authorised to establish a supplementary housing benefit scheme for their employees. This supplementary housing benefit scheme will provide supplemental housing benefits to existing employees who have met certain pre-requisite criteria.

Pursuant to the supplementary housing benefit scheme, the Group agrees to pay a one-time lump sum housing allowances, totalling RMB35.8 million to certain eligible employees for their past services in 2010. Such one-time housing allowance was recorded in personnel expenses in the relevant reporting period.

Pursuant to the supplementary housing benefit scheme, the Group will also implement monthly housing subsidies for certain eligible employees in the following years. The monthly housing subsidies contribution will be charged to the consolidated statement of profit or loss and other comprehensive income as when incurred.

Notes to the Consolidated Financial Statements

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

10. HOUSING BENEFITS (continued)

In 2013, the Group started to distribute the one-time lump sum housing benefit and monthly housing subsidies, and reviewed the eligibility of certain employees, resulting in an over-provision approximately RMB1.3 million and approximately RMB18.9 million respectively, in respect of prior years. The over-provision was mainly due to the dismissal, voluntary resignation and termination of the relevant employees. The over-provision was reflected in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2013. During the year ended December 31, 2014, RMB1 million was further provided for certain employees regarding to the one-time lump sum housing benefit. Since the above mentioned one-time lump sum housing benefits expired in 2015, hence no further provision provided for the year ended December 31, 2015 and 2016.

As of December 31, 2016, the total number of employees of the Group was 7,255 (2015: 6,631).

11. TAXATION

Income tax

	2016 RMB'000	2015 RMB'000
Current tax:		
PRC enterprise income tax expenses	**465,117**	374,760
Over-provision in respect of prior years	**(34,020)**	(4,486)
Overseas income tax expenses	**7,138**	6,749
Deferred tax	**(54,190)**	(33,244)
	384,045	343,779

Taxation of the Group except for TravelSky Hong Kong, TravelSky Singapore, TravelSky Japan, TravelSky Korea, TravelSky Europe, TravelSky USA, TravelSky R&D USA, TravelSky Taiwan, TravelSky Australia, OpenJaw Ireland, OpenJaw Iberica, OpenJaw Polska and OpenJaw AsiaPac is provided based on the tax laws and regulations applicable to the PRC enterprises. The Group provides for the PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation prevailing in the locations in which the Group operates.

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

11. TAXATION (continued)

Income tax (continued)

The latest review was conducted in October 2014, 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 2014 to Year 2016 as a "High and New Technology Enterprise".

In addition to the recognised "High and New Technology Enterprise", enjoying 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 was certified as "Important Software Enterprise" under the National Planning Layout since Year 2006 to Year 2014. The latest certification was granted on January 2, 2014, pursuant to which the Company was granted the certification as an "Important Software Enterprise" under the National Planning Layout for Year 2013 and Year 2014. Accordingly the Company calculated the corporate income tax expense at the preferential corporate income tax rate of 10% for Year 2013 and Year 2014.

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance of the PRC, the State Administration of Taxation, National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC on May 4, 2016, the Company has applied for a preferential tax rate of 10% regarding to the "Important Software Enterprise" to the relevant authority. If the application is approved, the Company will enjoy a preferential tax rate of 10% for Year 2015, 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% will be reflected in the profit or loss account of the enterprise when it is refunded.

As at November 9, 2016, the Company has obtained the approval from the relevant authorities certified as "Important Software Enterprise" under the National Planning Layout for Year 2015. Thus 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% was refunded and reflected in the profit or loss account in Year 2016.

As at December 31, 2016, the Company has not yet applied for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2016. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2016.

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

Notes to the Consolidated Financial Statements

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

11. TAXATION (continued)

Income tax (continued)

In 2016 and 2015, the reconciliation between the Group's actual tax charge and the amount which is calculated based on the weighted average statutory tax rate is as follows:

	2016 RMB'000	2015 RMB'000
Profit before taxation	**2,869,646**	2,317,358
Weighted average statutory tax rate	**25%**	25%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**705,998**	577,272
Share of profits of associated companies	**(6,677)**	(5,657)
Effect of non-taxable income	**(50,781)**	(55,682)
Effect of non-deductible expenses	**87,626**	101,001
Effect of tax losses not recognised	**15,009**	11,989
Effect of tax losses utilised	**(2,754)**	(439)
Effect of preferential tax rates	**(330,356)**	(280,219)
Over-provision in respect of prior years	**(34,020)**	(4,486)
Actual tax charge	**384,045**	343,779

Business Tax

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

Value-Added Tax

The Group's revenue from aviation information technology services, accounting, settlement and clearing services, and sales of equipment and software are subject to VAT. The Company and some of its subsidiaries including ACCA, InfoSky, Shenzhen Cares, Hubei Cares, Chongqing Cares, Xiamen Cares, Qingdao Cares, Xi'an Cares, Xinjiang Cares and Xinan Cares are certified by the tax authorities as general tax payers, and other subsidiaries of the Company are small-scale VAT tax payers. The applicable tax rate is 6% to 17% for general tax payers, and 3% for small-scale VAT tax payers.

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

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

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

12. DIVIDENDS DISTRIBUTION

The equity holders approved the distribution of a final dividend of RMB485.8 million (RMB0.166 per share) for Year 2015 in the annual general meeting of the Company held on June 28, 2016. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2016.

On March 29, 2017, the Board recommended the distribution of a final cash dividend of RMB649.6 million for Year 2016 (RMB0.222 per share). The proposed final dividend distribution is subject to shareholders' approval in the next general meeting of the Company and will be recorded in the Group's financial statements for the year ending December 31, 2017.

13. EARNINGS PER SHARE

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

	2016	2015
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**2,421,114**	1,914,362
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue	**2,926,209**	2,926,209
Earnings per share (RMB)		
Basic and dilutive	**0.83**	0.65

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2016 and December 31, 2015.

Notes to the Consolidated Financial Statements

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

14. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, property, plant and equipment comprised of:

	Note	Buildings RMB'000	Computer systems and software RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost								
As at January 1, 2015		816,438	2,689,489	78,947	316,012	818,716	119,019	4,838,621
Purchases		10,311	71,460	5,719	41,034	874,061	2,139	1,004,724
Disposals/write off		–	(61,101)	(4,389)	(30,564)	–	–	(96,054)
Transfer to intangible assets	16	–	–	–	–	(1,465)	–	(1,465)
As at December 31, 2015 and January 1, 2016		826,749	2,699,848	80,277	326,482	1,691,312	121,158	5,745,826
Purchases		11,993	6,368	54	304,317	521,271	11,064	855,067
Disposals/write off		–	(38,884)	(2,814)	(27,498)	(3,192)	–	(72,388)
Transfer from assets under construction to other assets		376,787	–	–	–	(376,787)	–	–
Transfer to intangible assets	16	–	–	–	–	(663)	–	(663)
Acquisition of subsidiaries	44	–	–	–	1,816	–	–	1,816
Disposal of a subsidiary	45	–	–	–	(350)	–	–	(350)
As at December 31, 2016		**1,215,529**	**2,667,332**	**77,517**	**604,767**	**1,831,941**	**132,222**	**6,529,308**
Accumulated depreciation								
As at January 1, 2015		(165,485)	(2,301,821)	(54,864)	(220,652)	–	(87,266)	(2,830,088)
Charge for the year		(34,313)	(131,104)	(7,238)	(32,041)	–	(24,464)	(229,160)
Disposals/write off		–	59,228	4,257	29,584	–	–	93,069
As at December 31, 2015 and January 1, 2016		(199,798)	(2,373,697)	(57,845)	(223,109)	–	(111,730)	(2,966,179)
Charge for the year		(34,739)	(5,892)	(6,652)	(136,355)	–	(8,734)	(192,372)
Disposals/write off		–	37,749	2,701	26,656	–	–	67,106
Disposal of a subsidiary	45	–	–	–	171	–	–	171
As at December 31, 2016		**(234,537)**	**(2,341,840)**	**(61,796)**	**(332,637)**	**–**	**(120,464)**	**(3,091,274)**
Provision for impairment								
As at January 1, 2015		–	(20,748)	–	–	–	–	(20,748)
Provision for the year		–	(16,974)	–	–	–	–	(16,974)
As at December 31, 2015 and January 1, 2016		–	(37,722)	–	–	–	–	(37,722)
Provision for the year		–	–	–	(132)	–	–	(132)
Reversal on impairment		–	1,038	–	–	–	–	1,038
As at December 31, 2016		**–**	**(36,684)**	**–**	**(132)**	**–**	**–**	**(36,816)**
Net book value								
As at December 31, 2015		626,951	288,429	22,432	103,373	1,691,312	9,428	2,741,925
As at December 31, 2016		**980,992**	**288,808**	**15,721**	**271,998**	**1,831,941**	**11,758**	**3,401,218**

