



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

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



Annual Report **2015**



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CORPORATE PROFILE

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

The Company was incorporated in the People’s Republic of China (the “**PRC**” or “**China**”) on October 18, 2000. As of December 31, 2015, it had a direct controlling equity interest in each of the following subsidiaries: Accounting Centre of China Aviation Limited Company (“**ACCA**”), TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd., TravelSky Technology Australia Pty. Ltd, TravelSky R&D USA, INC., TravelSky Technology (Taiwan) Limited, Beijing TravelSky Technology Limited, TravelSky Mobile Technology Limited, Beijing HangJu Information Technology Limited, Shanghai TravelSky Information Technology Limited, Guangzhou TravelSky Information Technology Limited, Hunan TravelSky Information Technology Limited, Inner Mongolia TravelSky Information Technology Limited, Henan TravelSky Information Technology Limited, Zhejiang TravelSky Information Technology Limited, TravelSky Technology Huadong Data Center Limited, TravelSky CARES (Beijing) Real Estate Limited, Beijing TravelSky Travel Service Limited, Hainan Civil Aviation Cares Co., Ltd., Cares Shenzhen Co., Ltd., Cares Hubei Co., Ltd., Cares Chongqing Information Technology Co., Ltd., Aviation Cares of Yunnan Information Co., Ltd., Civil Aviation Cares of Xiamen Ltd., Civil Aviation Cares of Qingdao Ltd., Civil Aviation Cares Technology of Xi’an Ltd., Civil Aviation Cares Technology of Xinjiang Ltd., InfoSky Technology Co., Ltd., Shanghai Yeexing E-Business Limited, Beijing TravelSky HuaYi Software Technology Co., Ltd., Beijing TravelSky Birun Technology Co., Ltd., Guangxi TravelSky Cloud Data Service Co., Ltd., Aviation Cares of Southwest Chengdu, Ltd. and Guangzhou Skyecho Information Technology Limited. The Company also held an equity interest in each of the following associated companies: Shanghai Civil Aviation East China Cares System Integration Co., Ltd., Shenyang Civil Aviation Cares of Northeast China, Ltd., Heilongjiang TravelSky Airport Technology Limited, Yunnan TravelSky Airport Technology Limited, Shanghai Dongmei Aviation Tourism Online Co., Ltd., Dalian TravelSky Airport Technology Limited, Hebei TravelSky Airport Technology Limited, Guangzhou Airport AirSpan Information Technology Co., Ltd. and Yantai TravelSky Airport Technology Limited.

The Group had 6,631 employees as of December 31, 2015.

The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 00696) on February 7, 2001. As of the date of this report, the largest shareholder of the Company is China TravelSky Holding Company, which holds an equity interest of approximately 29.29% in the Company. A total of approximately 38.84% of the equity interest in the Company is held by 13 Chinese commercial airlines, including the holding companies of the three largest Chinese commercial airlines, namely, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company. The remaining 31.87% of the equity interest in the Company is held by holders of its H shares.

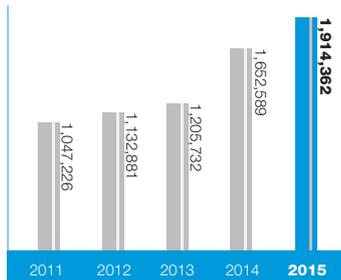
The Company has established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market (OTC) on December 27, 2002.



FINANCIAL HIGHLIGHTS

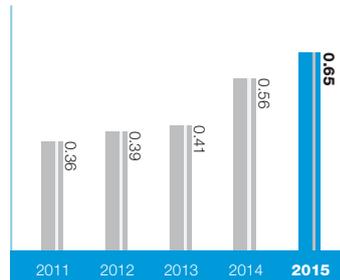
Profit Attributable to Owner of the Parent

RMB'000



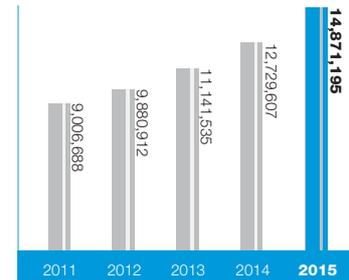
Earnings Per Share (Basic and Diluted)

RMB



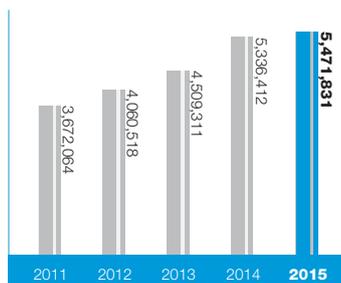
Total Assets

RMB'000



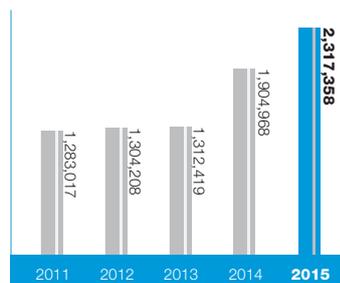
Revenues

RMB'000



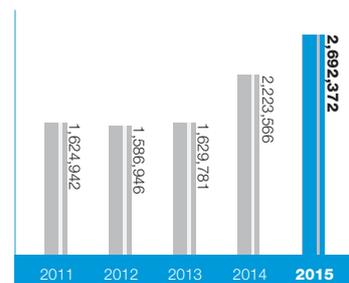
Profit before Taxation

RMB'000



Earnings Before Interests, Tax, Depreciation and Amortisation

RMB'000



Note:

- Earnings per share were calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2015.
- The financial statements for the year 2010 have been adjusted due to changes in accounting policies in 2011.



STATEMENT OF THE BOARD

DEAR SHAREHOLDERS,

2015 is a year of conclusion for the 12th Five-Year Plan of the Group, and also a year in which the Group rode with the tide to make progress in face of the complicated and ever-changing market conditions under the “New Normal” of China’s economy. The Group continued to actively advance the development goal of “becoming one of the world’s first-class comprehensive information service enterprises” in respect of its safety protection, technological innovation, market development, service improvement, management reformation and infrastructure development while having achieved steady growth in its operating results and secured the safety protection of the civil aviation passenger information system during the period around the display of the military parade, which commemorated the 70th anniversary of the victory of the Chinese People’s War of Resistance Against Japanese Aggression, and the Fifth Plenary Session of the 18th Central Committee.

During the period of the 13th Five-Year Plan, the Group will be at the intersection of the civil aviation industry and information service industry, encountering many opportunities and challenges in regard to the macro-economy, policies, industries and technological environment. With a crucial window of opportunities, it is also a period during which the Group will promote changes in its path of growth and stress structural adjustment to achieve continual development. From a macro-situation perspective, the world economy has plunged and recovered amidst twists, and under the “New Normal” of China’s economy, the path of adjustment, innovation and reformation of the state-owned enterprises is expected to become more arduous. In respect of policy directions, based on the national cyber development strategy, the Internet Plus Action Plan, and the national Big Data strategy adopted by the Chinese government, the PRC will provide greater support to the new-generation information technology industries, accelerate the construction of the new-generation information infrastructure and facilitate the implementation of key projects for Big Data development. With respect to industry trends, the comprehensive transportation system and the national civil aviation power strategy will be brought into a new phase of development as the PRC embarks on the key stage for building a well-off society in an all-rounded way and the three major strategies, including the “Belt and Road” initiative, Beijing-Tianjin-Hebei coordinated development and the Yangtze River Economic Zone and the continual implementation of the regional development strategies of Development of Western China, Revitalization of Northeastern China, Rise of Central China and Eastern China Taking the Lead in Development, have continually progressed with the accelerated development pace of new industrialization, informatization, urbanization and agricultural modernization. For the application of technology, the integration between information technology, including mobile internet, the Internet of Things, Big Data and cloud computing, and tourism and the transportation sector is to be further achieved, triggering the emergence of new products, new operational models and new business models.

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Statement of the Board

2016 is not only the first year of the 13th Five-Year Plan of the Group, but also a key year of comprehensive deepening reformation and a critical year of quality and efficiency enhancement as well as transformation and upgrading. As such, the Group will prudently assess the situation, remain open-minded, probe into matters thoroughly, embrace its goal of “growth stability, structural adjustment, risk prevention”, further adjust and refine its development strategies, implement thorough reformation, carry out innovation-driven development and open up co-operations. Firstly, the Group will refine its business structure, optimize resources allocation and explore international business operation in order to enhance the quality and efficiency of development. Secondly, the Group will promote technological innovation, business innovation, management innovation and service innovation, thereby expediting the implementation of the innovation-driven development strategy. Thirdly, with a focus on the service philosophy which the Group upholds, service management will be strengthened while service supervision mechanism will be refined with a view to improving customer service. Fourthly, the Group will lay a solid hardware foundation for long-term development by ensuring adherence of the new operating centre in Shunyi, Beijing to its construction schedule, reinforcing risk prevention and implementing its removal and relocation tasks gradually. Fifthly, by intensifying internal reforms, enhancing the implementation of strategies and strengthening fundamental management, the Group hopes to promote the upgrading of its management capabilities.

Finally, on behalf of the board of directors, I would like to take this opportunity to extend my gratitude to all shareholders, investors, customers, directors and supervisors for the trust and support they have bestowed upon us as well as to all our staff for their collective endeavours. Given the dedicated joint efforts from all parties, I believe the Group will be able to make persistent efforts and, in a prudent manner, take its first step under the 13th Five-Year Plan to better serve its customers and the public, and create greater value for the shareholders as well as the society.

Cui Zhixiong

Chairman

March 31, 2016

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BUSINESS REVIEW

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

AVIATION INFORMATION TECHNOLOGY SERVICES

The aviation information technology ("AIT") services offered by the Group, which consist of a series of products and solutions, are provided to more than 30 commercial airlines in the PRC and more than 350 foreign and regional commercial airlines. The AIT services comprised electronic travel distribution ("ETD") services (including Inventory Control System ("ICS") services and Computer Reservation System ("CRS") services) and Airport Passenger Processing ("APP") services, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product services for supporting aviation alliances, solutions for developing commercial airlines' e-tickets and e-commerce, data services for supporting decision-making of commercial airlines as well as information management system for improvement of ground operational efficiency.

Having benefitted from the robust demand in China's aviation market in 2015, the Group's electronic travel distribution (ETD) system processed approximately 470.7 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 10.9% over the same period in 2014. Among which, the processed flight bookings on commercial airlines in China increased by approximately 10.9%, while those on foreign and regional commercial airlines increased by approximately 10.9%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Group reached 129, with sales percentage through direct links exceeding 99.8%. In 2015, 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 Group's APP system services, multi-host connecting program service and the Angel Cue platform connecting services, resulting in the increase of the number of such users to 139, with approximately 11.3 million of passenger departures processed in 90 airports.

