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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

RESULTS HIGHLIGHTS

- Total revenue amounted to approximately RMB6,734.2 million, representing an increase of approximately 8.2% over Year 2016
- Profit attributable to equity holders of the Company was approximately RMB2,248.7 million, representing a decrease of approximately 7.1% over Year 2016
- Earnings per share was RMB0.77
- The Board recommended the distribution of a final cash dividend of RMB0.253 per share for Year 2017

The board of directors (the "**Board**") of TravelSky Technology Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") for the year ended December 31, 2017 ("**Year 2017**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

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

	Note	**2017** *RMB'000*	2016 *RMB'000*
Revenues			
Aviation information technology services		**3,878,516**	3,496,437
Accounting, settlement and clearing services		**555,185**	517,682
System integration services		**744,338**	950,332
Data network and others		**1,556,206**	1,258,816
Total revenues	*3*	**6,734,245**	6,223,267
Operating expenses			
Business taxes and other surcharges		**(35,847)**	(32,975)
Depreciation and amortisation		**(577,043)**	(479,315)
Network usage fees		**(71,193)**	(65,396)
Personnel expenses		**(1,640,610)**	(1,403,927)
Operating lease payments		**(174,716)**	(184,458)
Technical support and maintenance fees		**(613,849)**	(501,475)
Commission and promotion expenses		**(527,571)**	(537,725)
Costs of software and hardware sold		**(319,791)**	(521,207)
Other operating expenses		**(300,269)**	(319,835)
Total operating expenses		**(4,260,889)**	(4,046,313)
Operating profit		**2,473,356**	2,176,954
Financial income, net		**122,974**	164,118
Government grant		**–**	500,000
Share of results of associated companies		**35,299**	26,709
Gain on disposal of a subsidiary		**–**	1,865
Profit before taxation	*4*	**2,631,629**	2,869,646
Taxation	*5*	**(313,040)**	(384,045)
Profit after taxation for the year		**2,318,589**	2,485,601

	Note	2017 RMB'000	2016 RMB'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**2,241**	(615)
Changes in fair value of available-for-sale financial assets		**39,271**	–
Other comprehensive income, net of tax		**41,512**	(615)
Total comprehensive income for the year		**2,360,101**	2,484,986
Profit after taxation attributable to			
Owner of the Parent		**2,248,653**	2,421,114
Non-controlling interests		**69,936**	64,487
		2,318,589	2,485,601
Total comprehensive income attributable to			
Owner of the Parent		**2,290,165**	2,420,499
Non-controlling interests		**69,936**	64,487
		2,360,101	2,484,986
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	*6*	**0.77**	0.83
Cash dividends	*7*	**740,331**	649,619

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	**2017** *RMB'000*	2016 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment, net		**4,186,143**	3,401,218
Investment properties		**1,336**	–
Lease prepayment for land use right, net		**1,703,109**	1,755,842
Intangible assets, net		**276,003**	423,583
Goodwill		**147,483**	141,466
Investments in associated companies		**236,431**	209,623
Deferred income tax assets		**143,931**	134,095
Other long-term assets		**45,153**	48,555
Available-for-sale financial assets	*8*	**2,953,381**	1,180,000
Deposits with banks with original maturity date over three months		**102,063**	320,174
Restricted bank deposits		**3,654**	5,893
		9,798,687	7,620,449
Current assets			
Inventories		**36,960**	36,967
Trade receivables, net	*9*	**1,118,976**	1,096,241
Due from related parties, net		**2,482,248**	2,518,302
Due from associated companies		**46,064**	31,663
Income tax recoverable		**6,735**	1,399
Prepayments and other current assets		**661,080**	608,703
Available-for-sale financial assets	*8*	**340,890**	–
Held-to-maturity financial assets		**1,860,000**	840,000
Deposits with banks with original maturity date over three months		**645,750**	1,582,336
Restricted bank deposits		**37,506**	462,470
Cash and cash equivalents		**3,558,299**	3,332,134
		10,794,508	10,510,215
Total assets		**20,593,195**	18,130,664