Notes to the Consolidated Financial Statements

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

15. LEASE PREPAYMENT FOR LAND USE RIGHT, NET

	2016 RMB'000	2015 RMB'000
Cost		
As at January 1 and December 31	**2,121,934**	2,121,934
Accumulated amortisation		
As at January 1	**(313,360)**	(260,627)
Charge for the year	**(52,732)**	(52,733)
As at December 31	**(366,092)**	(313,360)
Net book value		
As at December 31	**1,755,842**	1,808,574

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. The Company is in the process of building a new operating center comprising a data center and the headquarter office building of the Company on this piece of land.

Land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. Lease prepayments for land use rights represent the Group's interests in lands which are held on lease with a term of 40 to 50 years.

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

16. INTANGIBLE ASSETS, NET

	Note	Development costs RMB'000	Contractual customer relationships RMB'000	Computer software RMB'000	Total RMB'000
Cost					
As at January 1, 2015		–	–	989,540	989,540
Additions		–	–	37,987	37,987
Transfer from assets under construction	14	–	–	1,465	1,465
As at December 31, 2015 and January 1, 2016		–	–	1,028,992	1,028,992
Additions		7,128	–	313,667	320,795
Acquisition of subsidiaries	44	47,103	41,682	–	88,785
Disposal of a subsidiary	45	–	–	(115)	(115)
Transfer from assets under construction	14	–	–	663	663
Write off/Disposal		–	–	(1,169)	(1,169)
Exchange realignment		(965)	(947)	(28)	(1,940)
As at December 31, 2016		**53,266**	**40,735**	**1,342,010**	**1,436,011**
Accumulated depreciation					
As at January 1, 2015		–	–	(557,866)	(557,866)
Charge for the year		–	–	(221,780)	(221,780)
As at December 31, 2015 and January 1, 2016		–	–	(779,646)	(779,646)
Charge for the year		(6,243)	(1,784)	(226,184)	(234.211)
Eliminated on write off/disposal		–	–	1,169	1,169
Disposal of a subsidiary	45	–	–	59	59
Exchange realignment		(92)	(26)	319	201
As at December 31, 2016		**(6,335)**	**(1,810)**	**(1,004,283)**	**(1,012,428)**
Net book value					
As at December 31, 2015		–	–	249,346	249,346
As at December 31, 2016		**46,931**	**38,925**	**337,727**	**423,583**

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

17. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost and carrying value		
At January 1	**4,426**	4,426
Arising from acquisition of subsidiaries (Note 44)	**144,488**	–
Disposal of a subsidiary (Note 45)	**(4,166)**	–
Exchange translation differences	**(3,282)**	–
At December 31	**141,466**	4,426

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

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units ("**CGUs**") for impairment testing.

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs in respect of acquisition of OpenJaw are determined from value-in-use calculations. The key assumption for the value-in-use calculations of the above CGUs are those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the most recent financial data of 3 years and extrapolates cash flows for the following five years with growth rate in revenue of 4% to 31%. Cash flows beyond the five-year period are extrapolated using zero growth rates. The discount rate is 12% per annum.

As at December 31, 2016, management of the Group was of the view that there was no impairment of goodwill.

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

18. INVESTMENTS IN ASSOCIATED COMPANIES

	2016 RMB'000	2015 RMB'000
Beginning of the year	198,256	178,392
Share of profits by the Company	26,709	22,628
Establishment of an associate	1,960	–
Dividends receivable from associated companies	(17,302)	(2,764)
End of the year	209,623	198,256

A list of the Group's associates is shown in Note 1 to the consolidated financial statements.

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

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profit RMB'000
2016					
100 per cent	606,903	(103,080)	503,823	681,745	64,925
Group's effective interest	252,273	(42,650)	209,623	303,655	26,709
2015					
100 per cent	546,103	(70,507)	475,596	534,553	52,983
Group's effective interest	226,860	(28,604)	198,256	234,450	22,628

Notes to the Consolidated Financial Statements

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

19. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
December 31, 2016			
Assets as per consolidated statement of financial position:			
Available-for-sale financial assets (Note 22)	–	1,180,000	1,180,000
Trade receivables, net (Note 24)	1,096,241	–	1,096,241
Due from related parties, net (Note 25)	2,518,302	–	2,518,302
Due from associated companies (Note 26)	31,663	–	31,663
Interest receivable and other current assets(Note 27)	542,836	–	542,836
Held-to-maturity financial assets (Note 28)	840,000	–	840,000
Deposits with banks with original maturity date over three months (Note 29)	1,902,510	–	1,902,510
Restricted bank deposits (Note 30)	468,363	–	468,363
Cash and cash equivalents (Note 30)	3,332,134	–	3,332,134
Total	10,732,049	1,180,000	11,912,049

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position:		
Trade payables and accrued liabilities (Note 31)	3,503,630	3,503,630
Due to related parties (Note 32)	136,123	136,123
Total	3,639,753	3,639,753

Notes to the Consolidated Financial Statements

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

19. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
December 31, 2015			
Assets as per consolidated statement of financial position:			
Available-for-sale financial assets (Note 22)	–	–	–
Trade receivables, net (Note 24)	817,345	–	817,345
Due from related parties, net (Note 25)	2,491,953	–	2,491,953
Due from associated companies (Note 26)	16,890	–	16,890
Interest receivable and other current assets(Note 27)	498,982	–	498,982
Held-to-maturity financial assets (Note 28)	1,690,000	–	1,690,000
Deposits with banks with original maturity date over three months (Note 29)	1,568,794	–	1,568,794
Restricted bank deposits (Note 30)	299,619	–	299,619
Cash and cash equivalents (Note 30)	2,242,661	–	2,242,661
Total	9,626,244	–	9,626,244

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position:		
Trade payables and accrued liabilities (Note 31)	2,354,742	2,354,742
Due to related parties (Note 32)	151,392	151,392
Total	2,506,134	2,506,134

Notes to the Consolidated Financial Statements

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

20. DEFERRED INCOME TAX

	2016 RMB'000	2015 RMB'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**77,403**	61,607
Deferred tax assets to be recovered within 12 months	**56,692**	17,164
	134,095	78,771
Deferred tax liabilities:		
Deferred tax liabilities to be settled over 12 months	**(35,087)**	(23,694)
Net movement	**99,008**	55,077