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Business Review

In 2015, the Group further improved the aviation information technology services and its extended services and closely aligned the research and development focus with the industrial trend and customers' demand, with an aim to fulfill the demand of commercial airlines for the information technology solutions on travel convenience, e-commerce and auxiliary services. As a strategic partner of the Fast Travel project of IATA, the Group has been taking efforts in research and development and innovation in this sector. Our self-help product series, which were self-developed and in compliance with the IATA standards, have been used in a wide range of applications. Since its commencement of operation in North Asia in 2014, our self-help luggage processing system has already been brought into operation in 5 major commercial airlines in China, such as Air China Limited and China Southern Airlines Company Limited etc.. The commonly used self-service check-in system (CUSS) has been launched in 115 major domestic and international airports, and the online check-in service has been applied in 229 airports at home and abroad. Such products and services, together with the mobile check-in service and the newly-developed SMS check-in service, processed a total of approximately 123.2 million departing passengers. Our self-developed mobile application, "Umetrip", has been granted numerous patents and new functions including Apple Watch version, frequent flyer management, delay guessing game, itinerary verification, flight alert and flight comments have been introduced to enhance user experience. The Group provided E-Build (an e-commerce supporting platform) product or relevant overall solutions to 75 commercial e-commerce websites owned by 35 commercial airlines, including the international B2C and B2B websites launched in regional or overseas markets for 6 commercial airlines including Hong Kong Airlines Ltd. The Group refined the "Easy add value" (增值易) product platform, assisted 11 domestic and regional commercial airlines in expanding the auxiliary service business and introduced the "Security Guard" (安全卫士) product to aid commercial airlines in their revenue decision-making as well as monitoring of revenue leakage.

In 2015, as the new-generation civil aviation passenger service information system ("New Generation System") jointly researched and developed by the Group and key commercial airlines customers in China gathered pace, the smart and differentiated service application structure towards the Internet was refined, while the New Generation System entered a stage of gradual delivery through the introduction of the cloud platform, which had enriched the technical framework and the fundamental framework planning of customer service. With the new-generation flight management system, which supports O&D revenue management and automatic full flight lifecycle management, several core modules have been put into operation and implemented for the first batch of key customers. The new-generation international fare search engine for travelers has maintained stable operation with a steady increase of usage following its launch, and the arrangement of online agent channels has been initially completed. The delivery and implementation of a series of new products, including uniform seat selection, payment and sales for flight booking and departing flights, frequent flyer miles and consumption, automatic omni-channel for ticket return and re-scheduling, has addressed customer needs in time and increased customers' recognition of the New Generation System.





Business Review

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

The Group provided accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation corporations through Accounting Centre of China Aviation Limited Company (中國航空結算有限責任公司) (“**ACCA**”), a wholly-owned subsidiary of the Group. As the downstream businesses of the Group’s principal activities in air travel service distribution and sales, the above businesses strengthened the Group’s information technology business in the air transportation and travel industry. Apart from being the world’s largest service provider of IATA 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 organisations and IATA.

In 2015, the Group continued to consolidate the existing market of accounting, settlement and clearing services and stepped up its efforts in marketing and system research and development, introducing new customers including Fuzhou Airlines, Ruili Airlines, Guangxi Beibu Gulf Airlines and Urumqi Air. For the project of IATA new generation Billing and Settlement Plan (BSP) Data Processing System, implementation was completed for 5 BSPs in the North Asia region and 22 BSPs in the Asia-Pacific region. A unified clearing platform was set up, achieving weekly clearing for the entire network in the PRC and speeding up collection of domestic funds for commercial airlines. In 2015, there were approximately 745.6 million transactions and approximately 278.6 million BSP tickets processed by the accounting, settlement and clearing system of ACCA, while passenger, cargo and postal revenues, miscellaneous fees as well as international and domestic clearing fees settled through our system amounted to approximately USD8.2 billion, and e-payment transactions amounted to approximately RMB22.8 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

The Group’s travel service distribution network comprises more than 70,000 sales terminals owned by more than 8,000 travel agencies and travel service distributors, with high-level networking and direct links to all Global Distribution Systems (“**GDSs**”) around the world and 129 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localised services to travel agencies and travel service distributors through more than 40 local distribution centres across China and 8 overseas distribution centres across Asia, Europe, North America and Australia. The network processed over 373.1 million transactions during 2015 with its transaction amount reaching RMB402.8 billion.

In 2015, the Group stepped up its efforts to research, develop, service and promote the product lines for distribution information technology services, strove to cater to the needs of agents during the transformation period in response to the development trend of online mobile technology, persisted to optimize key product functions, such as the online interface for agents, business travel platform (1etrip) for small and medium enterprises and international fare search engine. The business travel desktop and mobile products were put in operation in major travel management companies (TMC) including CITS American Express Business Travel, covering the full process of ticket booking, price quotation, ticketing and billing. Through cooperating with the Ministry of Finance and the Settlement Centre of the Civil Aviation and Administration of China (“**CAAC**”), the “air ticket purchase platform for government departments and enterprises” was completed. Around 30 commercial airlines have become the carriers of the project, and over 700 sales departments of airlines and over 1,800 agent users have joined the purchase platform.



AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2015, the Group actively participated in the domestic airport information system construction projects while pursued greater efforts in the upgrading and promotion of airport information technology service products. ASCII, the joint passenger processing system, has been promoted to 3 airports including Zhengzhou Airport and Xi'an Airport, while the ASCII Home/ASCII Node has been promoted to Nanjing Airport as an additional publishing function. The airport passenger and luggage information busbar (AMB) has completed the upgrades of functional modules for flight planning enquiry and flight tracking, which has been extended to 9 airports including Guangzhou Airport, Ulanhot Airport and Jinan Airport. The passenger hour traffic statistics module on the security and safety information platform has been upgraded and promoted to 4 airports including Yingkou Airport and Baicheng Airport. The new mobile POS counter payment function of the airport WIFI project, which is based on the internet economic model, had completed its upgrading in Yantai Airport and was successfully connected to the hand-held terminal PDA of the baggage management system (BMS), with the network input cost being reduced and the system safety and reliability being enhanced. Apart from its dominance in the middle-sized and large-sized airports in China, the new generation APP departure front-end system also facilitated China's commercial airlines to launch passenger check-in, transit and connecting flight services in 126 overseas or regional airports, processing approximately 29.3 million passenger departures, and accounting for approximately 87.5% of overseas returning passengers of China's commercial airlines. The service of Angel Lite, a passenger front-end processing system designed and developed for small airports ranking lower than the top 60 airports in terms of passenger throughput in China, was extended to another 14 airports including Qingyang Airport and Aba Airport.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2015, the Group constantly refined the air freight logistics information technology services. Coupled with the national "Belt and Road" initiative and the policy requirement for accelerating the healthy growth of cross-border e-commerce, the Group promptly facilitated the project of "air freight logistics information platform and customs clearance integration" (航空物流信息平台通關一體化), and entered into contracts with several air cargo terminals including those in Xiamen, Changsha and Qingdao. The Group actively promoted the cargo security inspection system in pilot airports including Lanzhou Airport and Haikou Airport and substantially assisted domestic and international commercial airlines, including China Eastern Airlines Corporation Limited and Singapore Airlines Limited, in the use of electronic air waybills. In 2015, the air freight logistics information system handled approximately 16.0 million air waybills, representing an increase of 2.6% from the corresponding period in 2014.

TRAVEL PRODUCT DISTRIBUTION SERVICES

In 2015, the Group facilitated the transformation of the travel product distribution business and focused on setting up a purchase platform for business trip of central enterprises by creating a system featured with business trip products and introducing hotel groups and pricing systems that were in line with the business trip standards of central enterprises. Having proactively explored the direct sales model for hotels and progressively established the framework of a hotel direct sales platform, the Group has completed creating the product prototype. The Group distributed 583,800 hotel's room-nights through its hotel distribution platform-Sohoto.com during the year, representing a decrease of approximately 44.9% as compared with the corresponding period in 2014.



Business Review

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2015, the Group leveraged upon the opportunities presented by China's advocated development of strategic and new information service industry, and explored customer base and service sectors with a focus on governmental authorities and central enterprises. The Group continued to undertake the outsourced data centre entrustment projects for China Galaxy Securities Company Limited, and the information centre and data centre under the Ministry of Civil Affairs. The Group won the bidding for and participated in several national key platformization projects, including the platform-based cloud construction project for the national tender and bidding public service, the digital manufacturing service platform and applications for the vessel industry chain and integrated ticketing platform for the road passenger transport network in the Beijing-Tianjin-Hebei area. In the meantime, the Group continued to provide customer service for the Cloud Data Replication (CDR) and Travel Cloud (TCD) products. By completing and launching its self-developed Cloud Disaster Service (CDS), the Group has become a leading service provider in the cloud disaster recovery sector in China.

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 optimise resource allocation by making full use of existing technologies, business and management approaches, so as to improve operation reliability and interference-resistant ability and achieve low cost operation.

In 2015, the Group continued to maintain a relatively high level of safety in its production with the stable operation of its ICS, CRS, APP and core open system and the accounting, settlement and clearing mainframe systems. Construction of the new operating centre in Shunyi, Beijing has been proceeding as scheduled, while the work in relation the removal and relocation has also commenced. The Group also made strenuous efforts in self-development and innovation and enhanced its maintenance capability in full swing. The establishment of a unified operation and maintenance and management platform for the data centre realized cross-platform full-process control over the operation and maintenance process, while the commencement of operation of the unified monitoring platform of the data centre also helped to achieve integration and independency of the centre-level monitoring system. With the installation of new mainframe systems and upgrading of the CRS system, the safe operating capability of the system was further enhanced, thus supporting the subsequent capacity expansion of the mainframe systems. The Group effectively economized the resources of the mainframe system by stepping up efforts in the monitoring and protection of the mainframe system as well as high frequency and energy consumption reduction. Meanwhile, the Group also significantly strengthened the information security infrastructure and fully increased the protection of information security through a series of measures, such as dedicated information security protection, dedicated website security control, full check-up and critical control of system configuration and accounts, and establishment of the safety testing system for application systems. In 2015, the Group secured the safe operation of the civil aviation passenger information system in its daily operations and also during the heavy security period around Chinese New year, the convention of meetings of the National People's Congress and the People's Political Consultative Conference, and during the military parade.



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial information of the Group contained in the financial statements (together with the notes thereto) reproduced in this year's results announcement. The financial statements have been prepared in accordance with IFRSs. The following discussions on the synopsis of historical results do not represent a prediction as to the future business operations of the Group.

SUMMARY

For Year 2015, profit before taxation of the Group was approximately RMB2,317.4 million, representing an increase of approximately 21.6% over that in the year ended December 31, 2014 ("**Year 2014**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB2,692.4 million, representing an increase of approximately 21.1% over that in Year 2014. Profit attributable to equity holders of the Company was approximately RMB1,914.4 million, representing an increase of approximately 15.8% over that in Year 2014.

The basic and diluted earnings per share of the Group in Year 2015 were RMB0.65.