	Note	2017 RMB'000	2016 RMB'000
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital		**2,926,209**	2,926,209
Reserves		**4,437,013**	4,002,547
Retained earnings		**8,062,425**	6,856,345
		15,425,647	13,785,101
Non-controlling interests		**434,791**	379,809
Total equity		**15,860,438**	14,164,910
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**45,577**	35,087
Deferred revenue		**141,692**	10,045
		187,269	45,132
Current liabilities			
Trade payables and accrued liabilities	*10*	**3,871,502**	3,503,630
Due to related parties		**289,456**	136,123
Income tax payable		**205,399**	249,099
Deferred revenue		**179,131**	31,770
		4,545,488	3,920,622
Total liabilities		**4,732,757**	3,965,754
Total equity and liabilities		**20,593,195**	18,130,664

NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS

1. 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.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 IAS 7, Disclosure Initiative
- Amendments to IAS 12, Recognition of Deferred tax Assets for Unrealised Losses
- Amendments to IFRSs, Annual Improvements to IFRSs 2014-2016 Cycle

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.

New and revised IFRSs issued but not yet effective

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, Financial instruments	January 1, 2018
IFRS 15, Revenue from contracts with customers	January 1, 2018
Amendments to IFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	January 1, 2018
IFRIC 22, Foreign currency transactions and advance consideration	January 1, 2018
IFRS 16, Leases	January 1, 2019
IFRIC 23, Uncertainty over income tax treatments	January 1, 2019

Except for the new and amendments to IFRSs and interpretations mentioned below, the Group anticipate that the application of all other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

- ***IFRS 9***

  IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

  Key requirements of IFRS 9 which are relevant to the Group are:

  - all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  - in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:

The Group's debt instruments currently classified as available-for-sale financial assets will be reclassified to financial assets at fair value through profit or loss (FVTPL) or FVTOCI, which is being under the process of the election. Based on the fair value assessments undertaken to date, the Group does not expect material impact on the consolidated financial statements.

The Group's equity investment currently classified as available-for-sale financial assets will be reclassified to financial assets at FVTOL or FVTOCI, which is being under the process of the election. Based on the fair value assessments undertaken to date, the Group does not expect material impact on the consolidated financial statements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVTOCI, contract assets under IFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change of the loss allowance for the Group's trade debtors and other debt investments held at amortised cost.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- ***IFRS 15***

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step approach to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract(s) with a customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations in the contract; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group anticipate that the application of IFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

- ***IFRS 16***

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and adjust interest and lease payments on the lease liability, and to classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. In addition, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17. Furthermore, extensive disclosures are required by IFRS 16.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at December 31, 2017, the Group has non-cancellable operating lease commitments of approximately RMB91,298,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

The application of new IFRSs and requirements may result in changes in measurement, presentation and disclosure as discussed above.

3. 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.

4. PROFIT BEFORE TAXATION

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

	2017	2016
	RMB'000	*RMB'000*
After charging:		
Depreciation	**341,758**	183,638
Amortisation of intangible assets	**177,207**	234,211
Amortisation of leasehold improvements	**5,345**	8,734
Amortisation of lease prepayment for land use right	**52,733**	52,732
Loss on disposal of property, plant and equipment	**1,330**	759
Provision for impairment of receivables	**27,401**	32,452
Reversal of impairment loss on property, plant and equipment	**(839)**	(906)
Costs of software and hardware sold	**319,791**	521,207
Retirement benefits	**167,862**	139,071
Auditors' remuneration	**2,569**	2,825
Contribution to housing benefits	**94,966**	78,581
Exchange loss, net	**2,294**	–
Research and development expenses	**407,846**	355,271
After crediting:		
Interest income	**(126,492)**	(132,160)
Exchange gain, net	**–**	(34,391)
Gain on disposal of a subsidiary	**–**	(1,865)

5. TAXATION

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax expenses	**408,050**	465,117
Over-provision in respect of prior years	**(99,863)**	(34,020)
Overseas income tax expenses	**3,643**	7,138
Deferred tax	**1,210**	(54,190)
	313,040	384,045

Taxation of the Group except for TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Korea) 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, is provided based on the tax laws and regulations applicable to the PRC enterprises. The Group provides for the PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation in applicable jurisdictions prevailing in the locations in which the Group operates.

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

The latest review was conducted in October 2017, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as the "High and New Technology Enterprise", and was entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019 as a "High and New Technology Enterprise".