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

	Fair value adjustment on intangible assets RMB'000	Depreciation and Amortisation RMB'000	Accrual, Provision and Others RMB'000	Total RMB'000
As at January 1, 2015	–	11,207	10,626	21,833
Recognised in the consolidated statement of profit or loss and other comprehensive income	–	26,130	7,114	33,244
As at December 31, 2015 and January 1, 2016	–	37,337	17,740	55,077
Arising from acquisition of subsidiaries (Note 44)	(9,709)	(791)	–	(10,500)
Recognised in the consolidated statement of profit or loss and other comprehensive income	822	13,840	39,528	54,190
Exchange realignment	211	30	–	241
As at December 31, 2016	**(8,676)**	**50,416**	**57,268**	**99,008**

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

20. DEFERRED INCOME TAX (continued)

At December 31, 2016, the Group has unused tax losses of approximately RMB197.5 million (2015: RMB150.0 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 RMB6.1 million (2015: RMB2.1 million) arising from Australia, Europe, Hong Kong and Singapore subsidiaries may be carried forward indefinitely. Included in the tax losses approximately RMB5.2 million (2015: RMB7.3 million) arising from Taiwan and Korea subsidiaries will expire in various date up to 2026. Included in the tax losses approximately RMB4.3 million (2015: RMB2.2 million) arising from Japan subsidiary will expire up to 2023. Included in the tax losses approximately RMB5.0 million (2015: RMBNil million) arising from North America subsidiary will expire up to 2036. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

	2016 RMB'000	2015 RMB'000
2016	**–**	112
2017	**19,477**	19,477
2018	**26,040**	25,304
2019	**50,915**	51,651
2020	**41,760**	42,316
2021	**38,621**	–
	176,813	138,860

21. OTHER LONG-TERM ASSETS

At December 31, 2016, other long-term assets of the Group mainly comprised of deposits paid for acquisition of property, plant and equipment and intangible assets.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Managed funds, the PRC	**1,180,000**	–
The carrying amount of available-for-sale financial assets are analysed as follows:		
Non-current portion	**1,180,000**	–
Current portion	**–**	–
	1,180,000	–

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

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

As at December 31, 2016, the Group held the entrusted wealth management product issued by Bosera Asset Management Company Ltd. with principal amount of RMB850 million and the Company expects annual rate of return approximately 4.5% and held the commercial bank wealth management product issued by Bank of Hangzhou Co., Ltd. with principal amount of RMB330 million and the Company expects annual rate of return approximately 3.3%.

23. INVENTORIES

	2016 RMB'000	2015 RMB'000
Equipment for sale	36,967	33,447
Spare parts	–	377
Total	36,967	33,824

No inventories have been pledged as security for both years.

24. TRADE RECEIVABLES, NET

	2016 RMB'000	2015 RMB'000
Trade receivables	1,266,146	954,893
Provision for impairment of receivables	(169,905)	(137,548)
Trade receivables, net	1,096,241	817,345

The carrying amounts of the Group's trade receivables approximated its fair value as at December 31, 2016 because of the short-term maturities of these receivables.

The maximum exposure to credit risk at the end of the reporting date is the fair value of trade receivables. The Group does not hold any collateral as security.

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

24. TRADE RECEIVABLES, NET (continued)

The Group has a policy allowing its customers credit periods normally ranging from 10 to 90 days.

As of December 31, 2016 and 2015, the ageing analysis of the trade receivables was as follows:

	2016 RMB'000	2015 RMB'000
Within 6 months	**907,413**	669,063
Over 6 months but within 1 year	**107,119**	117,520
Over 1 year but within 2 years	**128,254**	89,520
Over 2 years but within 3 years	**52,696**	38,923
Over 3 years	**70,664**	39,867
Total trade receivables	**1,266,146**	954,893
Provision for impairment of receivables	**(169,905)**	(137,548)
Trade receivables, net	**1,096,241**	817,345

As of December 31, 2016, trade receivables of RMB30.4 million (2015: RMB47.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 RMB'000	2015 RMB'000
Over 6 months but within 1 year	**14,015**	25,950
Over 1 year but within 2 years	**5,897**	18,194
Over 2 years but within 3 years	**9,198**	2,256
Over 3 years	**1,251**	745
	30,361	47,145

Notes to the Consolidated Financial Statements

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

24. TRADE RECEIVABLES, NET (continued)

As of December 31, 2016, trade receivables of RMB328.4 million (2015: RMB238.7 million) were impaired. The amount of the provision was approximately RMB169.9 million as of December 31, 2016 (2015: approximately RMB137.5 million). The management has assessed that a portion of these receivables is expected to be recovered. The ageing analysis of these receivables is as follows:

	2016 RMB'000	2015 RMB'000
Over 6 months but within 1 year	93,104	91,570
Over 1 year but within 2 years	122,357	71,326
Over 2 years but within 3 years	43,498	36,667
Over 3 years	69,413	39,122
	328,372	238,685

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

	2016 RMB'000	2015 RMB'000
Balance at beginning of the year	137,548	120,526
Provision	32,452	17,022
Write-off	(95)	–
Balance at end of the year	169,905	137,548

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

	2016 RMB'000	2015 RMB'000
RMB	812,175	647,551
HKD denominated	78,373	46,913
USD denominated	249,913	175,695
Others	125,685	84,734
	1,266,146	954,893

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

25. DUE FROM RELATED PARTIES, NET

	2016 RMB'000	2015 RMB'000
Within 6 months	**1,529,257**	1,603,791
Over 6 months but within 1 year	**499,689**	584,490
Over 1 year but within 2 years	**473,437**	284,428
Over 2 years but within 3 years	**1,531**	3,678
Over 3 years	**14,388**	15,566
Due from related parties	**2,518,302**	2,491,953
Provision for impairment of receivables	**–**	–
Due from related parties, net	**2,518,302**	2,491,953

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

As of December 31, 2016, none of notes receivable (2015: RMB110.5 million) was included in the above balances.

As of December 31, 2016, due from related parties of RMB989.0 million (2015: RMB888.2 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2016 RMB'000	2015 RMB'000
Over 6 months but within 1 year	**499,689**	584,490
Over 1 year but within 2 years	**473,437**	284,428
Over 2 years but within 3 years	**1,531**	3,678
Over 3 years	**14,388**	15,566
	989,045	888,162

Notes to the Consolidated Financial Statements

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

26. DUE FROM ASSOCIATED COMPANIES

	2016 RMB'000	2015 RMB'000
Trade related balances	**31,663**	16,890

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

27. PREPAYMENTS AND OTHER CURRENT ASSETS

	2016 RMB'000	2015 RMB'000
Advance payments	**65,867**	40,700
Interest receivable	**17,894**	24,579
Prepaid expenses	**963**	10,613
Other receivables (i)	**419,212**	381,868
Other current assets	**104,767**	81,922
Total	**608,703**	539,682

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

28. HELD-TO-MATURITY FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
At amortised cost:		
Certificates of deposits held	**840,000**	1,690,000

The annual interest rate on certificates of deposit held by the Group ranges from 2.9% to 3.3% (2015: 2.75% to 4.0%) and these deposits have a maturity period from 91 days to 359 days (2015: 90 days to 184 days) and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate their fair values.

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

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

	2016 RMB'000	2015 RMB'000
Denominated in:		
RMB	**1,887,998**	1,561,952
Others	**14,512**	6,842
Total	**1,902,510**	1,568,794
Non-current portion	**320,174**	220,105
Current portion	**1,582,336**	1,348,689
Total	**1,902,510**	1,568,794

As at December 31, 2016, deposits with banks with original maturity date over three months represent deposits with banks with an original maturity over six months or more up to three years. The annual interest rate ranges from 1.5% to 4.23%.

As at December 31, 2015, 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 year. The annual interest rate ranges from 1.75% to 4.23%.