TOTAL REVENUE

The total revenue of the Group in Year 2015 amounted to approximately RMB5,471.8 million, representing an increase of approximately RMB135.4 million, or 2.5%, from approximately RMB5,336.4 million in Year 2014. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 57.3% of the Group's total revenue in Year 2015, as compared to 53.5% for Year 2014. Aviation information technology service revenue increased by 9.8% from RMB2,854.3 million in Year 2014 to RMB3,135.0 million in Year 2015. The main sources of the revenue were Inventory Control System ("**ICS**") service, Computer Reservation System ("**CRS**") service and Airport Passenger Processing ("**APP**") service, as well as other extended information technology services related to the above core businesses provided by the Group to commercial airlines. The increase of revenue was mainly due to the growth in the number of air travelers.
- Accounting, settlement and clearing services revenue accounted for 9.0% of the Group's total revenue in Year 2015, as compared to 8.1% for Year 2014. Accounting, settlement and clearing services revenue increased by 13.9% from RMB432.4 million in Year 2014 to RMB492.7 million for Year 2015. The main source of the revenue was accounting, settlement and clearing service provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The increase of revenue was primarily due to the increase in business volume of accounting, settlement and clearing services.
- System integration service revenue accounted for 11.8% of the Group's total revenue in Year 2015, as compared to 19.5% for Year 2014. System integration service revenue decreased by 38.1% from RMB1,039.9 million in Year 2014 to RMB643.4 million for Year 2015. The main source of the revenue was the hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The decrease of revenue was primarily due to the decrease in the number of contracted projects.



Management Discussion and Analysis of Financial Condition and Results of Operations

- Data network revenue and other revenue accounted for 21.9% of the Group's total revenue in Year 2015, as compared to 18.9% for Year 2014. Data network revenue and other revenue increased by 18.9% from RMB1,009.8 million in Year 2014 to RMB1,200.8 million for Year 2015. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels, air freight logistics information technology service provided to commercial airlines, airports and cargo shippers, as well as airport information technology service, public information technology services and other businesses etc. provided by the Group. The growth of revenue was mainly due to the increase in revenue from data network services and other information technology services.

OPERATING EXPENSES

Operating expenses for Year 2015 amounted to RMB3,724.2 million, representing a decrease of RMB357.1 million, or 8.7%, from RMB4,081.3 million in Year 2014. The change in operating expenses is reflected as follows:

- Network usage fees increased by 38.7%, mainly due to the increase in the number of the rented network lines of the Group;
- Depreciation and amortization increased by 12.7%, mainly due to the update of the Group's equipment;
- Staff costs increased by 8.1%, primarily due to the increase in the number of staff for supporting the Group's business development;
- Cost of software and hardware sold decreased by 49.4%, primarily due to the decrease in newly-signed system integration projects of the Group; and
- Technical support and maintenance fees decreased by 8.2%, mainly due to the intensifying efforts of the Group in research and development.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB492.4 million, or approximately 39.2%, from approximately RMB1,255.2 million in Year 2014 to approximately RMB1,747.6 million in Year 2015.



Management Discussion and Analysis of Financial Condition and Results of Operations

TAXATION

Under the Corporate Income Tax Law of the People's Republic of China ("CIT Law"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. The latest review was conducted in October 2014, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as one of the "High and New Technology Enterprises", and was entitled to the preferential corporate income tax rate of 15% from Year 2014 to Year 2016 as a "High and New Technology Enterprise".

In addition to the recognised "High and New Technology Enterprise", enjoying a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the year, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded. The Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout since Year 2006 to Year 2014. The latest certification was granted on January 2, 2014, pursuant to which the Company was granted the certification as a "Important Software Enterprise" under the National Planning Layout, accordingly the Company has calculated the income tax expense at the corporate income tax rate of 10% for Year 2013 and Year 2014.

As at December 31, 2015, the relevant authorities have not yet issued the notice for the application of the assessment of the "Important Software Enterprise" for Year 2015. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2015 pursuant to the relevant requirements.

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

Under the relevant provisions, with effect from September 1, 2012, all of the revenue from the Group's provision of aviation information technology services and accounting, settlement and clearing services in Beijing shall be subject to value-added tax instead of business tax, and with effect from August 1, 2013, such tax reform was implemented throughout China. For details of the business tax and value-added tax to which the Group is subject, please refer to Note 11 to the "Notes to the Consolidated Financial Statements".

PROFIT ATTRIBUTABLE TO OWNER OF THE PARENT

As a result of the above factors, the profit attributable to owner of the Parent increased by approximately 15.8% from approximately RMB1,652.6 million in Year 2014 to approximately RMB1,914.4 million in Year 2015.

PROFIT AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 34 to the financial statements) from the profit distributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2015, amounted to approximately RMB3,999.1 million [2014: RMB3,120.2 million].



Management Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2015 (RMB in million)	2014 (RMB in million)
Net cash generated from operating activities	2,383.2	1,878.1
Net cash used in investing activities	(1,737.3)	(1,814.5)
Net cash used in financing activities	(396.3)	(417.7)
Net increase/(decrease) in cash and cash equivalents	249.6	(354.1)
Effect of foreign exchange rate changes on cash and cash equivalents	(1.9)	0.2

The Group's working capital for Year 2015 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB2,383.2 million.

In Year 2015, the Group had no short-term and long-term bank loans, neither did the Group use any financial instruments for hedging purpose.

As at December 31, 2015, cash and cash equivalents of the Group amounted to RMB2,242.7 million, of which approximately 90.9%, 7.6% and 0.5% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

HELD-TO-MATURITY FINANCIAL ASSETS

As at December 31, 2015, the Group held commercial bank financial products in the amount of RMB1,690 million with a yield rate from 2.75% to 4.0%. Such products are principal-protected financial products with a maturity of 90 to 184 days, and not redeemable prior to the maturity date.

CHARGE ON ASSETS

As at December 31, 2015, the Group had no charge on its assets.



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RESTRICTED BANK DEPOSITS

As at December 31, 2015, restricted bank deposits in the amount of RMB299.6 million (2014: RMB217.5 million) mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing.

CAPITAL EXPENDITURE

The capital expenditure of the Group amounted to approximately RMB1,046.2 million in Year 2015, representing a decrease of approximately RMB106 million as compared to that of approximately RMB1,152.2 million in Year 2014. The capital expenditure of the Group in Year 2015 consisted principally of upgrade of the existing equipment, development of the new generation aviation passenger service system and promotion of other new businesses, as well as the construction of the new operating centre in Beijing.

The Board estimates that the Group's planned capital expenditure for 2016 will amount to approximately RMB1,801.0 million, which is mainly used for the construction of the new operating centre in Beijing, development of the new generation aviation passenger service system and promotion of other new businesses. The sources of funding for the capital expenditure commitments will include existing cash on hand and internal cash flow generated from operating activities. The Board estimates that the sources of funding of the Group in 2016 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

NEW OPERATING CENTRE IN BEIJING

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

As at the end of 2015, the Phase I work of the new operating centre in Beijing has accumulated an expenditure of approximately RMB1,727.9 million, representing approximately 47.3% of the construction budget of the Phase I work. The expenditure in 2015 was approximately RMB896.2 million. 13 buildings under the Phase I work have already been under construction. Among which, the production area consists of server building A, a power building and the operating centre, with a gross floor area of approximately 117,000 sq. m.; the office area consists of the headquarters building, the research and development centre and the settlement centre, with a gross floor area of approximately 170,000 sq. m.; and the ancillary area consists of an energy building, a cultural and sports centre, a shift dormitory and an underground garage, etc., with a gross floor area of approximately 81,000 sq. m. In 2016, the required expenditure for the Phase I work of the new operating centre in Beijing is expected to be approximately RMB1,055.5 million, which has been included in the capital expenditure plan of the Company for 2016.

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.



Management Discussion and Analysis of Financial Condition and Results of Operations

GEARING RATIO

As at December 31, 2015, the gearing ratio of the Group was approximately 18.1% (2014: 16.9%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2015.

CONTINGENT LIABILITIES

As at December 31, 2015, the Group had no material contingent liabilities.

EMPLOYEES

As at December 31, 2015, the total number of employees of the Group was 6,631. Staff costs amounted to approximately RMB1,268.2 million for Year 2015 (2014: RMB1,172.8 million), representing approximately 34.1% of the total operating expenses of the Group for Year 2015.

The Group has different rates of remuneration for different employees (including executive directors and staff representative 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 2015, the aggregate corporate annuity expenses of the Group amounted to approximately RMB38.9 million (2014: RMB19.1 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.



Management Discussion and Analysis of Financial Condition and Results of Operations

As disclosed in the announcement of the Company dated August 29, 2011, according to the H Share Appreciation Rights Scheme (the “**Scheme**”) for certain directors, senior management and employees of the Company adopted by shareholders on June 28, 2011, the Board granted a total of 14,004,000 share appreciation rights to the first batch of incentive recipients which consisted of 56 people in total (of which 3 were executive directors of the Company). Prior approval of the Scheme had been obtained from the State-owned Assets Supervision and Administration Commission of the State Council (“**SASAC**”).

Among the aforesaid 14,004,000 share appreciation rights: During 2014, the first tranche comprising 4,668,000 share appreciation rights were fully exercised, and the second tranche comprising 4,485,000 share appreciation rights were also exercised. During 2015, the third tranche comprising approximately 4,320,000 share appreciation rights were also exercised, and the amount of this tranche will be settled after year end. As of December 31, 2015, 389,000 and 142,000 share appreciation rights had lapsed during 2014 and 2015 respectively.

DISTRIBUTION OF PROFIT

In Year 2015, according to the Company Law of the People’s Republic of China (the “**PRC Company Law**”), relevant laws and regulations, and the articles of association of the Company (the “**Articles**”), the distributable net profit after taxation and minority interest is distributed in the following order:

- (i) making up cumulative prior years’ losses, if any;
- (ii) appropriation to the statutory surplus reserve fund;
- (iii) appropriation to the discretionary surplus reserve fund;
- (iv) appropriation to the distribution of dividends for ordinary shares.

The appropriation of 10% of its net profit to the discretionary surplus reserve fund for the year ended December 31, 2014 was approved at the annual general meeting held on June 16, 2015. The amount was accounted for in shareholder’s equity as a distribution of retained earnings for Year 2015.

The proposed appropriation of 10% of its net profit amounted to RMB156.3 million to the discretionary surplus reserve fund for the year ended December 31, 2015 is subject to shareholders’ approval at the forthcoming annual general meeting. Therefore, the amount will be recorded in the Group’s financial statements for the year ending December 31, 2016.



Management Discussion and Analysis of Financial Condition and Results of Operations

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2015

On March 31, 2016, the Board proposed the distribution of a final cash dividend of RMB485.8 million, which represented RMB0.166 per share (tax inclusive) for Year 2015 (“**Dividend**”). The total number of shares in issue of the Company which entitles the receipt of those dividends is 2,926,209,589 shares. Upon distribution of the above final dividend, the distributable profit as at December 31, 2015 is approximately RMB3,513.3 million (2014: RMB2,731.0 million).

Pursuant to the CIT Law and the Implementation Rules of the Corporate Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), non-resident enterprise shareholders (including enterprise shareholders holding H shares of the Company as defined by the CIT Law) are subject to corporate income tax for their income arising within the PRC territory (including dividends they were entitled to as defined by the CIT Law). The applicable tax rate is 10% and the amount will be withheld by the Company.