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

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC on May 4, 2016, the Company has applied for a preferential tax rate of 10% for Year 2015 regarding to the "Important Software Enterprise" to the relevant authority. As at November 9, 2016, the difference between the tax amount paid at the rate of 15% for Year 2015 and the tax amount calculated at the preferential corporate income tax rate of 10% was refunded and reflected in the financial statements in Year 2016.

Application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2016 was conducted in Year 2017. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2016. In 2017, the Company has applied for a preference tax rate of 10% regarding to the "Important Software Enterprise" to the relevant authority for Year 2016. As at August 24, 2017, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% has been received, and will be reflected in the Company's financial statements in Year 2017. Details of the relevant information are set out in the Company's announcement dated August 24, 2017.

According to the relevant requirements, application for a preference tax rate of 10% regarding to the "Important Software Enterprise" of this year will be conducted in next year. Thus, refer to paragraph 3 of this note, pursuant to the relevant regulatory requirement, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2017.

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

6. 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:

	2017	2016
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**2,248,653**	2,421,114
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	**0.77**	0.83

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2017 and December 31, 2016.

7. DIVIDENDS DISTRIBUTION

The equity holders approved the distribution of a final dividend of RMB649.6 million (RMB0.222 per share) for Year 2016 in the annual general meeting of the Company held on June 27, 2017. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2017.

On March 24, 2018, the Board recommended the distribution of a final cash dividend of RMB740.3 million for Year 2017 (RMB0.253 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, 2018.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	*RMB'000*
Managed funds, in PRC, at fair value	**1,519,271**	1,180,000
Structural deposit, at fair value	**900,000**	–
Unlisted equity, at cost *(Note)*	**875,000**	–
	3,294,271	1,180,000

	2017	2016
	RMB'000	*RMB'000*
The carrying amount of available-for-sale financial assets are analysed as follows:		
Non-current portion	**2,953,381**	1,180,000
Current portion	**340,890**	–
	3,294,271	1,180,000

As at December 31, 2017, 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 3.3% (2016: 4.5%), held the commercial bank wealth management product issued by Bank of Hangzhou Co., Ltd. with principal amount of RMB630 million and the Company expects annual rate of return approximately 3.3%-5.0% (2016: 3.3%), held the structural deposit issued by China Minsheng Bank Corp., Ltd. of RMB900 million and the Company expects annual rate of return approximately 4.3% and held 17.5% equity interest in China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**") of RMB875 million.

Note: The unlisted equity shares are accounted for at cost less accumulated impairment losses as such investments do not have a quoted market price in an active market and the range of reasonable fair value estimated is so significant that the directors are of the opinion that their fair values cannot be reliably measured.

9. TRADE RECEIVABLES, NET

As of December 31, 2017 and 2016, the ageing analysis of the trade receivables was as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**987,787**	907,413
Over 6 months but within 1 year	**76,694**	107,119
Over 1 year but within 2 years	**93,287**	128,254
Over 2 years but within 3 years	**88,543**	52,696
Over 3 years	**64,243**	70,664
Total trade receivables	**1,310,554**	1,266,146
Provision for impairment of receivables	**(191,578)**	(169,905)
Trade receivables, net	**1,118,976**	1,096,241

10. TRADE PAYABLES AND ACCRUED LIABILITIES

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

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**655,075**	392,222
Over 6 months but within 1 year	**28,623**	23,600
Over 1 year but within 2 years	**91,020**	159,284
Over 2 years but within 3 years	**109,227**	46,279
Over 3 years	**64,785**	22,946
Total trade payables	**948,730**	644,331
Accrued liabilities and other liabilities	**2,922,772**	2,859,299
Total	**3,871,502**	3,503,630

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

On May 20, 2016, the Company entered into a share subscription agreement in relation to the formation of a joint stock company, namely China Merchants RenHe Property and Casualty Insurance Company Limited ("**CMRH P&C**"). For details, please refer to the Company's announcement dated May 20, 2016. The registered capital of CMRH P&C is RMB5 billion, which will be contributed by the shareholders of the joint stock company in cash. The Company will contribute RMB875 million to CMRH P&C and will hold 17.5% of equity interest in CMRH P&C upon completion of such transaction. The formation of CMRH P&C is conditional upon obtaining the approval by regulatory authorities and the completion of other applicable approval procedures. As at the date of this announcement, the abovementioned procedures are still in progress.

