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, 2018

RESULTS HIGHLIGHTS

- Total revenue amounted to approximately RMB7,472.1 million, representing an increase of approximately 11.0% over Year 2017.
- Profit attributable to owners of the Company was approximately RMB2,325.1 million, representing an increase of approximately 3.4% over Year 2017.
- Earnings per share was RMB0.79.
- The Board recommended the distribution of a final cash dividend of RMB0.269 per share for Year 2018.

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, 2018 ("**Year 2018**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenues			
Aviation information technology services		**4,160,144**	3,878,516
Accounting, settlement and clearing services		**579,343**	555,185
System integration services		**946,939**	744,338
Data network and others		**1,785,688**	1,556,206
Total revenues		**7,472,114**	6,734,245
Operating expenses			
Business taxes and other surcharges		**(70,933)**	(35,847)
Depreciation and amortisation		**(696,289)**	(577,043)
Network usage fees		**(77,092)**	(71,193)
Personnel expenses		**(1,818,404)**	(1,640,610)
Operating lease payments		**(98,200)**	(174,716)
Technical support and maintenance fees		**(804,726)**	(613,849)
Commission and promotion expenses		**(723,201)**	(527,571)
Cost of software and hardware sold		**(367,042)**	(319,791)
Other operating expenses		**(496,834)**	(300,269)
Total operating expenses		**(5,152,721)**	(4,260,889)
Operating profit		**2,319,393**	2,473,356
Finance income, net		**220,159**	122,974
Government grants		**15,108**	–
Share of results of associated companies		**47,069**	35,299
Fair value gains on financial assets		**48,643**	–
Profit before taxation	*5*	**2,650,372**	2,631,629
Taxation	*6*	**(268,609)**	(313,040)
Profit after taxation for the year		**2,381,763**	2,318,589
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**11,029**	2,241
Change in fair value of available-for-sale financial assets		**–**	39,271
Other comprehensive income for the year, net of tax		**11,029**	41,512
Total comprehensive income for the year		**2,392,792**	2,360,101

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Profit after taxation attributable to:			
Owners of the Company		**2,325,129**	2,248,653
Non-controlling interests		**56,634**	69,936
		2,381,763	2,318,589
Total comprehensive income attributable to:			
Owners of the Company		**2,336,158**	2,290,165
Non-controlling interests		**56,634**	69,936
		2,392,792	2,360,101
Earnings per share from profit attributable to owners of the Company			
Basic and diluted *(RMB)*	*7*	**0.79**	0.77
Cash dividends	*8*	**787,150**	740,331

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net		**4,385,753**	4,186,143
Investment properties		**1,041**	1,336
Lease prepayment for land use right, net		**1,650,377**	1,703,109
Intangible assets, net		**506,086**	276,003
Goodwill		**151,194**	147,483
Investments in associated companies		**316,840**	236,431
Deferred income tax assets		**177,627**	143,931
Other long-term assets		**104,148**	45,153
Available-for-sale financial assets	*9*	**–**	2,953,381
Deposits with banks with original maturity date over three months	*9*	**–**	102,063
Restricted bank deposits	*9*	**–**	3,654
Financial assets at amortised cost	*9*	**1,189,940**	–
Financial assets at fair value through other comprehensive income	*9*	**875,000**	–
Total non-current assets		**9,358,006**	9,798,687
Current assets			
Inventories		**47,563**	36,960
Trade receivables, net	*10*	**1,478,812**	1,118,976
Contract assets, net	*11*	**30,622**	–
Due from related parties, net		**3,173,992**	2,482,248
Due from associated companies		**79,919**	46,064
Income tax recoverable		**10,609**	6,735
Prepayments and other current assets		**947,792**	661,080
Available-for-sale financial assets	*9*	**–**	340,890
Held-to-maturity financial assets	*9*	**–**	1,860,000
Deposits with banks with original maturity date over three months	*9*	**–**	645,750
Restricted bank deposits	*9*	**–**	37,506
Financial assets at amortised cost	*9*	**2,477,567**	–
Financial assets at fair value through profit or loss	*9*	**161,944**	–
Cash and cash equivalents		**4,346,496**	3,558,299
Total current assets		**12,755,316**	10,794,508
Total assets		**22,113,322**	20,593,195