Pursuant to relevant laws and regulations such as the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) and the Implementation Rules of the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》), foreign resident individual shareholders holding share certificates issued in Hong Kong by domestic non-foreign invested enterprises are entitled to relevant tax incentive policies in accordance with the tax treaties signed by countries in which they are domiciled and China and the requirements of the tax arrangement between China and Hong Kong (Macau). As such, dividend income received by individual shareholders holding H shares of the Company is subject to individual income tax at the rate of 10%, and the Company will withhold such amounts.

The Company will submit the above dividend distribution proposal to the forthcoming annual general meeting (the “**AGM**”). If such proposal is approved at the AGM, the Company will publish an announcement on the matters related to dividend distribution after conclusion of the AGM, including, among other things, the amount of dividend per share in Hong Kong dollar, book closure period, ex-date and dividend payment date.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

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

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

In 2015, the Company fully complied with the Code Provisions.

SECURITIES TRANSACTIONS OF DIRECTORS

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

Having made specific enquiries of all directors, no director failed to comply with the relevant requirements of the Model Code in 2015.

THE BOARD

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

Mr. Xu Qiang resigned as the Chairman of the Board, an executive director and the chairman of the Nomination Committee, the Strategic Committee and the Executive Committee, due to his other business commitment. The resignation became effective from December 2, 2014. On the same day, the Board proposed that Mr. Cui Zhixiong, an executive director, shall exercise the powers of the Chairman, and to act as the chairman of the Nomination Committee, the Strategic Committee and the Executive Committee. For details, please refer to the announcement of the Company dated December 2, 2014.

Mr. Cai, Kevin Yang resigned as a non-executive director and a member of the Strategic Committee of the Company due to other work commitment. The resignation became effective from June 16, 2015. For details, please refer to the announcement of the Company dated June 16, 2015.

Mr. Wang Quanhua ceased to be a non-executive director and a member of the Remuneration and Evaluation Committee and the Strategic Committee of the Company as proposed by China Southern Air Holding Company (中國南方航空集團公司), a substantial shareholder of the Company. As far as the Board was aware of, Mr. Wang had retired from China Southern Air Holding Company due to his age. The resignation became effective from December 10, 2015. For details, please refer to the announcements of the Company dated June 25, 2015 and December 10, 2015.

According to the Articles of Association of the Company, the terms of office of Mr. Pan Chongyi and Mr. Zhang Hainan, each of whom as an independent non-executive director, had expired. The resignation of Mr. Pan Chongyi as an independent non-executive director, a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration and Evaluation Committee of the Company, and the resignation of Mr. Zhang Hainan as an independent non-executive director, and a member of the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee of the Company, became effective on January 26, 2016. For details, please refer to the announcements of the Company dated December 10, 2015 and January 26, 2016.



Corporate Governance Report

The Board appointed Mr. Li Yangmin as a non-executive director and a member of the Strategic Committee of the Company, and appointed Mr. Yuan Xin'an as a non-executive director, a member of the Remuneration and Evaluation Committee and the Strategic Committee of the Company. All these appointments became effective from December 10, 2015. For details, please refer to the announcements of the Company dated June 16, June 25 and December 10, 2015.

The Board appointed Mr. Cao Shiqing as an independent non-executive director and a member of the Audit Committee and the Nomination Committee and chairman of the Remuneration and Evaluation Committee, and appointed Dr. Ngai Wai Fung as an independent non-executive director and a member of the Audit Committee and the Remuneration and Evaluation Committee. All these appointments became effective from January 26, 2016. For details, please refer to the announcements of the Company dated December 10, 2015 and January 26, 2016.

The Board elected Mr. Cui Zhixiong as the Chairman. The appointment became effective from March 31, 2016. Details are set out in the announcement of the Company dated March 31, 2016.

For 2015, the list of directors of the Company is set out below and the attendance of each of the directors is as follows:

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for				
				Audit Committee meetings	Remuneration and Evaluation Committee meetings	Nomination Committee meetings	Strategic Committee meetings	Executive Committee meetings
Cui Zhixiong	Executive Director; Acting as the Chairman; Chief Member of Nomination Committee; Chief Member of Strategic Committee; Chief Member of Executive Committee	100%	100%	-	-	100%	-	100%
Xiao Yinhong	Executive Director, General Manager; Member of Strategic Committee; Member of Executive Committee	50% (Note 1)	25%	-	-	-	-	100%
Cao Jianxiong	Non-executive Director; Member of Strategic Committee	100%	100%	-	-	-	-	-
Li Yangmin (Note 2)	Non-executive Director; Member of Strategic Committee	100%	-	-	-	-	-	-



Corporate Governance Report

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for				
				Audit Committee meetings	Remuneration and Evaluation Committee meetings	Nomination Committee meetings	Strategic Committee meetings	Executive Committee meetings
Yuan Xin'an (Note 2)	Non-executive Director; Member of Remuneration and Evaluation Committee; Member of Strategic Committee	100%	-	-	-	-	-	-
Cheung Yuk Ming	Independent Non-executive Director; Chief Member of Audit Committee; Member of Remuneration and Evaluation Committee	75% (Note 1)	75%	100%	-	-	-	-
Pan Chongyi	Independent Non-executive Director; Member of Audit Committee; Chief member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	100%	100%	-	100%	-	-
Zhang Hainan	Independent Non-executive Director; Member of Audit Committee; Member of Remuneration and Evaluation Committee; Member of Nomination Committee	100%	100%	100%	-	100%	-	-
Wang Quanhua (Note 2)	Resigned as Non-executive Director; Resigned as Member of Strategic Committee; Resigned as Member of Remuneration and Evaluation Committee	0% (Note 1)	0%	-	-	-	-	-
Cai Kevin Yang (Note 2)	Resigned as Non-executive Director; Resigned as Member of Strategic Committee	0%	-	-	-	-	-	-

Notes:

- Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the director in 2015, excluding meetings by way of circulation of written proposals.



Corporate Governance Report

During 2015, the Board held four physical meetings and two meeting by way of circulation of written proposals, and convened one AGM, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting. The Audit Committee held four meetings. The Remuneration and Evaluation Committee held two meetings by way of circulation of written proposals. The Nomination Committee held two meetings and one meeting by way of circulation of written proposals. No meeting was convened for the Strategic Committee. The Executive Committee held nine meetings.

When Director Xiao Yinhong, Director Wang Quanhua and Director Cheung Yuk Ming failed to attend a Board meeting or a committee meeting in person, they appointed other Directors to vote and express their views on their behalf by written authorization.

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

2. The Board agreed to the resignation of Director Cai Kevin Yang on June 16, 2015.

Director Wang Quanhua resigned on December 10, 2015. Director Li Yangmin and Director Yuan Xin'an assumed their duties with effect from December 10, 2015.

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

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

It is the responsibility of the Board to ensure that the Company maintains a sound and effective internal control system to safeguard the shareholders' investment and the Company's assets. The internal control system of the Company comprises a well-established organizational structure and comprehensive policies. The Board, through the Audit Committee, assesses annually the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance controls as well as risk management. During the reporting period, the Board reviewed the effectiveness of the internal control system of the Company and its subsidiaries. In 2015, the Company optimized all construction works through the internal control system. In accordance with the procedures implemented by, and the information available to, the internal control and audit functions, no major issue in relation to financial reporting and internal control has been identified.

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



Corporate Governance Report

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

The Board includes three independent non-executive directors, representing one-third of the Board, which is in compliance with the requirements of Rules 3.10 and 3.10A of the Listing Rules. During the reporting period, the Company received from the three independent non-executive directors, namely Mr. Cheung Yuk Ming, Mr. Pan Chongyi and Mr. Zhang Hainan, annual confirmations of their independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the above independent non-executive directors are independent.

On January 26, 2016, Mr. Cao Shiqing and Dr. Ngai Wai Fung were elected as independent non-executive directors of the Company at the extraordinary general meeting of the Company, while Director Pan Chongyi and Director Zhang Hainan resigned on the same date due to expiration of their terms of office. For details, please refer to the announcement of the Company dated January 26, 2016.

In 2015, as required under Code Provision A.6.5, each director of the Company actively participated in continuous professional development to develop and refresh his knowledge and skills. This is to ensure that his contribution to the Board remains informed and relevant. In 2015, the Company Secretary provided each director with updates and amendments to the Listing Rules and other laws and regulations from time to time and arranged induction training for the newly appointed directors, including talks on directors' responsibilities by the legal advisor and trainings on directors' continuing obligations under the Listing Rules as well as the rules and requirements of the Guidelines on Disclosure of Inside Information.

In 2015, the compliance with Code Provision A.6.5 of each director according to the learning and training records provided by individual director is as follows:

Executive Directors

Mr. Cui Zhixiong	A
Mr. Xiao Yinhong	A

Non-executive Directors

Mr. Cao Jianxiong	A
Mr. Li Yangmin	A, B
Mr. Yuan Xin'an	A, B

Independent Non-executive Directors

Mr. Cheung Yuk Ming	A
Mr. Pan Chongyi	A, B
Mr. Zhang Hainan	A, B

Notes:

- A: self-learning and reading updates and amendments to relevant laws and regulations including the Listing Rules
- B: attending thematic training talks organised by professional bodies



Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The General Manager (Chief Executive Officer) of the Company is Mr. Xiao Yinhong. As the former Chairman of the Board of the Company Mr. Xu Qiang resigned, the Board resolved to appoint Mr. Cui Zhixiong, Executive Director, to exercise the powers of the Chairman with effect from December 2, 2014.

On March 31, 2016, the Board elected Mr. Cui Zhixiong as the Chairman of the Board of the Company.

TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date/ Termination Date
Cao Jianxiong	Non-executive Director	December 23, 2014	June 17, 2016
Li Yangmin	Non-executive Director	December 10, 2015	June 17, 2016
Yuan Xin'an	Non-executive Director	December 10, 2015	June 17, 2016
Cheung Yuk Ming	Independent Non-executive Director	June 18, 2013	June 17, 2016
Cao Shiqing	Independent Non-executive Director	January 26, 2016	June 17, 2016
Ngai Wai Fung	Independent Non-executive Director	January 26, 2016	June 17, 2016
Pan Chongyi	Independent Non-executive Director (resigned)	June 18, 2013	January 26, 2016
Zhang Hainan	Independent Non-executive Director (resigned)	June 18, 2013	January 26, 2016
Cai Kevin Yang	Non-executive Director (resigned)	June 18, 2013	June 16, 2015
Wang Quanhua	Non-executive Director (resigned)	June 18, 2013	December 10, 2015

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

BOARD COMMITTEES

Corporate governance functions

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

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



Corporate Governance Report

Audit and Risk Management Committee (“Audit Committee”)

The role, duties and authority of the Audit Committee are available at the Company’s website. They mainly include: reviewing financial reports in respect of its completeness, accuracy and integrity; receiving reports from the management and auditors; making enquiries and receiving reasonable explanations to and from the Company’s financial department and auditors on the Company’s financial position; reviewing issues in respect of the Group’s internal control, risk management and financial reporting and reporting the same to the Board. The Audit Committee holds at least two regular meetings each year, and meetings will also be held at any time as and when necessary.