12. 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, 2017 and 2016.

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.

2017 BUSINESS REVIEW

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

Aviation Information Technology Services

The Company's aviation information technology ("**AIT**") services, which consist of series of products and solutions, are provided to 40 Chinese commercial airlines and over 350 foreign and regional commercial airlines. The AIT services comprise Electronic Travel Distribution ("**ETD**") services (including inventory control system ("**ICS**") services, computer reservation system ("**CRS**") services) and airport passenger processing system ("**APP**") services, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product services to support aviation alliance, solutions for developing e-ticket and e-commerce, data service to support decisions of commercial airlines as well as information management system service to improve ground operational efficiency.

In 2017, the Group's Electronic Travel Distribution (ETD) system processed approximately 586.2 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 11.8% over the same period in 2016. Among which, the processed flight bookings on commercial airlines in China increased by approximately 12.2%, while those on foreign and regional commercial airlines increased by approximately 3.0%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Company reached 148, with sales percentage through direct links exceeding 99.8%. In 2017, apart from the adoption of our APP services by all major commercial airlines in the PRC, more foreign and regional commercial airlines were using the Company's APP system services, multi-host connecting program services and the Angel Cue platform connecting services, resulting in the increase of the number of such users to 123, with approximately 16 million of passenger departures processed in 100 airports.

In 2017, 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, our self-developed self-help luggage check-in processing system that has been introduced recently has already been put into operation in a number of airports for multiple commercial airlines in China. The commonly used self-service check-in system (CUSS) has been launched in 164 major domestic and international airports, and the online check-in service has been applied in 288 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 232.5 million departing passengers. The number of users of our self-developed mobile application, "Umetrip", has witnessed stable growth and introduced international travel online check-in for users for the first time. The Group provided full-process convenient clearance technology solutions for China's commercial airlines, to help improving their passengers' experiences in various services, such as, security check and boarding. The "aviation information inquires" ("航信通") realized civil aviation passenger paperless convenient clearance business. It serves for multiple commercial aviation airlines so as to put it into use in more than 100 airports in China. The B2C e-commerce solutions of airlines (TRP) have been put into use in Shenzhen Airlines Company Limited and China United Airlines Co., Ltd. As to the airlines' ancillary service sales solutions ("Easy add value (增值易)" product platform), the Group has had 6 new domestic commercial aviation airlines customers, including Loong Airlines Co., Ltd., China Express Airlines Co., Ltd., Kunming Airlines Co., Ltd., achieving a full coverage of China's all large and medium-sized airlines. In 2017, the Company also continued to push forward close cooperation with aviation alliances and technically supported Juneyao Airlines Co., Ltd. to join in Star Alliance to become the first Star Alliance Connecting Partner. The Group responded to the national "The Belt and Road Initiative" strategy, continued to put more efforts for market expansion for overseas market. Four overseas commercial aviation airlines, such as Lanmei Airlines Co. Ltd, newly added the Company's system.

In 2017, all functions of the new-generation passenger service system (the "NG-PSS") jointly developed by the Group and China's main commercial airlines, were fully developed and constructed and all of its sub-systems passed the final acceptance check and owned its own intellectual property, thus to realize the independent control of the core technology. Such new system has been put into use, which consolidates the market position of the Group in civil aviation passenger service system field. The Group has made significant achievements in national major scientific and technological projects and scientific research platforms. The national CHB (Core electronic devices, High-end generic chips and Basic software) project have been put into production and successfully passed the national task acceptance check and financial acceptance check, representing a major breakthrough of China's basic software in national core transaction system filed has been made. Beijing City civil aviation big data engineering technology research center and Beijing City design innovation center have been formally licensed. The Group's key labs for intelligent technology application in civil aviation passenger services have been approved by CAAC. The research and development system construction has achieved initial success.