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30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash		
RMB	**109**	556
Others	**34**	10
Total	**143**	566
Demand deposits – denominated in		
RMB	**3,482,436**	2,338,428
USD denominated	**254,159**	171,116
HKD denominated	**18,012**	12,018
Others	**45,747**	20,152
Total	**3,800,354**	2,541,714
Less: Restricted bank deposits (i)		
Non-current portion	**(5,893)**	(129,856)
Current portion	**(462,470)**	(169,763)
Total	**(468,363)**	(299,619)
Total cash and cash equivalents	**3,332,134**	2,242,661

(i) As at December 31, 2015, the restricted bank deposits mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing.

As at December 31, 2016, the restricted bank deposits mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing and for TravelSky Singapore to acquire borrowings which have been fully settled before the end of the reporting period.

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

31. TRADE PAYABLES AND ACCRUED LIABILITIES

	2016 RMB'000	2015 RMB'000
Trade payables	**644,331**	459,847
Accrued departure technology support fees	**506,567**	407,239
Accrued technical support fees	**78,175**	41,027
Accrued network usage fees	**18,717**	15,033
Accrued bonuses and staff cost	**291,547**	277,959
Other taxes payable (i)	**26,807**	50,524
Other payables (ii)	**1,871,824**	984,469
Other liabilities	**65,662**	118,644
Total	**3,503,630**	2,354,742

At December 31, 2016, approximately RMB59.3 million of the above balances was denominated in U.S. dollars (2015: RMB47.6 million).

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

	2016 RMB'000	2015 RMB'000
Within 6 months	**392,222**	321,227
Over 6 months but within 1 year	**23,600**	40,111
Over 1 year but within 2 years	**159,284**	72,102
Over 2 years but within 3 years	**46,279**	6,986
Over 3 years	**22,946**	19,421
Total trade payables	**644,331**	459,847
Accrued liabilities and other liabilities	**2,859,299**	1,894,895
Total	**3,503,630**	2,354,742

(i) Other taxes payables

	2016 RMB'000	2015 RMB'000
Business tax payable	**4**	852
VAT payable	**9,242**	31,152
Other	**17,561**	18,520
Total	**26,807**	50,524

(ii) Other payables represent the amounts collected on behalf of the customer airlines, which are part of ACCA's settlement and clearing services and amount collected on behalf of customers of its subsidiaries through the electronic platform "Dovepay".

Notes to the Consolidated Financial Statements

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

32. DUE TO RELATED PARTIES

	2016 RMB'000	2015 RMB'000
Within 6 months	**78,550**	117,760
Over 6 months but within 1 year	**2,788**	1,774
Over 1 year but within 2 years	**23,278**	2,711
Over 2 years but within 3 years	**2,360**	2,590
Over 3 years	**29,147**	26,557
Total	**136,123**	151,392

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

33. PAID-IN CAPITAL

As of December 31, 2016, all issued shares are registered and fully paid, totally 2,926,209,589 shares (2015: 2,926,209,589 shares) of RMB1 each, comprised of 1,993,647,589 Domestic Shares and 932,562,000 H Shares (2015: 1,993,647,589 Domestic Shares and 932,562,000 H Shares).

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares RMB'000	Amount RMB'000	Total amount RMB'000
Registered:					
Registered shares of RMB1 each					
As at December 31, 2015, January 1, 2016, and December 31, 2016	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares RMB'000	Amount RMB'000	Total amount RMB'000
Issued and fully paid:					
Registered shares of RMB1 each					
As at December 31, 2015, January 1, 2016, and December 31, 2016	1,993,647	1,993,647	932,562	932,562	2,926,209

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

34. RESERVES

	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
			(i)		(ii)		
Balance as at January 1, 2015	658,842	1,159,030	369,313	707,511	451,675	(11,991)	3,334,380
Currency translation differences	–	–	–	–	–	6,987	6,987
Deemed disposal of interest in a subsidiary	(399)	–	–	–	–	–	(399)
Appropriation to reserves	–	158,263	–	141,945	–	–	300,208
Balance as at December 31, 2015	658,443	1,317,293	369,313	849,456	451,675	(5,004)	3,641,176
Balance as at January 1, 2016	**658,443**	**1,317,293**	**369,313**	**849,456**	**451,675**	**(5,004)**	**3,641,176**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(615)**	**(615)**
Appropriation to reserves	**–**	**205,709**	**–**	**156,277**	**–**	**–**	**361,986**
Balance as at December 31, 2016	**658,443**	**1,523,002**	**369,313**	**1,005,733**	**451,675**	**(5,619)**	**4,002,547**

(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 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.

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

35. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2016, according to the Company Law of PRC, related regulations, and the Articles of Association of the Company, the distributable net profit after taxation and non-controlling interest is distributed in the following order:

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

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

(iv) distribution of dividends for ordinary shares to equity holders.

The Company is required to allocate at least 10% of its net profit to statutory surplus reserve fund until the cumulative amount reach 50% of the paid in registered capital under the Company Law of PRC.

The appropriation of 10% of its net profit amounted to RMB156.3 million to the discretionary surplus reserve fund for the year ended December 31, 2015 was approved in the annual general meeting held on June 28, 2016. The amount was accounted for in shareholders' equity as a distribution of retained earnings in the year ended December 31, 2016.

The proposed appropriation of 10% of its net profit amounted to RMB204.8 million to the discretionary surplus reserve fund for the year ended December 31, 2016 is subject to shareholders' approval at the forthcoming annual general meeting. Therefore, the amount upon approval will be recorded in the Group's financial statements for year ending December 31, 2017.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2016 was approximately RMB5,159.9 million (2015: RMB3,999.1 million).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB2,047.7 million (2015: RMB1,562.8 million) for the year ended December 31, 2016.

Notes to the Consolidated Financial Statements

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net		**2,867,205**	2,202,809
Lease prepayment for land use right, net		**1,705,528**	1,756,998
Intangible assets, net		**301,982**	206,818
Investments in subsidiaries	(a)	**1,608,999**	1,338,436
Investments in associated companies		**26,132**	26,140
Deferred income tax assets		**133,812**	78,456
Available-for-sale financial assets		**1,180,000**	–
Other long-term assets		**9,875**	58,677
Restricted bank deposits		**2,791**	129,856
		7,836,324	5,798,190
Current assets			
Trade receivables, net		**833,966**	622,672
Due from related parties, net		**1,998,979**	1,939,181
Due from subsidiaries, net		**204,715**	159,922
Due from associated companies		**19,708**	7,961
Prepayments and other current assets		**131,444**	83,560
Held-to-maturity financial assets		**840,000**	1,690,000
Restricted bank deposits		**452,731**	164,812
Cash and cash equivalents		**1,104,434**	920,703
		5,585,977	5,588,811
Total assets		**13,422,301**	11,387,001
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital		**2,926,209**	2,926,209
Reserves	(b)	**3,570,477**	3,208,491
Retained earnings		**4,851,180**	3,651,238
Total equity		**11,347,866**	9,785,938

Notes to the Consolidated Financial Statements

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

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

	Note	2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		10,627	9,128
Deferred revenue		9,228	3,868
		19,855	12,996
Current liabilities			
Trade payables and accrued liabilities		1,232,370	1,065,208
Due to related parties		101,479	119,901
Due to subsidiaries		494,793	305,310
Income tax payable		225,938	97,648
		2,054,580	1,588,067
Total liabilities		2,074,435	1,601,063
Total equity and liabilities		13,422,301	11,387,001
Net current assets		3,531,397	4,000,744
Total assets less current liabilities		11,367,721	9,798,934

Approved by the Board of Directors on March 29, 2017.