The Audit Committee appointed by the fifth session of the Board comprised three independent non-executive directors, namely Mr. Cheung Yuk Ming, Mr. Pan Chongyi and Mr. Zhang Hainan. Mr. Cheung Yuk Ming acted as the chief member of the Audit Committee (chairman). The term of each member of the committee is the same as his respective term as a director. Mr. Pan Chongyi and Mr. Zhang Hainan resigned on January 26, 2016, while Mr. Cao Shiqing and Dr. Ngai Wai Fung acted as members of the Audit Committee from the same date.

As mentioned in the announcement of the Company dated March 31, 2016, the Audit Committee has been renamed as the Audit and Risk Management Committee, and its terms of reference has been amended, with the addition of contents related to risk management functions.

In 2015, the Audit Committee convened four meetings, and the attendance rate of all members at the meetings was 100%. The work of the Audit Committee during the year is mainly as follows:

1. received reports on financial work from the financial officers of the Company and reviewed the half-year and annual financial statements, annual report and interim report of the Company, including any changes in accounting policies and practices, major judgmental areas, significant audit adjustments, the going concern assumptions and any qualifications, and compliance with accounting standards and legal and regulatory requirements in relation to financial reporting.
2. met with the auditor at least twice and held at least one separate meeting with the auditor in the absence of the Company’s management; discussed with the auditor the nature and scope of the audit and reporting obligations; received the audit procedures and work plan for the annual audit and half-year review from the auditor; listened to the management’s explanation and response to any queries raised by the external auditor during its audit and gave specific opinions and recommendations.
3. reviewed the Company’s financial controls, internal control and risk management systems; discussed the internal control system with the management; received opinions and recommendations on the internal control and audit functions of the Company to ensure that the management has performed its duty to establish an effective internal control system and that the internal audit function is adequately resourced and has appropriate standing within the Company, e.g. the adequacy of resources, experience, training and budget of staff of the Company’s accounting and financial reporting and internal audit functions.

During the year, the Audit Committee discussed, in particular, the risk management and internal control of the construction project of the Company’s new operating centre in Shunyi District, Beijing and conducted site visits, and gave specific recommendations and opinions on enhancing the control mechanism, ensuring the sufficiency of internal resources and avoiding risks. The Committee is continuously monitoring the work progress.

4. conducted an annual review on the Company’s continuing connected transactions and gave opinions and recommendations regarding the relevant internal management and control mechanism.



Corporate Governance Report

5. assessed the independence of the external auditor and made recommendations to the Board on the appointment and removal, terms of engagement and remuneration of the external auditor, including reviewing the Company's plan on engaging the external auditor to provide non-audit services.

Remuneration and Evaluation Committee

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

The Remuneration and Evaluation Committee appointed by the fifth session of the Board comprised three independent non-executive directors, namely Mr. Pan Chongyi, Mr. Cheung Yuk Ming and Mr. Zhang Hainan, and a non-executive director, namely Mr. Wang Quanhua. Mr. Pan Chongyi acted as the chief member of the Remuneration and Evaluation Committee (chairman). The term of each member of the Remuneration and Evaluation Committee is the same as his respective term as a director. Mr. Wang Quanhua resigned on December 10, 2015, while Director Yuan Xin'an acted as member of the Remuneration and Evaluation Committee from the same date. Mr. Pan Chongyi and Mr. Zhang Hainan resigned on January 26, 2016, while Mr. Cao Shiqing and Dr. Ngai Wai Fung acted as members of the Remuneration and Evaluation Committee from the same date, and Mr. Cao Shiqing acted as the chief member (chairman).

In 2015, the Remuneration and Evaluation Committee held two meetings by way of circulation of written proposals. All members attended the meeting. The fifth session of the Board is responsible for the determination of directors' remuneration, and the entering into of service contracts with each of the directors under the authorisation given at the annual general meeting. Pursuant to the relevant rules and requirements issued by the domestic regulators as well as the obligations assumed by each of the directors, the current remuneration policies for directors as approved by the fifth session of the Board of the Company are as follows: (i) the annual director's fee (basic salary) of each independent non-executive director is RMB60,000 (inclusive of tax). If an independent non-executive director serves as a chief member of a committee, his annual fee shall be RMB70,000 (inclusive of tax) without entitlements to bonus. However, he may receive a meeting allowance of RMB3,000 or RMB2,000 (inclusive of tax) for each attendance at the Board meetings or committee meetings; (ii) other executive directors and non-executive directors are not entitled to such director's fees, meeting allowance and/or bonus; (iii) executive directors are full-time employees of the Company and are entitled to remuneration for their full-time service. Such remuneration includes salaries, benefits, subsidies and retirement benefit scheme contribution as determined by the Company in accordance with the laws and regulations of the PRC and the policy guidance issued by the superior regulatory authorities as amended from time to time and their respective work duties, performance and working experience, as well as the discretionary bonus paid to employees based on the performance and financial position of the Company in accordance with the employees' remuneration scheme; (iv) the Company also bears the reasonable costs incurred by the directors during their service in the Company, on the same standard as that applicable to senior management of the Company for treatments including business-related expenses and travelling expenses, and the directors are entitled to liability insurance purchased by the Company for the directors and senior management.



Corporate Governance Report

According to the H Share Appreciation Rights Scheme approved at the Company's general meeting in June 2011, and the adoption of the initial grant proposal approved by the Board in August 2011, each of the three executive directors, namely Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong, was granted 495,000 H Share Appreciation Rights on August 29, 2011. As at December 31, 2015, all of the rights had been exercised. Since Mr. Xu Qiang resigned in December 2014, one-third of the H Share Appreciation Rights that were granted to him but were not yet exercised were forfeited under the relevant administration measures and requirements.

The Remuneration and Evaluation Committee will submit revised proposals (if any) to the Board regarding the Company's remuneration policy of directors and senior management and the remuneration packages for individual director and senior management. The Board will establish the revised remuneration proposal for the Company's senior management in accordance with the applicable laws and regulations and determine the remuneration proposal for directors based on the authorisation given at the general meeting (if any).

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

Nomination Committee

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

The fifth session of the Board appointed Mr. Cui Zhixiong, an executive director who exercised the powers of the Chairman, and two independent non-executive directors, namely Mr. Pan Chongyi and Mr. Zhang Hainan, to form the Nomination Committee. Mr. Cui Zhixiong acted as the chief member of the Nomination Committee (chairman). The term of each member of the Nomination Committee is the same as his respective term as a director. Mr. Pan Chongyi and Mr. Zhang Hainan resigned on January 26, 2016, and Mr. Cao Shiqing and Mr. Cheung Yuk Ming acted as members of the Nomination Committee from the same date.

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

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



Corporate Governance Report

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

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

In 2015, the Nomination Committee held three meetings, including one meeting by way of circulation of written proposals. The attendance rate of members at the meeting was 100%. During the reporting period, the Nomination Committee considered the nomination of new directors and reviewed their fulfillment of the entry requirements for directors.

Strategic Committee

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

The Strategic Committee of the fifth session of the Board currently comprises two executive directors, namely Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Wang Quanhua, Mr. Cao Jianxiong and Mr. Cai Kevin Yang. Mr. Cui Zhixiong acted as the chief member of the Strategic Committee (chairman). The term of each member of the committee is the same as his respective term as a director. Since Mr. Cai Kevin Yang and Mr. Wang Quanhua successively resigned in 2015, Mr. Li Yangmin and Mr. Yuan Xin'an currently act as the members of the Strategic Committee.

The Strategic Committee did not convene any meeting in 2015.



Corporate Governance Report

Executive Committee

The Executive Committee is responsible for examining, supervising and implementing the resolutions of the Board; listening to the General Manager's report on the operation and management of the Company; reporting its works to the Board and making recommendations and plans on important issues which shall be discussed and determined by the Board. Its duties are available at the Company's website. The Executive Committee comprises all executive directors with the Chairman appointed as the chief member of the Executive Committee (chairman). The term of each member of the committee is the same as his term as a director.

The Executive Committee of the fifth session of the Board currently comprises two executive directors, namely Mr. Cui Zhixiong and Mr. Xiao Yinhong. Mr. Cui Zhixiong acted as the chief member of the Executive Committee.

On March 24, 2014, the Board approved the grant to the Executive Committee of the following power, including considering and approving of an external investment project which individually involves not more than 1% of the total assets as shown in the latest audited annual financial statements of the Group, including but not limited to the acquisition or disposal of equity interest or creditor's right, increase/decrease/withdrawal of capital in subsidiaries, disposal of pre-emptive rights, and investment in securities and bonds etc; in the event that such external investment involves connected transactions or notifiable transactions, reporting to the Board for consideration and performing disclosure obligations, and reporting to the Board regarding the exercise, if any, of this power annually; deciding the establishment of the internal management structure and the branches of the Company, and reporting annually to the Board regarding material adjustments, if any; appointing or changing members of the board of directors and the supervisory committee of wholly-owned subsidiaries, and appointing, changing or nominating candidates for shareholder representatives, directors and supervisors of holding and non-holding subsidiaries; and formulating the basic management system of the Company.

The Executive Committee held nine meetings in 2015, and the attendance rate of each member was 100%. Pursuant to the abovementioned authorization from the Board, the Executive Committee considered certain matters about equity investments and the appointment of directors and supervisors of the subsidiaries which have been reported to the Board.

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



Corporate Governance Report

REMUNERATION OF EXTERNAL AUDITORS

The aggregate service fees paid to Baker Tilly Hong Kong Limited ("**Baker Tilly Hong Kong**", Certified Public Accountants in Hong Kong) and Baker Tilly China ("**Baker Tilly China**", Certified Public Accountants in the PRC) for Year 2015 amounted to RMB2,658,800, comprising annual audit fee of approximately RMB1,464,800 and non-audit service fees of approximately RMB1,194,000 for the review of interim financial statements, compliance review of continuing connected transactions and compliance review of preliminary results announcements and others.

The Audit Committee recommended to re-appoint Baker Tilly Hong Kong and Baker Tilly China as the Group's international and PRC auditors respectively for Year 2016.

COMPANY SECRETARY

On June 18, 2013, the fifth session of the Board of the Company re-appointed Mr. Yu Xiaochun to serve as the company secretary. Mr. Yu completed 15 hours of relevant professional training in 2015.

POWER OF SHAREHOLDERS

Procedures for convening an extraordinary general meeting

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

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

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

Procedures for putting forward a proposal at the general meeting

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

Shareholders may contact the Company via the following means:

Telephone: 8610 57650696

Facsimile: 8610 57650695

Email: ir@travelsky.com

Postal address: No.157 Dongsì West Street, Dongcheng District, Beijing 100010, PRC



INVESTOR RELATIONS

There were no amendments or changes to the Articles in 2015.

SUPERVISORY COMMITTEE

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

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

The staff representative meeting of the Company held on 22 and 23 January 2015 to approve the appointment of Mr. Huang Yuanchang as a staff representative supervisor of the Company and the resignation of Ms. Li Xiaojun as a staff representative supervisor of the Company due to other work commitment, both with effect from the date of the first meeting of the fifth session of Supervisory Committee of the Company in 2015. On March 25, 2015, the Supervisory Committee held its first meeting, at which the above-mentioned change in staff representative supervisors became effective. On the same day, Ms. Li resigned as the chairperson of the Supervisory Committee and Mr. Huang was elected by the Supervisory Committee to serve as the chairperson of the Supervisory Committee. Ms. Li will remain as the Secretary of the Disciplinary Committee of the Company.