Accounting, Settlement and Clearing Services

The Group provided accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation corporations through Accounting Centre of China Aviation Limited Company (中國航空結算有限責任公司) ("**ACCA**"), a wholly-owned subsidiary of the Company. As the downstream businesses of the Group's principal activities in air travel service distribution and sales, the above businesses strongly strengthened 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 2017, the Group continued to consolidate and expand its settlement and clearing service market shares. It entered into a new phase of billing and settlement plans (BSP) service contracts with IATA. The Group successfully obtained extended electronic payment license, such that, its system research and development and production was carried out as scheduled. As to IATA billing and settlement plans system projects (IBSPs), the Group implemented the customer development and implementation work of Spain BSP data processing center by grouping and in batches. In 2017, The settlement company completed approximately 867 million transactions in quantity in system service business, and processed approximately 358.8 million pieces of BSP tickets. As an agent, it settled up to USD9.8 billion of income from passenger and freight transport, miscellaneous expenses and international and domestic clearing fees. Its electronic payment trading volume reached approximately RMB72.8 billion.

Distribution of Information Technology Services

The Group's travel service distribution network comprises over 70,000 sales terminals owned by more than 8,000 travel agencies and travel service distributors, with high-level networking and direct links to all Global Distribution Systems ("**GDSs**") around the world and 148 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 centers across China and 9 overseas distribution centers across Asia, Europe, North America and Australia. The network processed over 478.6 million transactions throughout the year with transaction amount up to RMB463.1 billion.

In 2017, the Group put more effort to develop and promote its distributed information technology service and products (such as, small and medium-sized enterprises' travel solutions such as "1etrip (行啊)", "Lingda (領達)" online agent solutions, "lntlStar (星際)" international airline ticket management system, and international fare search engines), continued to optimize the product lines for distribution information technology services, in response to the needs of various users.

Airport Information Technology Services

In 2017, the Group continued to enhance research and development and promotion of airport information technology service and product, secured the market share of the traditional departure front end service and product, actively participated in construction projects of domestic airport information system. The departure front end system of the new-generation APP dominated China's large and medium-sized airports. Furthermore, the Group assisted commercial airline companies in providing various services for passengers, such as, boarding, transit and connection, in 148 overseas or regional airports. The person times of departure passengers receiving such services reached approximately 38.9 million, accounting for 90.1% of the number of passengers returning from overseas of such commercial airline companies. The Group continued to promote Airport Shared Connectivity and Integration (ASCII) to 7 large-sized airport reconstruction and extension projects in Harbin, Changchun, Yancheng and etc. The Group also promoted its ground operation products such as Airport Message Broker(AMB) Platform to 15 airports in Xuzhou, Zhoushan and etc. Its newly developed airport flight operation command information platform was put into use in the airports in Shenzhen, Changsha, Dalian and etc. The customers from the airports in Fuzhou, Jinan, Urumchi and etc. had been newly added to, based on automatic, timely and accurate data collection, assist such airports to achieve universal grasp and fine control of ground production links of flights. This further consolidates the Group's market position in the airport information integration field.

Air Freight Logistics Information Technology Services

In 2017, the Group, as per the national "Belt and Road" initiative strategy and air transport safety policy, continued to improve and promote air cargo transport logistics information technology service and product to assist the cargo station and freight forwarder to improve operation and safety level. The Group also continued to enhance the construction of the production system of airport cargo stations and extended to several cargo stations, such as Guangzhou, Shenzhen, Hangzhou, Guangxi, Hubei and Western Airport Group. Meanwhile, the Group also built up cooperation relationships with Qingdao, Dunhuang and Chaoshan airports as to freight security check system. Electronic goods movement documentation business was further applied in depth by China Cargo Airlines Co., Ltd. and Air China Cargo Co., Ltd. In 2017, the systematically processed air waybills reached about 17.3 million pieces, representing a year-on-year growth of 2.2%.

Public Information Technology Services

In 2017, 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 provided cloud service for China Bidding Public Service Platform Limited (中國招標公共服務平臺有限公司) and Guobao Life Insurance Co., Ltd.. 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 and Settlement Centre of the Civil Aviation and Administration of China, 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 instruments, so as to improve operation reliability and interference-resistant ability and realize low cost operation.