Cui Zhixiong
Director

Xiao Yinhong
Director

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

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

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

(b)

	Capital surplus RMB'000	Statutory surplus reserve fund RMB'000	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000	Total RMB'000
Balance as at January 1, 2015	661,932	1,151,750	707,511	387,090	2,908,283
Transfer from retained earnings	–	158,263	141,945	–	300,208
Balance as at December 31, 2015	661,932	1,310,013	849,456	387,090	3,208,491
Balance as at January 1, 2016	**661,932**	**1,310,013**	**849,456**	**387,090**	**3,208,491**
Transfer from retained earnings	**–**	**205,709**	**156,277**	**–**	**361,986**
Balance as at December 31, 2016	**661,932**	**1,515,722**	**1,005,733**	**387,090**	**3,570,477**

Notes to the Consolidated Financial Statements

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

37. CASH GENERATED FROM OPERATING ACTIVITIES

	2016 RMB'000	2015 RMB'000
Profit before taxation	**2,869,646**	2,317,358
Adjustments for:		
Depreciation and amortisation	**479,315**	503,673
Loss on disposal of property, plant and equipment	**759**	2,475
Interest income	**(132,160)**	(128,659)
Provision for impairment of receivables	**32,452**	17,022
(Reversal of)/impairment loss on property, plant and equipment	**(906)**	16,974
Staff costs arising from share appreciation rights	**–**	293
Share of results from associated companies	**(26,709)**	(22,628)
Gain on disposal of a subsidiary	**(1,865)**	–
Foreign exchange loss	**17,405**	23,450
(Increase)/decrease in current and non-current assets:		
Trade receivables	**(309,417)**	(95,717)
Inventories	**(3,265)**	(18,724)
Prepayments and other current assets	**(71,565)**	(57,378)
Due from related parties/associated companies	**(23,820)**	(244,171)
Increase/(decrease) in current liabilities and non-current liabilities:		
Trade payables and accrued liabilities	**1,139,946**	258,201
Deferred revenue	**8,178**	10,121
Due to related parties	**(15,269)**	58,582
Cash generated from operations	**3,962,725**	2,640,872

38. SHARE APPRECIATION RIGHTS SCHEMES

The share appreciation rights scheme of the Group was approved by the State-Owned Assets Supervision and Administration Commission of the State Council, the PRC on April 21, 2011, and approved by the annual general meeting of the Company on June 28, 2011. Under this scheme, share appreciation rights are granted in units with each unit representing one H share of the Company.

Under this scheme, all share appreciation rights had a contractual life of seven years from the date of its grant. A recipient of share appreciation rights shall not exercise the rights within the first two years after the date of its grant.

Upon the exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding income tax, a cash payment in RMB, being an amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the exchange rate between RMB and Hong Kong dollars published by the People's Bank of China at the date of exercise of the share appreciation rights. The Company recognises the relevant expense of the share appreciation rights over the applicable vesting period.

Under this scheme, the share appreciation rights are not transferable, nor are there any voting rights attached. The operation of the scheme does not involve any issue of new shares of the Company, and the exercise of any share appreciation rights will not create any dilution effect on the Company's shareholding structure. The share appreciation rights which have not been exercised after the expiration of the terms of the scheme shall lapse.

On August 29, 2011, 14,004,000 units of the share appreciation rights were granted to 3 executive directors, 10 senior management and 43 key technical and managerial personnel of the Group by the Company at an exercise price calculated at the higher of the closing price of the H-shares of the Company on August 29, 2011 and the average closing price of the H-shares of the Company for five consecutive trading days prior to August 29, 2011.

The first tranche of 4,668,000 units, the second tranche of 4,485,000 units and the third tranche of 4,320,000 units out of 14,004,000 units of share appreciation rights were exercised during April, October 2014 and 2015 respectively. The amount of share appreciation rights has been paid in January 2016.

For the year ended December 31, 2014, one of the executive directors and a senior management staff resigned due to job allocation. The relevant third tranche of 165,000 units of share appreciation rights of the executive director and the relevant second and third tranche of 224,000 units of share appreciation rights of the senior management staff have been forfeited accordingly. For the year ended December 31, 2015, a senior management staff resigned due to demotion. Included in the relevant second and third tranches of share appreciation rights, 142,000 units of share appreciation rights of the senior management staff have been forfeited accordingly.

Up to and as at December 31, 2016, the share appreciation rights scheme granted on Year 2011 was fully paid, and no new share appreciation rights scheme is granted. There was no outstanding share appreciation rights at the end of the reporting period.

Notes to the Consolidated Financial Statements

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

39. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the Group's finance department, following the overall directions determined by the Board of Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units.

(i) Foreign currency risk

The functional currency of the Company and most of the subsidiaries is RMB. Majority of transactions are conducted in RMB except for certain commercial transactions with foreign airlines and purchases of machinery and equipment from overseas suppliers. The Group manages the foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposure.

The Group's exposure to foreign exchange risk relates principally to its trade receivables, deposits with banks with original maturity date over three months, cash and cash equivalents and trade payables denominated in foreign currencies. Analysis of these assets and liabilities by currency are disclosed in Notes 24, 29, 30 and 31 respectively.

As at December 31, 2016, if RMB had strengthened/weakened by 5% against USD, HKD and EUR with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB27 million (2015: RMB17.3 million) lower/higher, mainly as a result of foreign exchange differences on translation of balances of denominated in USD, HKD and EUR trade receivables, deposits with banks with original maturity date over three months, cash and cash equivalents and trade payables.

(ii) Interest rate risk

The Group's interest-bearing assets are mainly represented by deposits with banks with original maturity date over three months, cash and cash equivalents and held-to-maturity financial assets. For the year ended December 31, 2016, interest income is approximately RMB132.2 million (2015: RMB128.7 million). Apart from this, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates and maturities of the Group's held-to-maturity financial assets and deposits with banks with original maturity date over three months are disclosed in Notes 28 and 29 respectively.

The Group has no significant borrowings or non-current liabilities at December 31, 2016 and therefore do not have significant exposure to changes in interest rates.

39. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from trade receivables, deposits with banks with original maturity date over three months, held-to-maturity financial assets, cash and cash equivalents and due from related parties. The carrying amounts of these current assets represent the Group's maximum exposure to credit risk in relation to financial assets.

As a substantial portion of these revenues was generated from the shareholders of the Company, the amount due from related parties balances are trade related, and the counterparties mainly comprise the domestic airlines. Most of these domestic airlines are stated-owned enterprises with good repayment history. There was no material default of the balances in the past. As at December 31, 2016, approximately 89% (2015: 62%) of the total amount due from related parties was due from the top 3 customers of the Group: China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited, and Air China Limited.

The Group has policies to ensure that the bank balances are placed with the banks with good reputation and credit quality. The Group also performs evaluation of credit quality of the banks periodically. Approximately 55% (2015: 75%) of the total bank balances were concentrated with 4 largest state-owned banks as at December 31, 2016.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2016, approximately 27% of the Group's total assets are in cash and cash equivalents and deposits with banks with original maturity date over three months (2015: 24%). 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.

Notes to the Consolidated Financial Statements

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

39. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement

(i) Financial instruments carried at fair value

The following table presents financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in IFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

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

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

2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	–	–

During the year ended December 31, 2016 and 2015, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

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

39. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement (continued)

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

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

	2016 RMB'000	2015 RMB'000
As at January, 1	–	–
Purchases	1,180,000	–
As at December, 31	1,180,000	–

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

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

(ii) Financial instruments carried at other than fair value

The Group's financial instruments carried at other than fair value mainly consist of cash and cash equivalents, deposits with banks with original maturity date over three months, restricted bank deposits, held-to-maturity financial assets, trade receivables, prepayments, 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, 2016 because of the short-term maturities of these instruments.