	Notes	2018 RMB'000	2017 RMB'000
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	*12*	**3,990,794**	3,871,502
Contract liabilities	*11*	**193,210**	–
Due to related parties		**272,037**	289,456
Income tax payable		**87,589**	205,399
Deferred revenues		**–**	179,131
Total current liabilities		**4,543,630**	4,545,488
Non-current liabilities			
Deferred income tax liabilities		**47,641**	45,577
Deferred government grants		**94,491**	141,692
Total non-current liabilities		**142,132**	187,269
NET ASSETS		**17,427,560**	15,860,438

	Notes	2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,926,209**	2,926,209
Reserves		**4,790,317**	4,437,013
Retained earnings		**9,294,058**	8,062,425
		17,010,584	15,425,647
Non-controlling interests		**416,976**	434,791
TOTAL EQUITY		**17,427,560**	15,860,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

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

2. BASIS OF MEASUREMENT

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

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

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

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

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

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

A. *IFRS 9 – Financial Instruments*

(i) Classification and measurement of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) *Impairment of financial assets*

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

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

Measurement of ECLs

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Presentation of ECLs

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

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

Impairment of trade receivables and contract assets

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

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

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

Impairment of amounts due from related parties and associated companies

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

Impairment of other receivables

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

(iii) Hedge accounting

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

(iv) Transition

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

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

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

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

B. IFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue for aviation information technology services

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

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

Revenue for accounting, settlement and clearing services

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

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

Revenue for system integration services

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

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

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

Revenue for data networking services

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

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

Revenue for sales of equipment

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

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

(b) Potential impact arising on IFRSs not yet effective

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

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

1 Effective for annual periods beginning on or after January 1, 2019

2 Effective for annual periods beginning on or after January 1, 2020

3 Effective for annual periods beginning on or after January 1, 2021

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

IFRS 16 – Leases

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

IFRIC-Int 23 – Uncertainty over Income Tax Treatments

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

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

IFRIC-Int 23 will primarily affect the Group's accounting for income tax expenses as the Group has to consider the effect of uncertain tax treatment related to the application for preferential tax rate of 10% as described in note 6.

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

4. SEGMENT REPORTING

(a) Business segments

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

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

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

(b) Disaggregation of revenue

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

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

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

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

5. PROFIT BEFORE TAXATION

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging/ (crediting):		
Directors' emoluments	**3,456**	3,022
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**1,517,200**	1,375,097
Retirement benefits scheme contributions	**195,055**	167,525
Housing benefits	**102,693**	94,966
Total staff costs	**1,814,948**	1,637,588
Auditor's remuneration:	**2,305**	2,569
Depreciation of property, plant and equipment	**381,168**	347,103
Depreciation of investment properties	**295**	–
Amortisation of intangible assets	**262,094**	177,207
Amortisation of lease prepayment for land use right	**52,732**	52,733
Loss on disposal of property, plant and equipment	**1,139**	1,330
Reversal of provision for impairment loss on property, plant and equipment	**–**	(839)
Provision for impairment of trade receivables and contract assets	**99,004**	27,401
Exchange (gain)/loss, net	**(6,997)**	2,294
Research and development expenses	**658,498**	407,846
Interest income	**(213,201)**	(126,492)

6. TAXATION

The amount of tax recognised in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax expenses	**404,602**	408,050
Over-provision in respect of prior years	**(109,072)**	(99,863)
Overseas income tax expenses	**4,763**	3,643
	300,293	311,830
Deferred tax	**(31,684)**	1,210
	268,609	313,040

Taxation of the Group, except for companies not incorporated in the PRC, is provided based on the tax laws and regulations applicable to the PRC enterprises.

The Group provides for the PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation in applicable jurisdictions prevailing in the locations in which the Group operates.

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

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

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

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC on May 4, 2016, the Company had made an application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2017. As at 20 December 2018, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% has been received, and will be reflected in the Company's financial statements in Year 2018. Details of the relevant information are set out in the Company's announcement dated 20 December 2018.

According to the relevant requirements, application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" of this year will be conducted in next year. Thus, refer to paragraph 3 of this note, pursuant to the relevant regulatory requirement, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for the year ended December 31, 2018.

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

7. EARNINGS PER SHARE

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

	2018	2017
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and diluted earnings per share	**2,325,129**	2,248,653
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue	**2,926,209**	2,926,209
Earnings per share (RMB)		
Basic and diluted	**0.79**	0.77

There were no potential dilutive ordinary shares outstanding during the years ended December 31, 2018 and December 31, 2017.