In 2017, the Group's ICS, CRS, APP, and core open system operated stably. The relocation work of new and old data centers was completed successfully. The Group stably pushed forward the construction of the information security demonstration projects of National Development and Reform Commission, strengthened the information security situation monitoring and improved the overall information security guarantee capacity. In addition, the Group constructed business availability analysis platforms and built up effective failure positioning decision support systems to provide data and platform support for operation and application operation and maintenance. The Group comprehensively completed the replacement of TIM (Tivoli Identity Manager), a commercial management software with its independently-developed user management system and also completed transformation of micro service for user management. The Group conducted specific safety investigation and emergency drills, strongly ensuring the production security, and successfully completed high-level security guarantee work for Spring Festival, the National People's Congress and the Chinese Political Consultative Conference, "The Belt and Road Initiative Forum", and the 19th Communist Party of China National Congress, amounting to a guarantee period of 165 days.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial information of the Group contained in the financial statements (together with the notes thereto) reproduced in this year's results announcement. The 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.

For Year 2017, profit before taxation of the Group was approximately RMB2,631.6 million, representing a decrease of approximately 8.3% over that in the year ended December 31, 2016 ("**Year 2016**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB3,082.2 million, representing a decrease of approximately 4.2% over that in Year 2016. Profit attributable to equity holders of the Company was approximately RMB2,248.7 million, representing a decrease of approximately 7.1% over that in Year 2016.

The basic and diluted earnings per share of the Group in Year 2017 were RMB0.77.

Net Cash Flows and Liquidity

The Group's working capital for Year 2017 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB3,062.6 million.

As at December 31, 2017, the Group had no short-term and long-term bank loans, neither did the Group use any financial instruments for hedging purpose.

As at December 31, 2017, cash and cash equivalents in current assets of the Group amounted to RMB3,558.3 million, of which approximately 88.5%, 10.2% and 0.3% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

Charge on Assets

As at December 31, 2017, the Group had no charge on its assets.

Restricted Bank Deposits

As at December 31, 2017, restricted bank deposits in the amount of RMB41.2 million (as at December 31, 2016: RMB468.4 million) mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure the construction project of departure system upgrade in Pudong International Airport and etc..

Capital Expenditure

The capital expenditure of the Group amounted to approximately RMB1,319.8 million in Year 2017, representing an increase of approximately RMB159.6 million as compared to that of approximately RMB1,160.2 million in Year 2016. The capital expenditure of the Group in Year 2017 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 2018 will amount to approximately RMB2,657.5 million, which is mainly used for the construction of the new operating centre in Beijing, maintenance and upgrade of system, as well as business expansion. 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 2018 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 2017, the Phase I work of the new operating centre in Beijing has accumulated an expenditure of approximately RMB2,680 million, representing approximately 73.3% of the construction budget of the Phase I work. The expenditure in 2017 was approximately RMB410 million. In 2018, the required expenditure for the Phase I work of the new operating centre in Beijing is expected to be approximately RMB630 million, which has been included in the capital expenditure plan of the Company for 2018.

Major Investments

– ***Discloseable Transactions – Formation of Two Joint Stock Companies***

On May 20, 2016, the Company entered into share subscription agreements separately in relation to the formation of two joint stock companies, 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 stock companies 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 stock companies is conditional upon obtaining the approval from the regulatory authorities and the completion of other applicable approval procedures. As at December 31, 2017, the application for the proposed establishment of CMRH P&C was in progress. The operation approval had been obtained from regulatory authorities by CMRH Life, and the registration with State Administration for Industry and Commerce had been completed on July 4, 2017. The contribution of the Company in CMRH Life was RMB875 million.

Investment in Financial Assets

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

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

– *Available-for-sale Financial Assets*

Name of investment	Business nature	Percentage of shareholding as at December 31, 2017	Percentage of shareholding as at December 31, 2016	Fair value as at December 31, 2017	Fair value as at December 31, 2016	Gain for the twelve months ended December 31, 2017	Gain for the twelve months ended December 31, 2016
		%	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted Investment fund (measured at fair value)							
– Bosera wealth management product	Fund	N/A	N/A	878,381	850,000	28,381	–
– Bank of Hangzhou wealth management product	Fund	N/A	N/A	640,890	330,000	10,890	–
Minsheng Bank wealth management product	Fund	N/A	N/A	900,000	–	–	–
Non-listed equity, at cost							
– CMRH Life	Insurance	17.5	–	875,000	–	N/A	N/A
Total				3,294,271	1,180,000	39,271	–

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

1. *Bosera wealth management product*

   The Group held the entrusted wealth management products issued by Bosera Asset Management Company Ltd. with principal amount of RMB850 million. The Company expects that the annual rate of return would be approximately 3.3%. The investment portfolio of the fund mainly comprised of cash assets, monetary market fund, assets with fixed returns, etc. The Group expects to hold the fund for no less than one year.