Notes to the Consolidated Financial Statements

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

40. SEGMENT REPORTING

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group's chief decision maker for operation is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the consolidated statement of profit or loss and other comprehensive income. No segment consolidated income statement has been prepared by the Group for the year ended December 31, 2016 and 2015.

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.

Certain customers accounted for greater than 10% of the Group's total revenues, please refer to Note 42 for details.

41. COMMITMENTS

(a) Capital commitments

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

	2016 RMB'000	2015 RMB'000
Authorised and contracted for		
– Computer System and others	**79,202**	40,494
– Assets under constructions	**1,475,459**	1,622,384
– Furniture, fixtures and other equipment	**1,688**	2,413
– Available-for-sale financial assets	**1,750,000**	–
Authorised but not contracted for		
– Computer System and others	**703,908**	636,168
Total	**4,010,257**	2,301,459

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

An amount of approximately RMB60.6 million (2015: RMB63.3 million) of capital commitments has been contracted for at December 31, 2016 which was denominated in U.S. dollars.

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

41. COMMITMENTS (continued)

(b) Operating lease commitments

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

	2016 RMB'000	2015 RMB'000
Within one year	**139,484**	137,322
Later than one year but not later than five years	**67,120**	126,958
Total	**206,604**	264,280

The Group leases a number of offices under operating lease arrangements. The leases run for an average period of 2 to 4 years.

(c) Equipment maintenance fee commitments

As at December 31, 2016, the Group had equipment maintenance fee commitments of approximately RMB182.3 million (2015: RMB125.1 million).

42. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised 2016), "Related Party Disclosure", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. Entities are also considered to be related if they are subject to common control or common significant influence. For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

Notes to the Consolidated Financial Statements

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

42. RELATED PARTY TRANSACTIONS (continued)

(1) Related parties

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

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

(2) Related party transactions

The following is a summary of significant recurring transactions carried out with the Group's related parties.

(i) Revenue for aviation information technology, data network and accounting, settlement and clearing services.

The pricing was based on either contractual arrangements or negotiated prices with these related parties with reference to the pricing standards prescribed by Civil Aviation Administration of China ("**CAAC**") where applicable.

Name	Note	2016 RMB'000	2015 RMB'000
China Southern Airlines Company Limited	(a)	**635,498**	603,233
China Eastern Airlines Corporation Limited	(a)	**772,320**	708,944
Air China Limited	(a)	**715,843**	674,145
Hainan Airlines Company Limited	(a)	**350,076**	297,412

Note:

(a) Included their respective subsidiaries

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

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

42. RELATED PARTY TRANSACTIONS (continued)

(2) Related party transactions (continued)

(ii) Lease of properties from CTHC

For the year ended December 31, 2016, operating lease rentals for lease of properties from CTHC amounted to RMB50.3 million (2015: RMB42.4 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

(3) Balances with related parties

Balances due from the related parties mainly comprised:

Name	Note	2016 RMB'000	2015 RMB'000
Trade related balances (i)			
China Southern Airlines Company Limited	(a)	**228,665**	272,036
China Eastern Airlines Corporation Limited	(b)	**1,066,573**	796,588
Air China Limited	(c)	**468,270**	476,911
Hainan Airlines Company Limited		**203,351**	299,552
Other balances (ii)			
China Southern Airlines Company Limited	(a)	**138,747**	151,419
China Eastern Airlines Corporation Limited	(b)	**112,648**	91,613
Air China Limited	(c)	**228,682**	268,871

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

(i) The trade related balances with related parties primarily arose from the above related party transactions.

(ii) The other balances represented the payment made on behalf of related parties, which are part of the ACCA's settlement and clearing services business.

Notes:

(a) Included the transaction balance of its subsidiary, Xiamen Airlines Company Limited.

(b) Included the transaction balances of its subsidiaries, China Eastern Airlines Wuhan Company Limited, China United Airlines Company Limited and Shanghai Airlines Limited.

(c) Included the transaction balances of its subsidiaries, Shenzhen Airlines Company Limited, Air Macau Company Limited and Kunpeng Airlines Company Limited.

Notes to the Consolidated Financial Statements

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

42. RELATED PARTY TRANSACTIONS (continued)

(4) Balances with other major state-owned enterprises

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

	2016 RMB'000	2015 RMB'000
Bank balances	**2,865,008**	2,862,956

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.

43. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

In Feburary 2015, the Company and an independent third party entered into an agreement, pursuant to which the Company and the independent third party agreed to make capital contributions of RMB8,688,000 and RMB3,911,000, respectively, to the Company's subsidiary, TravelSky Zhejiang, in cash. Upon completion of the above transaction on June 24, 2015, the registered capital of TravelSky Zhejiang has increased from RMB10,000,000 to RMB22,599,000 and the direct equity interest in TravelSky Zhejiang held by the Company was then diluted from 100% to 82.7% accordingly.

Pursuant to the abovementioned agreement, the Company and the independent third party also agreed to make additional capital contributions to TravelSky Zhejiang with property, plant and equipment. Such assets contribution was completed in August 2015. Upon completion, the registered capital of TravelSky Zhejiang was further increased from RMB22,599,000 to RMB37,347,300 and the equity interest in TravelSky Zhejiang held by the Group was therefore further diluted from 82.7% to 51%. The effect of changes in the equity attributable to Owners of the Company and non-controlling interests as at the completion date is summarised as follows:

	2015 RMB'000
Consideration received from non-controlling interests	24,500
Carrying amount of non-controlling interests disposed of	(24,101)
Gain on disposal within equity	399

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

44. BUSINESS COMBINATIONS

Acquisition of subsidiaries in the current year

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

The acquisition was accounted for using the purchase method.

Net assets acquired in the above transaction are as follows:

	Fair value at the date of acquisition RMB'000
Net assets acquired:	
Property, plant and equipment (Note 14)	1,816
Intangible assets (Note 16)	88,785
Trade receivables	24,084
Prepayments and other current assets	4,355
Cash and cash equivalents	21,883
Trade payables and accrued liabilities	(17,489)
Income tax payable	(632)
Deferred income tax liabilities (Note 20)	(10,500)
Net assets	112,302
Goodwill (Note)	144,488
Total consideration	256,790

Notes to the Consolidated Financial Statements

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

44. BUSINESS COMBINATIONS (continued)

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

Note:

The goodwill arose from a number of factors and the most significant factor is the synergies expected to arise after the acquisition of OpenJaw for the equity interests of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the revenue and profit for the period are approximately RMB106.9 million and approximately RMB5.3 million respectively attributable to the additional business generated by the newly acquired subsidiaries for the period between the date of acquisition and December 31, 2016.

Had this business combination been effected on January 1, 2016, the revenue of the Group would be approximately RMB6,273.2 million and profit for the year of the Group would be approximately RMB2,495.1 million. The directors of the Company consider this 'pro-formas' an approximate measure of the performance of the combined group on an annualised basis and a reference point only for comparison in future periods.

Notes to the Consolidated Financial Statements

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

45. DISPOSAL OF A SUBSIDIARY

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

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

	2016 RMB'000
Net assets disposed of:	
Goodwill (Note 17)	4,166
Property, plant and equipment, net (Note 14)	179
Intangible assets, net (Note 16)	56
Inventories	122
Trade receivables, net	771
Prepayments and other current assets	214
Cash and cash equivalents	524
Trade payables and accrued liabilities	(1,918)
Net assets disposal of	4,114
Consideration received:	
Cash received	6,000
Less: Net assets disposed of	(4,114)
Non-controlling interests	(21)
Gain on disposal of a subsidiary	1,865
Net cash inflow/(outflow) of cash arising from disposal of a subsidiary:	
Cash consideration	6,000
Cash and cash equivalents in subsidiary disposed of	(524)
Net cash inflow from disposal of a subsidiary	5,476

Notes to the Consolidated Financial Statements

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

46. ULTIMATE HOLDING COMPANY

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

47. EVENTS AFTER THE END OF THE REPORTING PERIOD

On May 20, 2016, the Company entered into 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% of 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. As at the date of this annual report, the abovementioned procedures are still in progress. For details, please refer to the Company's announcement date May 20, 2016.