As a result, the fifth session of the Supervisory Committee of the Company comprised Mr. Huang Yuanchang, Mr. Xiao Wei, Ms. Zeng Yiwei, Mr. He Haiyan and Mr. Rao Geping. Mr. Rao Geping was an independent supervisor while Mr. Huang Yuanchang and Mr. Xiao Wei were staff representative supervisors. Mr. Huang Yuanchang acted as the chairperson of the Supervisory Committee upon the election of the Supervisory Committee.



Corporate Governance Report

The list of supervisors of the Supervisory Committee of the Company and the attendance of each supervisor at the Supervisory Committee meetings in 2015 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings	Attendance rate for general meetings	Attendance rate for Board meetings
Huang Yuanchang	Chairperson of the Supervisory Committee, Staff Representative Supervisor	100%	100%	100%
Xiao Wei	Staff Representative Supervisor	0% (Note 3)	100%	75%
Zeng Yiwei	Supervisor	50% (Note 3)	0%	25%
He Haiyan	Supervisor	100%	25%	75%
Rao Geping	Independent Supervisor	100%	0%	50%

Notes:

1. Attendance rate = Number of meetings attended/Number of meetings ought to be attended by the supervisor in 2015. The attendance rate for meetings by way of circulation of written proposals was not included in the above attendance rate.
2. In 2015, the Supervisory Committee held two meetings, and the Board held four meetings, and convened one AGM, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting.
3. Supervisor Zeng Yiwei and Supervisor Xiao Wei were unable to attend one meeting and two meetings of the Supervisory Committee in person respectively, but both of them have appointed other supervisors to attend and vote at the meeting on their behalves in writing.

During 2015, the Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2014 and the interim results for the six months ended June 30, 2015, attended each Board meeting, supervised the operation and management activities of the Board and senior management, and made management recommendations to the management.

After making specific enquiries with the supervisors, all supervisors of the Supervisory Committee fully complied with the requirements of the Model Code in 2015.

By Order of the Board

Yu Xiaochun

Company Secretary

March 31, 2016



REPORT OF DIRECTORS

The Board of the Company is pleased to present its report together with the audited financial statements of the Group for Year 2015.

GROUP ACTIVITIES

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

The analysis of the Group's financial performance is set out under the section headed "Management Discussion and Analysis of Financial Condition and Results of Operations". No analysis of the Group's revenues and contribution to operating profit by geographical areas is presented, as revenues and results of the Group during the Year 2015 were principally derived from the operations of the Group in the PRC.

BUSINESS REVIEW

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

ENVIRONMENTAL POLICY AND PERFORMANCE

As an internet service provider, the Group normally does not involve too many environmental problems in its daily operations. Nevertheless, the Group still attaches high importance to environmental protection.

During the year, the Group stepped up its innovation efforts in energy saving, and regarded energy-saving and emission reduction as a pivotal part of its initiatives in enhancing its core competence and performing its social responsibility.

Adopting low-carbon operation practices and following the requirements of the LEED green building certification program, the Group constructed the control centre of its high-technology industrial park in Shunyi, Beijing in an environmentally-friendly and civilized manner. During the construction of the industrial park, the Group adopted a series of measures, including purchasing recycled materials and local materials and using high-efficiency water-saving apparatus, in order to reduce the procurement and processing of primary materials, minimize the environmental impact caused by material transportation, relieve the burden of the municipal water supply and drainage systems and alleviate the environmental impact on microclimate, human beings and wildlife.

To minimize the impact of its operations on the environment and natural resources, the Group advocates the idea of green office. The Group encourages the staff to start conserving every watt of electricity, every drop of water, every piece of paper and every litre of oil. A series of measures have been adopted, including reducing the use of air-conditioning, promoting the use of energy-saving lighting, bringing own cups to reduce the use of disposable cups, cutting the use of high-power water heater, implementing duplex printing and adopting paperless web office practices.



REPORT OF DIRECTORS

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognizes that employees, suppliers and customers are the keys to our sustainable and stable development. We strive to achieve sustainable development by maintaining a close relationship with our employees, cooperating fully with our suppliers and providing high quality products and services to our customers.

For details of the Group's employees, please refer to the section headed "Management Discussion and Analysis of Financial Condition and Results of Operations".

For details of the major suppliers and customers of the Group, please refer to this section.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2015 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2015, the share capital structure of the Company was as follows:

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



REPORT OF DIRECTORS

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

As at December 31, 2015, the interests and short positions of any person (other than directors, supervisors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") are set out as follows:

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
Templeton Asset Management Ltd.	65,198,491 H shares of RMB1 each (L)	Investment manager	6.99%	2.23%
JPMorgan Chase & Co.	101,953,226 H shares of RMB1 each (L)(P) (Note 3)	Custodian-corporation/ approved lending agent	10.93%	3.48%
	2,629,251 H shares of RMB1 each (L) (Note 3)	Beneficial owner, Investment manager	0.28%	0.09%
	950,000 H shares of RMB1 each (S) (Note 3)	Beneficial owner	0.10%	0.03%
Platinum International Fund	43,293,433 H shares of RMB1 each (L) (Note 4)	Beneficial owner	6.96%	2.22%
Norges Bank	46,688,500 H shares of RMB1 each (L)	Beneficial owner	5.01%	1.60%
China TravelSky Holding Company	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%



REPORT OF DIRECTORS

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
China Southern Air Holding Company	349,381,500 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	65,773,500 domestic shares of RMB1 each (L) (Note 5)	Interest of controlled corporation	3.30%	2.25%
China Eastern Air Holding Company	328,243,500 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	25,155,000 domestic shares of RMB1 each (L) (Note 6)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 7)	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company	268,300,500 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	18,720,000 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	0.94%	0.64%



REPORT OF DIRECTORS

Notes:

- (1) (L) – Long position; (S) – Short position; (P) – lending pool.
- (2) Percentage of total share capital is based on 2,926,209,589 shares of the total issued share capital of the Company as at December 31, 2015; percentage of respective class of share capital is based on 1,993,647,589 domestic shares and 932,562,000 H shares of the Company as at December 31, 2015.
- (3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on December 7, 2015, JPMorgan Chase & Co. was deemed to be interested in 104,582,477 H shares (L) and 950,000 H shares (S). These shares were held by J.P. Morgan Clearing Corp, JP Morgan Asset Management (Taiwan) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., J.P. Morgan Capital Financing Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc., J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holding Inc., JPMorgan Asset Management (Asia) Inc., J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Overseas Capital Corporation, JPMorgan Chase Bank, N.A. and J.P. Morgan International Finance Limited, which were directly or indirectly controlled by JPMorgan Chase & Co. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.
- (4) As the latest filing date of Platinum International Fund was November 12, 2010, which was prior to the date of the distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company in 2011, and its number of shares and percentage of shareholding as of December 31, 2015 is uncertain.
- (5) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company. China Southern Air Holding Company was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the SFO.
- (6) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the SFO.
- (7) These shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the SFO.
- (8) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company. China National Aviation Holding Company was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.
- (9) For the latest disclosure of interests filings of the substantial shareholders of the Company's H shares, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited ("**HKEX**") (www.hkexnews.hk).

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2015, no person (other than directors, supervisors or chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company that are required to be recorded in the register maintained by the Company under Section 336 of the SFO.



REPORT OF DIRECTORS

PUBLIC FLOAT

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

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

As at December 31, 2015, none of the directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that are required to be recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange by the directors and supervisors pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

None of the directors, supervisors or chief executive of the Company or their respective associates had been granted or had exercised any rights to subscribe for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) for the year ended December 31, 2015.

As at December 31, 2015, each of China TravelSky Holding Company, China Southern Air Holding Company, China Eastern Air Holding Company and China National Aviation Holding Company had interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at December 31, 2015,

- (a) Mr. Cui Zhixiong (an executive director) was an employee of China TravelSky Holding Company;
- (b) Mr. Cao Jianxiong (a non-executive director) was an employee of China National Aviation Holding Company;
- (c) Mr. Li Yangmin (a non-executive director) was an employee of China Eastern Air Holding Company; and
- (d) Mr. Yuan Xin'an (a non-executive director) was an employee of China Southern Air Holding Company.

Save as disclosed above, as at December 31, 2015, none of the existing or proposed directors or supervisors of the Company was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CHANGE OF DIRECTORS

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

**REPORT OF DIRECTORS****SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

All members of the fifth session of the Board and the fifth session of the Supervisory Committee of the Company have entered into service contracts with the Company. The term for the fifth session of the Board and the Supervisory Committee is from June 18, 2013 to June 17, 2016. Pursuant to the relevant requirements of the PRC Company Law and the Articles, the respective term of the directors and supervisors shall commence from the conclusion of the general meeting at which such directors and supervisors are elected until the forming of the next session of the Board and the Supervisory Committee upon election by a general meeting.

For the year ended December 31, 2015, none of the directors or supervisors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

Certain members of the fifth session of the Board and the Supervisory Committee of the Company are also members of the management of various PRC commercial airlines which are shareholders of the Company. The contracts or transactions entered into between the Company or any of its subsidiaries and such airline shareholders have been referred to in the section headed "Connected Transactions" in this Report of Directors. Save as disclosed in that section, none of the directors or supervisors or their connected entities were materially interested, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party during, or at the end of Year 2015.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

PERMITTED INDEMNITY PROVISION

As of December 31, 2015, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

INTEREST CAPITALISED

No interest was capitalised for the Group in Year 2015.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2015 are summarised in Note 14 to the financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2015 are set out in the consolidated statement of changes in equity.



REPORT OF DIRECTORS

DIVIDENDS

The Board proposed the payment of a final cash dividend amounting to RMB0.166 per share (tax inclusive) for Year 2015. For details, please refer to the section headed “Proposed Distribution of a Final Cash Dividend for 2015” in “Management Discussion and Analysis of Financial Condition and Results of Operations”.

SHARE APPRECIATION RIGHTS

Please refer to Note 37 to the financial statements for details of the share appreciation rights scheme of the Company and the share appreciation rights granted as at December 31, 2015.

EMPLOYEES’ RETIREMENT SCHEME

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

MAJOR SUPPLIERS AND CUSTOMERS

Unisys (China) Co., Ltd. was the largest supplier of the Group for Year 2015 and the total fees paid by the Group to the company in Year 2015 accounted for 1.2% of the Group’s total operating expenses (after deducting depreciation and amortisation expenses). During Year 2015, the total amount paid to the five largest suppliers of the Group accounted for 5.1% of the Group’s total operating expenses (after deducting depreciation and amortisation expenses).

Sales to the largest customer of the Group, China Eastern Airlines Corporation Limited, accounted for 13.0% of the Group’s revenues from its sales of goods or rendering of services for the Year 2015. During the Year 2015, total sales to the Group’s five largest customers accounted for 45.0% of the Group’s revenues from its sales of goods or rendering of services. Three of these top five customers were China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited and Air China Limited. Their respective controlling shareholders, namely China Southern Air Holding Company (a substantial shareholder of the Company), China Eastern Air Holding Company (a substantial shareholder of the Company) and China National Aviation Holding Company, held an aggregate of approximately 36.2% of the number of the issued shares of the Company as at December 31, 2015. The revenue derived from the above major customers is set out in Note 41 to the financial statements.