2. *Bank of Hangzhou wealth management product*

   The Group held the commercial bank wealth management products issued by Bank of Hangzhou Co., Ltd. with principal amount of RMB330 million and RMB300 million, respectively. The Company expects that the annual rate of return would be approximately 3.3% and 5.0%, respectively. The investment portfolio of the fund mainly comprised of cash assets, assets with fixed returns, etc. The Group expects to hold the fund for no less than one year. Bank of Hangzhou wealth management product of RMB330 million was expired on January 28, 2018.

3. *Minsheng Bank wealth management product*

The Group placed structural deposits in China Minsheng Bank with principal amount of RMB900 million. The Company expects that the annual rate of return would be approximately 4.3%. The investment portfolio of the fund mainly comprised of cash assets, assets with fixed returns, etc. The Group expects to hold the fund for no less than one year.

4. *CMRH Life*

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

Name of the related company: China Merchants RenHe Life Insurance Company Limited

Business scope: General insurance, health insurance business, accident injury insurance business, bonus insurance business, omnipotent insurance business, reinsurance of all of the above insurance businesses, the application of the insurance funds allowed by the state laws and regulations; and other businesses approved by China Insurance Regulatory Commission

The percentage of the shareholding: 17.5%

Investment cost: RMB875 million

(b) The fair value of such major investment as at the end of the fiscal year and its scale relative to the total assets of the issuer;

The Group invested RMB875 million in China Merchants RenHe Life Insurance Company Limited, accounting for 4.2% of the total assets of the Group

(c) The performance of such major investment within the fiscal year

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB138,434,048 in 2017, mainly due to higher initial investments for starting all of its businesses after it obtaining opening approval in June 2017.

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

According to the information provided by CMRH Life to the Company, the insurance companies often record loss in the first few years. This is a law of the life insurance industry as to its operation and development. With the step-by-step development of the business scale, CMRH Life will generate increasing profits in a long and steady term. In accordance with the development plans provided by CMRH Life to the Company, it will provide benefits to public customers – its business basis, serve high net worth customers – its characteristic service, and conduct business in China's free trade zones – its business base. Meanwhile, it will give full play to the advantages of its shareholders' resources, and insist on the operation concept of continuous growth of value, on two-wheel drive operation strategy of insurance and investment, on continuous innovation as its feature operation, on market-oriented, specialized and differentiated operation policies, and on legal and compliant operation principles, with an aim to create an all-life-cycle financial insurance service platform for customers, featured with insurance, investment, medical and endowment industries as its pillars, and build CMRH Life into a first-class and innovative integrated insurance service provider by applying "new establishment + merger and acquisition", "online + offline", "insurance + medical and endowment", "onshore + offshore" and many other development strategies.

According to the information provided by CMRH Life to the Company, in future, national economy will provide a powerful support for the sustainable development of the insurance industry and China will successively introduce policies to support the development of insurance industry. Meanwhile, changes in livelihood ways of residents and aging acceleration will bring new opportunities for the development of the insurance industry, especially the medical and endowment insurance fields. Thus, the insurance industry remains in an important period of strategic opportunities. CMRH Life was set up by state-owned shareholders. The powerful strengths of the shareholders and the abundant registered capital provide a good foundation for its development. Meanwhile, it owns professional, efficient and dedicated operation and management team, which is a powerful guarantee for its development. Under the situation of industrial development in a better and better direction, CMRH Life will have a very broad prospect for development in the future.

- ***Held-to-maturity Financial Assets***

As at December 31, 2017, the Group held certificates of deposits issued by China Everbright Bank, China Construction Bank, Huaxia Bank, Bank of Huangzhou and Bank of Beijing of RMB900 million, RMB390 million, RMB100 million, RMB270 million and RMB200 million, respectively, with a total amount of RMB1,860 million, representing an increase of RMB1,020 million as compared with that as at December 31, 2016. The annual interest rates of such certificates of deposits vary from 3.9% to 4.4%. Such certificates of deposits have a maturity period ranging from 91 to 182 days and are non-cancellable before maturity.