48. COMPARATIVE FIGURES

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

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on March 29, 2017.

SUPPLEMENTARY INFORMATION FROM THE MANAGEMENT

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2016

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

	Year ended December 31,				
	2012	2013	2014	2015	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenues	4,060,518	4,509,311	5,336,412	5,471,831	**6,223,267**
Profit before taxation	1,304,208	1,312,419	1,904,968	2,317,358	**2,869,646**
Profit attributable to owner of the Parent	1,132,881	1,205,732	1,652,589	1,914,362	**2,421,114**
Earnings before interests, tax, depreciation and amortisation	1,586,946	1,629,781	2,223,566	2,692,372	**3,216,801**
Earnings per share (Basic and diluted) (RMB)	0.39	0.41	0.56	0.65	**0.83**

	As at December 31,				
	2012	2013	2014	2015	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	9,880,912	11,141,535	12,729,607	14,871,195	**18,130,664**
Total liabilities	1,449,264	1,841,056	2,153,389	2,690,110	**3,965,754**
Total equity	8,431,648	9,300,479	10,576,218	12,181,085	**14,164,910**

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, 2016.

CORPORATE INFORMATION

(as of the issue date of this report)

BOARD

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

REMUNERATION AND EVALUATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

(as of the issue date of this report)

STRATEGIC COMMITTEE

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

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

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

Pan Chongyi	*Independent Non-executive Director, Member of the Audit and Risk Management Committee, Chief Member of the Remuneration and Evaluation Committee, Member of the Nomination Committee* (appointed on June 18, 2013, resigned on January 26, 2016)
Zhang Hainan	*Independent Non-executive Director, Member of the Audit and Risk Management Committee, Member of the Remuneration and Evaluation Committee, Member of the Nomination Committee* (appointed on June 18, 2013, resigned on January 26, 2016)
Cheung Yuk Ming	*Independent Non-executive Director, Chief Member of the Audit and Risk Management Committee, Member of the Remuneration and Evaluation Committee, Member of the Nomination Committee* (appointed on June 18, 2013, resigned on October 18, 2016)

SUPERVISORY COMMITTEE

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

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

SENIOR MANAGEMENT

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

Rong Gang	*Vice General Manager*
Wang Wei	*Vice General Manager*
Sun Yongtao	*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)*

Corporate Information

(as of the issue date of this report)

AUDITORS

International auditors:

Baker Tilly Hong Kong Limited
2nd Floor, 625 King's Road, North Point, Hong Kong

PRC auditors:

Baker Tilly China
Building 12, Foreign Cultural and Creative Garden,
No. 19, Chegongzhuang West Road, Haidian District, Beijing 100048, PRC

LEGAL ADVISERS

as to Hong Kong law:

Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

as to the PRC law:

Guantao Law Firm
18/F, Tower B, Xinsheng Plaza, 5 Finance Street,
Xicheng District, Beijing 100032, PRC

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
2401-2, Admiralty Centre I, 18 Harcourt Road, Hong Kong

Telephone:	(852) 2527 1628
Facsimile:	(852) 2527 1271
Email:	sprg-travelsky@sprg.com.hk

CONTACT DETAILS FOR INVESTORS

Secretarial Office to the Board

Postal address:	No.157 Dongsi West Street, Dongcheng District, Beijing 100010, PRC
Telephone:	(8610) 5765 0696
Facsimile:	(8610) 5765 0695
Email:	ir@travelsky.com
Website:	www.travelskyir.com

(as of the issue date of this report)

REGISTERED ADDRESS

7 Yu Min Da Street, Houshayu Town, Shunyi District
Beijing 101308, 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

The Bank of New York Mellon

Regular Mail:
BNY Mellon Shareowner Services
P.O.BOX 30170
College Station, TX 77842-3170

Overnight Mail:
BNY Mellon Shareowner Services
211 Quality Circle, Suite 210
College Station, TX 77845

COMPANY'S WEBSITES

Website of consolidated information of the Company:
www.travelsky.net

Website established in accordance with Rule 2.07C(6)(a) of the Listing Rules:
www.travelskyir.com

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

DIRECTORS

Mr. Cui Zhixiong, aged 56, 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 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. Since December 2015, he has 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. China TravelSky Holding Company has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Cui is an employee of China TravelSky Holding Company.

Mr. Xiao Yinhong, aged 53, 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.

(as of the issue date of this report)

Mr. Cao Jianxiong, aged 57, 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 Vice President of China Eastern Airlines Group Corporation. 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 East Airlines Corporation Limited. From October 2006 to December 2008, he served as the General Manager of China Eastern Airlines Corporation Limited. Since December 2008, Mr. Cao served as the Deputy General Manager and a member of Communist Party Group of China National Aviation Holding Company. Since November 2016, Mr. Cao has been serving as the Deputy Party Secretary of the Communist Party Committee of the China National Aviation Holding Company. Since June 2009, 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 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.

Mr. Li Yangmin, aged 53, a non-executive director of the Company, is a professor-level senior engineer. Mr. Li graduated from the Civil Aviation University of China and obtained a master's degree from Northwestern Polytechnical University and an Executive Master of Business Administration (EMBA) degree from Fudan University. Mr. Li joined the civil aviation industry in 1985. He previously served as the deputy general manager of the aircraft maintenance base and the manager of air route department (航線部) of Northwest Airlines Company (西北航空公司), general manager of the aircraft maintenance base of China Eastern Airlines Northwest Branch (中國東方航空西北分公司), deputy general manager of China Eastern Airlines Northwest Branch and general manager of China Eastern Airlines Yunnan Branch (中國東方航空雲南分公司). Mr. Li has been served as the deputy general manager of China Eastern Airlines Corporation Limited (a subsidiary of China Eastern Air Holding Company, a promoter and a substantial shareholder of the Company; whose shares are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 00670 (Hong Kong Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)) from October 2005, and concurrently served as the safety director of China Eastern Airlines Corporation Limited from July 2010 to December 2012. He has become a party member of China Eastern Air Holding Company since May 2011. Mr. Li has been served as the party secretary and director of China Eastern Airlines Corporation Limited since June 2011. He concurrently served as the Chairman of China Cargo Airlines from February 2012 to January 2013. Since September 2016, Mr. Li has been serving as the Deputy Party Secretary of the Communist Party Committee and the Deputy General Manager of the China Eastern Airlines Corporation Limited. Since October 2016, Mr. Li has been serving as the Chairman of China Aviation Supplies Co., Ltd (中國航空器材有限責任公司). Since December 2015, Mr. Li has served as a non-executive director of the fifth session of the Board of the Company and a member of the Strategic Committee. Since October 2016, Mr. Li has been serving as a non-executive director of the sixth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee. China Eastern Air Holding Company has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Li is an employee of China Eastern Air Holding Company.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Yuan Xin'an, aged 60, a non-executive director of the Company and a senior engineer, graduated from Xi'an Air Force Engineering University with a bachelor degree in Aerospace Machinery. Mr. Yuan began his career in December 1976 and previously served as the quality control manager, the deputy director and the deputy general manager of Guangzhou Aircraft Maintenance Engineering Co., Ltd. (民航廣州飛機維修公司), the deputy general manager of the engineering department of China Southern Airlines Company Limited (a company whose shares are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 01055 (Hong Kong Stock Exchange); 600029 (Shanghai Stock Exchange); a subsidiary of China Southern Air Holding Company (a promoter and a substantial shareholder of the Company)), the chief engineer and the general manager of engineering department of China Southern Airlines Company Limited. Mr. Yuan served as the deputy general manager and a member of the standing committee of the Communist Party Committee of China Southern Airlines Company Limited from April 2002 to September 2007, and concurrently served as the assistant to the general manager of China Southern Air Holding Company from February to September 2007. Mr. Yuan has served as the deputy general manager and a party member of China Southern Air Holding Company since September 2007, and has concurrently served as the general council of China Southern Air Holding Company since July 2008. Mr. Yuan currently serves as a director of China Southern Airlines Company Limited. Mr. Yuan concurrently serves as the chairman of MTU Maintenance Zhuhai Co., Ltd. (珠海保稅區摩天宇航空發動機維修有限公司), Guangzhou Southern Airline Construction Company Limited (廣州南航建設有限公司) and Shenzhen Air Catering Co., Ltd. (深圳航空食品有限公司), as well as a director of China Aircraft Services Limited (中國飛機服務有限公司). Since December 2015, Mr. Yuan has served as a non-executive director of the fifth session of the Board of the Company, a member of the Remuneration and Evaluation Committee and a member of the Strategic Committee. Since October 2016, Mr. Yuan has been serving as a non-executive director of the sixth session of the Board of the Company, and has been re-appointed as a member of the Remuneration and Evaluation Committee and a member of the Strategic Committee. China Southern Air Holding Company has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Yuan is an employee of China Southern Air Holding Company.