8. DIVIDEND

The shareholders approved the distribution of a final dividend of RMB740.3 million (RMB0.253 per share) for Year 2017 in the annual general meeting of the Company held on June 28, 2018. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2018. On March 28, 2019, the Board recommended the distribution of a final cash dividend of RMB787.2 million (RMB0.269 per share) for Year 2018. The proposed final dividend distribution is subject to shareholders' approval in the next annual general meeting of the Company and will be recorded in the Group's consolidated financial statements for the year ended December 31, 2019.

9. OTHER FINANCIAL ASSETS

	2018	2017
	RMB'000	*RMB'000*
Non-current assets		
Financial assets at amortised cost		
Deposits with banks with original maturity date over three months *(note e)*	**78,525**	–
Restricted bank deposits	**11,415**	–
Structural deposits *(note b)*	**1,100,000**	–
	1,189,940	–
Financial assets at fair value through other comprehensive income		
Unlisted equity investment *(note c)*	**875,000**	–
Available-for-sale financial assets		
Managed funds, in PRC *(note a(i))*	**–**	878,381
Managed funds, in PRC *(note a(ii))*	**–**	300,000
Structural deposits	**–**	900,000
Unlisted equity investment *(note c)*	**–**	875,000
	–	2,953,381
Deposits with banks with original maturity date over three months	**–**	102,063
Restricted bank deposits	**–**	3,654
Current assets		
Financial assets at amortised cost		
Deposits with banks with original maturity date over three months *(note e)*	**449,211**	–
Restricted bank deposits	**28,356**	–
Managed funds, in PRC *(note a(ii))*	**300,000**	–
Certificate of deposits *(note d)*	**1,700,000**	–
	2,477,567	–
Financial assets at fair value through profit or loss		
Managed funds, in PRC *(note a(i))*	**161,944**	–
Available-for-sale financial assets		
Managed funds, in PRC *(note a(ii))*	**–**	340,890
Held-to-maturity financial assets		
Certificate of deposits	**–**	1,860,000
Deposits with banks with original maturity date over three months	**–**	645,750
Restricted bank deposits	**–**	37,506

Note:

(a) These investments were reclassified from available-for-sale financial assets of RMB1,519.3 million at January 1, 2018 after the adoption of IFRS 9 as detailed in Note 3. The fair values of these investments at January 1, 2018 and December 31, 2018 were estimated by the management. Please refer to notes below:

(i) As at December 31, 2018, the Group held Bosera Fund with principal amount of RMB850 million and the Company expects annual rate of return approximately 4.5% (2017: 3.3%). The Directors classified the investment as financial asset as fair value through profit or loss (2017: it is classified as available-for-sale financial asset at fair value). The fair values of the Bosera Fund as at January 1, 2018 and December 31, 2018 were estimated by the management.

During the year, part of the product was redeemed and a fair value gain of RMB39.0 million was recognised as "Fair value gains on financial assets" in the consolidated statement of profit or loss and other comprehensive income. As at December 31, 2018, a fair value gain for the remaining interest held of the product of RMB9.6 million was recognised as "Fair value gains on financial assets" in the consolidated statement of profit or loss and other comprehensive Income.

(ii) As at December 31, 2018, the Group held the commercial bank wealth management product issued by Bank of Hangzhou Co., Ltd. with principal amount of RMB300 million and the Company expects annual rate of return approximately 5.0%. The Directors classified the investment as financial asset at amortised cost under IFRS 9 (2017: it is classified as available-for-sale financial asset at fair value).

(b) As at December 31, 2018, the Group held the structural deposits issued by Ping An Bank Corp., Ltd. of RMB900 million and China CITIC Bank Corp., Ltd. of RMB200 million and the Company expects annual rate of return approximately 4.0%. Both deposits will be matured in January 2020. The Directors classified the investment as financial asset at amortised cost.

(c) The unlisted equity investment represents 17.5% equity interest in CMRH Life at a fair value RMB875 million. The Directors designated the investment as financial asset at fair value through other comprehensive income of approximately RMB875 million, since the Group has no intension to hold the investment for trading purpose. The fair values of this investment as at January 1, 2018 and December 31, 2018 were estimated by the management.