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, 2017, the gearing ratio of the Group was approximately 23.0% (as at December 31, 2016: 21.9%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2017.

Contingent Liabilities

As at December 31, 2017, the Group had no material contingent liabilities.

Employees

As at December 31, 2017, the total number of employees of the Group was 7,862. Staff costs amounted to approximately RMB1,640.6 million for Year 2017 (Year 2016: RMB1,403.9 million), representing approximately 38.5% of the total operating expenses of the Group for Year 2017.

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 2017, the aggregate corporate annuity expenses of the Group amounted to approximately RMB28.0 million (Year 2016: RMB32.7 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 2017, 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, 2016 was approved at the annual general meeting held on June 27, 2017. The amount was accounted for in shareholder's equity as a distribution of retained earnings for Year 2017.

The proposed appropriation of 10% of its net profit amounted to RMB185.1 million to the discretionary surplus reserve fund for the year ended December 31, 2017 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 ended December 31, 2018.

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2017

On March 24, 2018, the Board proposed the distribution of a final cash dividend of RMB740.3 million, which representing RMB0.253 per share (tax inclusive) for Year 2017 ("**Final Dividend**") as calculated based on the total number of shares in issue of the Company of 2,926,209,589 shares as at the date of this announcement. Upon distribution of the above Final Dividend, the distributable profit as at December 31, 2017 is approximately RMB5,274.1 million (as at December 31, 2016: RMB4,510.3 million).

The Company will submit the above Dividend distribution proposal to the AGM. If such proposal is approved at the AGM, the Final Dividend for Year 2017 is expected to be paid on or before September 30, 2018. 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2017, 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 and risk management, internal control and financial reporting, including the review of the audited consolidated financial statements of the Group for Year 2017.

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 2017, the Company fully complied with the Code Provisions.

2018 OUTLOOK

The year 2018 marks the first year of implementing the spirit of the 19th CPC National Congress, a crucial year of securing a decisive victory in building a moderately prosperous society in all respects and bridging the past and the future in implementing the 13th Five-Year Plan, and a year of embarking on a new journey to raise China's civil aviation power, which provides the Group with a rare historic development opportunity to consolidate the market, expand its business, and give play to its industry experience and technological superiority. However, we also clearly understand that we must meet many challenges in order to continuously make remarkable progress and develop on the basis of our past achievements. With the deep-going integration and alliance of the aviation industry, increasing emergence of technical products and business models, and augmenting concentration in channels, the needs of various types of customers for information technology solutions have been changing. Ever higher standards of service have been expected. Competitors at home and abroad as well as cross-industry ones have been continuously penetrating the market. All these challenges further add to the market pressure on the Group.

In this connection, the Group will build on its existing development strategies, uphold the underlying principle of pursuing progress while ensuring stability, pursue high-quality development as a way to raise its capabilities, strengthen areas of weakness and emphasize implementation. Firstly, the Group will improve its long-term security mechanism to lay a solid foundation for development by strengthening safety awareness in production, enhancing support capabilities of safety and security matters, improving the safety responsibility system, strengthening the leadership of security organizations. Secondly, the Group will strengthen its judgment on situation to seize market opportunities by closely keeping up with the industry development trend and focusing on the needs of various types of customers. It will implement business layout comprehensively by taking serious measures to develop products, improving service capability and actively exploring overseas business as a way to focus on our development advantages. Thirdly, the Group will strengthen its leading role in innovation with great efforts to be made to promote the construction of technology platforms, continuously optimize the research and development system and strengthen the construction of scientific and technological innovation platforms in order to boost driving forces for development. Fourthly, the Group will optimize its fundamental management by improving development quality and setting up strategies-oriented, talents-oriented, cost-oriented and rule-of-law-oriented approaches.

ONLINE PUBLICATION OF ANNUAL RESULTS

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk), and the website of the Company (www.travelskyir.com) which is made available pursuant to Rule 2.07C(6)(a) of the Listing Rules.

By the order of the Board
TravelSky Technology Limited
Cui Zhixiong
Chairman

Beijing, PRC
March 24, 2018

As at the date of this announcement, the Board comprises:

Executive Directors:	*Mr. Cui Zhixiong (Chairman) and Mr. Xiao Yinhong;*
Non-executive Directors:	*Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an;*
Independent non-executive Directors:	*Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun.*