Mr. Cao Shiqing, aged 62, 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.

(as of the issue date of this report)

Dr. Ngai Wai Fung, aged 55, an independent non-executive director of the Company, is a director and the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. Dr. Ngai has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chips companies. Dr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He is the past president of The Hong Kong Institute of Chartered Secretaries, a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, the Adjunct Professor of Law at Hong Kong Shue Yan University and a member of the General Committee of The Chamber of Hong Kong Listed Companies, and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC. Dr. Ngai was appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of the Working Group on Professional Services under the Economic Development Commission for each term of two years in 2013 and 2015 respectively, and reappointed for further two years in 2017. He is a fellow of The Association of Chartered Certified Accountants in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of The Hong Kong Institute of Chartered Secretaries, a fellow of The Hong Kong Institute of Directors and a member of The Hong Kong Securities and Investment Institute. Dr. Ngai obtained a Doctoral Degree in Finance at Shanghai University of Finance and Economics and received a Master's Degree in Corporate Finance from Hong Kong Polytechnic University and a Master's Degree in Business Administration from Andrews University of Michigan and a Bachelor's Degree in Law at University of Wolverhampton. Dr. Ngai is the independent non-executive director of the following companies, namely BaWang International (Group) Holding Limited (SEHK, Stock Code: 01338), Biostime International Holdings Limited (SEHK, Stock Code: 01112), Bosideng International Holdings Limited (SEHK, Stock Code: 03998), Beijing Capital Juda Limited (SEHK, Stock Code: 01329), China Railway Group Limited (SEHK, Stock Code: 00390), China Coal Energy Company Limited (SEHK, Stock Code: 01898), Powerlong Real Estate Holdings Limited (SEHK, Stock Code: 01238), SITC International Holdings Company Limited (SEHK, Stock Code: 01308), Yangtze Optical Fibre and Cable Joint Stock Limited Company (SEHK, Stock Code: 06869), BBMG Corporation (English translation denotes for identification purposes only) (SEHK, Stock Code: 02009) and China HKBridge Holding Limited (formerly know as "Topsearch International (Holdings) Limited") (SEHK, Stock Code: 02323). Dr. Ngai is also the independent director of LDK Solar Co., Ltd. and SPI Energy Co., Ltd. He was the independent non-executive director of China Railway Construction Corporation Limited (SEHK, Stock code: 01186) from November 2007 to October 2014 and the independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (SEHK, Stock Code: 00631) from November 2009 to December 2015. Since January 2016, Dr. Ngai 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 and a member of the Remuneration and Evaluation Committee. Since October 2016, Dr. Ngai has served as an independent non-executive director of the sixth session of the Board of the Company, a chief member of the Audit and Risk Management Committee and a member of the Remuneration and Evaluation Committee.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Liu Xiangqun, aged 63, 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 Government Offices 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 54, 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 47, 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 Manager 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. 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 45, 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. 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 of the Finance and Accounting Department of Xiamen Airlines (廈門航空有限公司). She has been promoted to be the general manager of the Finance and Accounting Department of Xiamen Airlines since September 2010 and she also has been promoted to be deputy chief financial director and the general manager of the Finance and Accounting Department since August 2015. 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 54, 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, he served as the Chief Information Officer of HNA Tourism Group Co., Ltd. (海航旅業集團有限公司). Since January 2016, he has been serving as the Chief Information Officer of HNA Aviation Investment Group (海航航空投資集團). 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.

Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Rao Geping, aged 69, 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 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 54, 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 56, 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. Sun Yongtao, aged 59, a vice general manager of the Company, is a senior accountant. He graduated as a postgraduate from Nankai University and holds a master's degree in economics. From May 1988 to July 1993, he was the Chief Accountant of Shenzhen Century Plaza Hotel Company Limited (深圳新都酒店股份有限公司). From July 1993 to January 1996, he was a director and General Manager of Finance Department of Shum Yip Investment Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, now known as Shenzhen Investment Limited). From January 1996 to February 2002, he served as the Financial Controller, the Deputy General Manager (General Affairs) and a director of Hengli Weaving (Holdings) Limited (香港恒力紡織(集團)有限公司). He was the Deputy General Manager and the Financial Controller of Daya Bay Nuclear Power Finance Corporation, Ltd. (大亞灣核電財務有限責任公司) from February 2002 to November 2004. Mr. Sun was the Chief Accountant of China TravelSky Holding Company, a promoter of the Company, from November 2004 to June 2008. From March 2008 to May 2008, Mr. Sun served as the acting chairman of the Company. From January 2007 to March 2009, Mr. Sun served as a non-executive director of the Company and a member of the Remuneration and Evaluation Committee. From March 2010 to October 2016, Mr. Sun served as the Chief Financial Officer of the Company. Mr. Sun has been a vice general manager of the Company since December 2008.

Mr Li Jinsong, aged 47, 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 52, 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 nearly 30 years of experience in management and technical support 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.

(as of the issue date of this report)

COMPANY SECRETARY

Mr. Yu Xiaochun, aged 49, the company secretary of the Company (Secretary to the Board), received a bachelor's degree from Beihang University majoring in management engineering and obtained a master's degree in management from Beihang University in 2002. Since joining China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), in July 1989, Mr. Yu has nearly 30 years of experience in China's civil aviation industry. Mr. Yu was the deputy director of the marketing department of China Civil Aviation Computer Information Center from July 1999 to October 2000. From October 2000 (when the Company was established) to December 2002, he held various positions in the Company such as the deputy director of the Marketing Department, the general manager of the DCS Department (離港部) and the deputy general manager of the Marketing Department. From December 2002 to July 2009, Mr. Yu was the general manager of the planning and development department of China TravelSky Holding Company, a promoter of the Company. From July 2009 to March 2013, he was the head of the Planning and Development Department of the Company. Mr. Yu served as a joint company secretary and secretary to the Board of the Company since March 2010. Mr. Yu has served as the company secretary and secretary to the Board of the Company since June 2013. Since October 2016, he has re-appointed as the company secretary of the Company and secretary to the Board.