(d) The annual interest rates on certificates of deposits held by the Group ranges from 4.3% to 4.8% (2017: 3.9% to 4.4%). and these deposits have a maturity period from 183 days to 395 days (2017: 91 days to 182 days) and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate to their fair values.

(e) As at December 31, 2018, deposits with banks with original maturity date over three months represent deposits with banks with an original maturity over six months or more up to three years. The annual interest rates range from 0.4% to 4.3% (2017: 1.5% to 4.2%).

10. TRADE RECEIVABLES, NET

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,763,227**	1,310,554
Less: provision for impairment of trade receivables	**(284,415)**	(191,578)
Trade receivables, net	**1,478,812**	1,118,976

At December 31, 2018, note receivable of RMB107.4 million (2017: RMB61.9 million) was included in the above balances.

(i) Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**956,701**	883,603
Over 6 months but within 1 year	**300,398**	107,119
Over 1 year but within 2 years	**177,116**	128,254
Over 2 years but within 3 years	**44,597**	–
	1,478,812	1,118,976

The Group has a policy allowing its customers credit periods normally ranging from 10 to 90 days. The Group does not hold any collateral as security.

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

(i) Contract assets

	December 31, 2018	**January 1, 2018**	December 31, 2017
	RMB'000	***RMB'000***	*RMB'000*
Contract assets arising from performance under:			
System integration services contracts	**30,622**	**57,238**	–

Typical payment terms which impact on the amount of contract assets recognised are as follows:

System integration services

The Group's system integration services contracts include payment schedules which require stage payments over the contracted period once milestones are reached. For most of the contracts, the Group has requested a deposit which is payable up front and this has resulted in a contract liability at early stages of the projects. However, the Group also typically agrees to a one year retention period for 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on invoice dates of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

After applying the ECL rate to gross amount of contract assets, a provision of impairment loss of contract assets of RMB3.7 million was recognised in the consolidated financial statements.

(ii) Contract liabilities

	December 31, 2018	**January 1, 2018**	December 31, 2017
	RMB'000	***RMB'000***	*RMB'000*
Contract liabilities arising from:			
System integration services	**193,210**	**179,131**	–

Movements in contract liabilities:

	2018
	RMB'000
Balance as at January 1	179,131
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(126,680)
Increase in contract liabilities as a result of billing in advance of system integration services contracts	140,759
Balance as at December 31	193,210

As allowed by IFRS 15, the Group has applied the new requirement for contract assets and contract liabilities only to contracts that were not completed before January 1, 2018.

12. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**844,443**	655,075
Over 6 months but within 1 year	**38,063**	28,623
Over 1 year but within 2 years	**93,379**	91,020
Over 2 years but within 3 years	**65,365**	109,227
Over 3 years	**122,500**	64,785
Total trade payables	**1,163,750**	948,730
Accrued liabilities and other liabilities	**2,827,044**	2,922,772
	3,990,794	3,871,502

2018 BUSINESS REVIEW

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

AVIATION INFORMATION TECHNOLOGY SERVICES

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

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

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

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

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

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

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

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

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

AIRPORT INFORMATION TECHNOLOGY SERVICES

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

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

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

PUBLIC INFORMATION TECHNOLOGY SERVICES

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

INFRASTRUCTURE

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

SUMMARY

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

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

LIQUIDITY AND CAPITAL STRUCTURE

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

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

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

MAJOR INVESTMENTS

– Discloseable Transactions – Formation of Two Joint Stock Companies

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

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

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

INVESTMENT IN FINANCIAL ASSETS

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

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

– **Financial Assets at Fair Value through Profit or Loss**

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

– **Financial Assets at Fair Value through Other Comprehensive Income**

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

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

1. Bosera wealth management product

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

2. CMRH Life

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

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

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

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

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

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

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

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

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

– **Financial Assets at Amortised Cost**

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

RESTRICTED BANK DEPOSITS

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

CAPITAL EXPENDITURE

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

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

NEW OPERATING CENTRE IN BEIJING

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

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

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

CONTINGENT LIABILITIES

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

EMPLOYEES

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

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

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

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

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

DISTRIBUTION OF PROFIT

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

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

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

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

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

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

DIVIDEND

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

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

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

CORPORATE GOVERNANCE PRACTICE

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

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

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

2019 OUTLOOK

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

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

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 28, 2019

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. Tang Bing and Mr. Han Wensheng;*
Independent Non-executive Directors:	*Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun.*