Save as disclosed in this report and in Note 41 to the financial statements, none of the directors, supervisors or their close associates nor any shareholder (which to the knowledge of the directors held more than 5% of the number of the issued shares of the Company) had any interest in any of the aforementioned suppliers and customers.



SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at December 31, 2015 are set out in Note 1 to the financial statements.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During the Year 2015, the Group continued to carry out the following transactions, which constitute continuing connected transactions as defined in the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

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

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

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

- (i) flight control system services which provided, among other services, the consolidated information, flight information, flight control, flight tickets sales, automatic tickets sales and announcement of freight price;
- (ii) electronic travel distribution system services which provided, among other services, flight information display, real-time flight reservation, automatic tickets sales, tickets price display and other travel-related services;
- (iii) airport passenger processing system services which provided check-in, boarding and load planning services; and
- (iv) civil aviation and commercial data network services which provided, among other services, the network transmission services and connection services.



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

- (1) The “flight control system services” as mentioned in (i) above and “electronic travel distribution system services” as mentioned in (ii) above are generally referred to as the “airlines passenger booking system services”. The pricing of the airlines passenger booking system services is subject to the maximum guidance prices prescribed by CAAC, being the progressive per segment booking fee ranging from RMB4.5 to RMB6.5 for domestic flights and RMB6.5 to RMB7 for international flights (depending on the monthly booking volume). The Company may also determine the actual prices for airlines passenger booking system services through arm’s length negotiation with the Airlines, having taken into account of its booking volume, as long as the prices do not exceed the above maximum guidance prices prescribed by CAAC;
- (2) The pricing of the “airport passenger processing system services” as mentioned in (iii) above is also subject to the maximum guidance prices prescribed by CAAC, being (a) RMB7 per segment for international and regional flights and RMB4 per segment for domestic flights; and (b) RMB500 per aircraft for load balancing services. The Company may also determine the actual prices for airport passenger processing system services through arm’s length negotiation with the Airlines, having taken into account of a number of factors such as types of the flights, transportation volume, level of services and size of the aircraft, as long as the prices do not exceed the above maximum guidance prices prescribed by CAAC; and
- (3) The pricing of the “civil aviation and commercial data network services” as mentioned in (iv) above (other than physical identified device (“PID”) connection and maintenance services) is not governed by the guidelines of CAAC or the framework of any other PRC airlines regulatory body but are subject to fair and reasonable mutual negotiation between the parties with reference to the prevailing market conditions, and determined after taking into account factors including but not limited to the following: (i) the cost of provision of those products or services; (ii) the volume handled and complexity involved in handling those products or services; (iii) customer value of those products or services; (iv) pricing of similar competitive products or services; and (v) the exclusive value of those products or services. The pricing of PID connection and maintenance services is determined with reference to the guidance price prescribed by CAAC of RMB200 per PID per month.

The above continuing connected transactions were conducted in the ordinary and usual course of business of the Group and were the principal source of operating revenue of the Group. For more details, please refer to the announcements of the Company dated November 1, 2013, October 17, 2014, March 25, 2015 and September 21, 2015 and circulars of the Company dated November 7, 2014 and October 23, 2015.



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Waiver regarding written agreements:

As stated in the circulars of the Company dated December 21, 2012 and November 7, 2014, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver, which is normally for a three-year term, from strict compliance with the requirement of having written agreements under Rule 14A.34 of the Listing Rules with respect to the continuing connected transactions. At the same time, the Company also sought a general mandate and annual caps with a three-year term from the independent shareholders to carry out the continuing connected transactions under the waiver. In the event that the terms of new written agreements to be subsequently entered into with the Airlines are materially different from those approved by the independent shareholders, the Company will re-comply with the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

The respective annual caps and transaction amounts of the above continuing connected transactions for the financial year ended December 31, 2015 were as follows:

Airlines (connected persons)	Term of Waiver	Latest Signing of Agreements	Year 2015 Annual Caps (RMB'000)	Year 2015 Transaction Amounts (RMB'000)
Southern Airlines	Three years from 2013 to 2015	Agreement for a term of two years was entered into for 2015–2016 on September 21, 2015.	550,892.250	518,047.46
Sichuan Airlines	No waiver	Agreement for a term of three years was entered into for 2014–2016 on November 1, 2013.	187,581.000	174,674.75
Eastern Airlines	Three years from 2015 to 2017	Agreement for a term of two years was entered into for 2015–2016 on December 11, 2015.	652,668.334	596,597.36
Hebei Airlines*	No waiver	Agreement for a term of three years was entered into for 2014–2016 on April 7, 2013.	Nil	21,455.02

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



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

As China TravelSky Holding Company is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. As stated in the announcement of the Company dated December 27, 2012, the Company leases two properties from China TravelSky Holding Company:

- (i) The Company leases the properties in Dongsì, Beijing from China TravelSky Holding Company as data centers for daily operation. The Company re-entered into the Beijing Tenancy agreement with China TravelSky Holding Company for the lease of the Dongsì properties, for a term of three years starting from January 1, 2013. The amount of the rental payable to China TravelSky Holding Company by the Company is RMB4.1 per square metre per day to be paid quarterly. The annual cap for each of the years during the term of the agreement was RMB30,400,000.
- (ii) The Company also entered into the Shanghai Tenancy agreement with China TravelSky Holding Company, for a term of three years starting from January 1, 2013. The amount of the rental payable to China TravelSky Holding Company by the Company is RMB3.57 per square metre per day to be paid quarterly for the use of the Shanghai properties. The annual cap for each of the years during the term of the agreement was RMB12,100,000.
- (iii) The rentals stated above were determined based on market rates and did not include property management fee.

For Year 2015, the total rental paid by the Company to China TravelSky Holding Company for the lease of the Dongsì properties in Beijing stated in (i) above amounted to approximately RMB30,351,399, and the total rental paid by the Company to China TravelSky Holding Company for the Shanghai properties stated in (ii) amounted to approximately RMB12,012,596.

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

As set out in the announcements of the Company dated August 31, 2012 and March 24, 2014, the Company entered into a Services Framework Agreement with each of the 10 Connected Cares which are collectively referred to as the Service Companies, for a term commencing January 1, 2013 and ending December 31, 2015.

The Connected Cares are:

- (A) Non-wholly-owned subsidiaries, being the connected persons under Rule 14A.07(5) of the Listing Rules: Hainan Civil Aviation Cares Co., Ltd. ("**Hainan Cares**"), Cares Shenzhen Co., Ltd. ("**Shenzhen Cares**"), Cares Hubei Co., Ltd. ("**Hubei Cares**"), Aviation Cares of Yunnan Information Co., Ltd. ("**Yunnan Cares**"), Civil Aviation Cares of Xiamen Ltd. ("**Xiamen Cares**"), Civil Aviation Cares of Qingdao Ltd. ("**Qingdao Cares**"), Civil Aviation Cares Technology of Xi'an Ltd. ("**Xi'an Cares**") and Civil Aviation Cares Technology of Xinjiang Ltd. ("**Xinjiang Cares**");
- (B) The associates of the substantial shareholders, being connected persons as defined under Rule 14A.07(4) of the Listing Rules: Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**"), Shenyang Civil Aviation Cares of Northeast China Ltd. ("**Dongbei Cares**").

**REPORT OF DIRECTORS****Details of the Services Framework Agreement**

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

Service fees

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

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



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

The annual caps and transaction amounts of the aforesaid continuing connected transactions for the financial year ended December 31, 2015 were as follows:

Connected Cares	Year 2015	Year 2015
	Annual Caps	Transaction
	(RMB'000)	Amounts
		(RMB'000)
Hainan Cares	14,400	10,192
Shenzhen Cares	31,363	25,735
Xiamen Cares	31,869	31,325
Xinjiang Cares	7,445	4,648
Dongbei Cares	36,000	9,254
Hubei Cares	9,778	9,295
Yunnan Cares	5,242	2,879
Xi'an Cares	10,987	6,014
Huadong Cares	47,635	31,300
Qingdao Cares	11,261	5,589



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(d) Services provided by ACCA to the Airlines (as specified in item (a) of the section headed “Continuing Connected Transactions” above)

The provision of services by ACCA, a wholly-owned subsidiary of the Company, to the connected persons of the Company is also subject to the relevant requirements under Chapter 14A of the Listing Rules. For details of such continuing connected transactions, please refer to the announcements of the Company dated November 30, 2012, November 28, 2014 and December 30, 2014, and the circular of the Company dated December 21, 2012.

- (i) The services provided by ACCA to the Airlines include (if applicable):
 - (1) the provision of application systems in relation to passenger transport, which include, among others, (i) domestic and international passengers transport revenue accounting management system, (ii) passenger transport business analysis system, (iii) passenger transport promotion and incentive accounting management system; as well as relevant support and maintenance services for the abovementioned system products, which include the systematic infrastructure services required for the operation of application systems, the implementation of application system products, the application support and maintenance for daily operation as well as the customized program development;
 - (2) the provision of revenue accounting services, which include, among others, the passenger revenue accounting services (i.e., the passenger billing services, the passenger interline audit services and the passenger sales audit services), and the service fee or other miscellaneous settlement services;
 - (3) the provision of clearing services through domestic and/or international platforms; and
 - (4) the provision of application systems in relation to cargo transport, which include, among others, (i) domestic and international cargo transport revenue accounting management system, (ii) cargo transport business analysis system, as well as relevant support and maintenance services for the abovementioned system products, which include the systematic infrastructure services required for the operation of application systems, the implementation of application system products, the application support and maintenance for daily operation as well as the customized program development.

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

- (1) the pricing of the provision of application systems in relation to passenger transport as well as relevant support and maintenance services is as follows: (i) the pricing of the abovementioned provision of domestic and international passengers transport revenue accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). The rate of unit price for such services is not more than RMB0.4 for domestic passengers and not more than RMB1.65 for international passengers. (ii) the pricing of the abovementioned provision of passenger transport business analysis system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but are determined through arm's length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB3,200,000 for the usage and technology support of business analysis system products; a one-off system implementation fee of RMB100,000; and a customized development fee of RMB2,000 per person per day. (iii) the pricing of the abovementioned passenger transport promotion and incentive accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA and the Airlines. Such fees mainly consist of a flat annual fee of not more than RMB1,200,000 for the technology support of the system products; a one-off system implementation fee of not more than RMB100,000; and a customized development fee of RMB2,000 per person per day;
- (2) the pricing of the abovementioned revenue accounting services is generally determined with reference to the guidance prices prescribed by CAAC, and are generally calculated based on certain percentage rates, ranging from 0.3% to 0.9% of the total amount involved in the revenue accounting services, depending on each individual type of revenue accounting services with the exception that the passenger sales audit services fee is calculated based on the volume of tickets at a rate of not more than RMB0.8 per ticket plus an adjusted fee charged at a rate of 6% of the adjusted amount;
- (3) the pricing of the abovementioned clearing services is generally determined with reference to the guidance prices prescribed by CAAC. For the clearing services provided through domestic platforms, the services fees mainly consist of: (i) a fixed monthly fee of RMB5,000 on the assumption that the transaction amount is not more than RMB1 million; and (ii) if the transaction amount is more than RMB1 million, then the exceeding part will be charged at a rate of 0.06%. For the clearing services provided through international platforms, the services fees mainly consist of (i) a fixed annual fee of USD8,000 on the assumption that the transaction amount is not more than USD1 million; and (ii) if the transaction amount is more than USD1 million, then the exceeding part will be charged at a rate not more than 0.09%; and



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

In Year 2015, the transaction amounts and annual caps of the above continuing connected transactions between ACCA and the connected persons below were as follows:

Airlines (connected persons)	Term of Waiver	Latest signing of agreements	Year 2015 Annual Caps (RMB'000)	Year 2015 Transaction Amounts (RMB'000)
Southern Airlines	No waiver	Agreement for a term of two years was entered into for 2015–2016 on November 28, 2014.	68,386.806	68,046.90
Sichuan Airlines	No waiver	Agreement for a term of three years was entered into for 2015–2017 on December 30, 2014.	8,598.140	8,177.70
Eastern Airlines	Three years from 2013 to 2015	Agreement for a term of three years was entered into for 2013–2015 on August 2, 2013.	119,665.000	86,246.60

Note: "Waiver regarding written agreements" is as described in (a) above. For details, please refer to the announcement of the Company dated November 30, 2012, and the circular of the Company dated December 21, 2012.



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

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

As stated in the announcement of the Company dated August 30, 2013, the annual cap for Year 2015 for this continuing connected transaction between ACCA and the connected persons (as defined under the Listing Rules) of the Company (comprising Southern Airlines, Sichuan Airlines and Eastern Airlines) and certain associates of them was RMB31,210,000. In 2015, the transaction amount of such continuing connected transaction was approximately RMB23,711,735.

- (iii) Domestic Mail Revenue Accounting and Settlement

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

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

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

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

The annual cap for Year 2015 for this continuing connected transaction was RMB117.8 million. The transaction amount in 2015 was approximately RMB37,695,827.



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(e) Technology services provision agreement for air freight business

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

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

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

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

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

In Year 2015, the transaction amounts and annual caps of the above continuing connected transactions between the Company and each of Eastern Logistics and China Cargo were as follows:

Connected persons	Year 2015 Annual Caps (RMB'000)	Year 2015 Transaction Amounts (RMB'000)
Eastern Logistics	16,500	10,772
China Cargo	6,600	2,277



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

- (i) were entered into in the usual and ordinary course of business of the Group;
- (ii) were conducted on normal commercial terms or better; and
- (iii) were conducted on the terms of the relevant agreements governing those transactions, which are fair and reasonable and in the interests of the shareholders of the Group as a whole.

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

One-off connected transactions

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



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The Company and certain Connected Cares entered into contracts in respect of the relevant projects in Year 2015:

Connected Cares	Date of Agreement and Announcement in 2015	Content of contracts	Contract Sum (RMB)
Huadong Cares	20 January	The Company subcontracted to Huadong Cares the overall construction of the departure system and security inspection information system for the Jinan Airport Project, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the departure system and security inspection information system.	16,969,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
Qingdao Cares	25 February	The Company entered into the Construction Agreement with Qingdao Cares. The Company agreed to undertake the project construction of the departure system and security inspection information system for the Ulanhot Airport, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the departure system and security inspection information system.	7,898,190 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software and hardware under the Construction Agreement. The adjustment shall not exceed 10% of the consideration.



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Connected Cares	Date of Agreement and Announcement in 2015	Content of contracts	Contract Sum (RMB)
	17 March	<p>The Company entered into the Construction Agreement with Qingdao Cares, pursuant to which the Qingdao Cares agreed to subcontract to the Company the overall construction of the departure system and security inspection information system for the Jinzhou Airport Project, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the departure system and security inspection information system.</p>	10,080,000 <p>The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Jinzhou Airport Construction Agreement. The adjustment shall not exceed 10% of the consideration.</p>
		<p>Qingdao Cares subcontracted to the Company the overall construction of the departure system and security inspection information system for the Yingkou Airport Project, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the departure system and security inspection information system.</p>	8,091,750 <p>The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Yingkou Airport Construction Agreement. The adjustment shall not exceed 10% of the consideration.</p>



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Connected Cares	Date of Agreement and Announcement in 2015	Content of contracts	Contract Sum (RMB)
		Qingdao Cares subcontracted to the Company the overall construction of the departure system and security inspection information system for the Baicheng Airport Project, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the departure system and security inspection information system.	10,678,450 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Baicheng Airport Construction Agreement. The adjustment shall not exceed 10% of the consideration.
	31 July	The Company subcontracted to Qingdao Cares the overall construction of the self-service flight information display system for the Xinzheng Airport Project, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the self-service flight information display system.	15,862,500 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	16 October	The Company subcontracted to Qingdao Cares the overall construction of the departure system, security inspection information system and cargo terminal system for the Rizhao Airport Project, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the departure system, security inspection information system and cargo terminal system.	22,517,800 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.



REPORT OF DIRECTORS

Connected Cares	Date of Agreement and Announcement in 2015	Content of contracts	Contract Sum (RMB)
Xi'an Cares	5 March	The Company subcontracted to Xi'an Cares the overall construction of the departure system and security inspection information system for the Yuncheng Airport Project, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the departure system and security inspection information system.	2,230,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.
	8 April	Xi'an Cares entrusted the Company to procure the software required for the departure system of the Xianyang Airport and part of the implementation of such software.	3,994,456 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required software under the Procurement Agreement. The adjustment shall not exceed 10% of the consideration.
		The Company subcontracted to Xi'an Cares the overall construction of the departure system for the Huatugou Airport, which included, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the two-year quality warranty for the departure system.	2,572,000 The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.



REPORT OF DIRECTORS

Connected Cares	Date of Agreement and Announcement in 2015	Content of contracts	Contract Sum (RMB)
Dongbei Cares	17 March	<p>The Company entrusted Dongbei Cares with the construction of the departure system and security inspection information system for the Jinzhou Airport Project, which included, but not limited to, the procurement, installation, testing and implementation of the required software and hardware and the two-year quality warranty for such software and hardware.</p>	<p>6,190,000</p> <p>The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Jinzhou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.</p>
		<p>The Company entrusted Dongbei Cares with the construction of the departure system and security inspection information system for the Yingkou Airport Project, which included, but not limited to, the procurement, installation, testing and implementation of the required software and hardware and the two-year quality warranty for such software and hardware.</p>	<p>4,947,750</p> <p>The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Yingkou Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.</p>
		<p>The Company entrusted Dongbei Cares with the construction of the departure system and security inspection information system for the Baicheng Airport Project, which included, but not limited to, the procurement, installation, testing and implementation of the required software and hardware and the two-year quality warranty for such software and hardware.</p>	<p>6,158,450</p> <p>The parties may enter into a supplemental agreement to amend the consideration according to the actual purchase amount of the required hardware and software under the Baicheng Airport Subcontract Agreement. The adjustment shall not exceed 10% of the consideration.</p>



REPORT OF DIRECTORS

The directors confirm that the above transactions are connected transactions or continuing connected transactions of the Company (some of them are also related party transactions as set out in Note 41(2) to the financial statements) which are the connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2015, the Group did not have any trust deposits or irrecoverable overdue time deposits. All of the Group's cash deposits are deposited with commercial banks and are in compliance with applicable laws and regulations.

TAX RELIEF AND EXEMPTION

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting policies and practices adopted by the Group and has also discussed certain other matters relating to audit, internal control and financial reporting, including the review of the audited consolidated financial statements of the Group for the Year 2015.

PRE-EMPTIVE RIGHTS

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

MATERIAL LITIGATION

The Group was not involved in any material litigation or dispute in Year 2015.

DONATION

In 2015, the Company donated RMB2,186,000.



REPORT OF DIRECTORS

AUDITORS

Pursuant to the resolutions passed at the AGM held on June 16, 2015, Baker Tilly Hong Kong and Baker Tilly China were engaged as the Company's international and PRC auditors respectively for Year 2015. They were also the Company's international and PRC auditors respectively for Year 2011, Year 2012, Year 2013 and Year 2014.

A resolution relating to the appointment of Baker Tilly Hong Kong and Baker Tilly China as the Company's international and PRC auditors for the year ending December 31, 2016 respectively will be proposed at the forthcoming AGM of the Company.

By order of the Board

Cui Zhixiong

Chairman

March 31, 2016



REPORT OF SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2015, members of the Supervisory Committee of the Company have diligently performed their duties during their tenures to ensure that the Company has observed and complied with the Listing Rules, the laws and regulations of the PRC, the Articles and other relevant rules and regulations to protect the interests of the Company and its shareholders.

According to the Articles, the Supervisory Committee of the Company comprises five supervisors with a term of three years. The number of staff representative supervisors is more than one-third of the number of members of the Supervisory Committee and there is one independent supervisor. The list of supervisors is set out in the section headed "Corporate Information" and the biographies of supervisors are set out in the section headed "Biographies of Directors, Supervisors, Senior Management and Company Secretary" in this annual report.

Ms. Zeng Yiwei and Mr. He Haiyan were appointed as the supervisors of the fifth session of Supervisory Committee by the election at the AGM held on June 18, 2013, and Mr. Rao Geping was appointed as an independent supervisor of the fifth session of Supervisory Committee. The fifth session of Supervisory Committee convened a meeting on June 18, 2013, at which Li Xiaojun, a supervisor, was re-elected as the chairperson of the Supervisory Committee. The staff representative meeting of the Company was held on January 10, 2014, at which Ms. Li Xiaojun and Mr. Xiao Wei were elected to continue to serve as staff representative supervisors of the fifth session of Supervisory Committee.

The staff representative meeting of the Company was held on January 22 to 23, 2015 to approve the appointment of Mr. Huang Yuanchang as a staff representative supervisor of the Company and the resignation of Ms. Li Xiaojun as a staff representative supervisor of the Company due to other work commitment, both with effect from the date of the first meeting of the fifth session of Supervisory Committee of the Company in 2015. On March 25, 2015, the Supervisory Committee held its first meeting, at which the above-mentioned change in staff representative supervisors became effective. On the same day, Ms. Li resigned as the chairperson of the Supervisory Committee and Mr. Huang was elected by the Supervisory Committee to serve as the chairperson of the Supervisory Committee. Ms. Li will remain as the Secretary of the Disciplinary Committee of the Company.

The Supervisory Committee of the Company convened two meetings in Year 2015. The Supervisory Committee reviewed the Company's annual financial statements for Year 2014 and interim financial statements for Year 2015, attended the Board meetings and undertook the responsibility to monitor the policies and decisions made by the Board to determine whether they were in compliance with the Listing Rules, the laws and regulations of the PRC and the Articles, and whether they were in the interest of the Company and shareholders, and offered proper suggestions to the Board and the management. For the scope of work of the Supervisory Committee, please refer to the section headed "Supervisory Committee" in the "Corporate Governance Report".

On March 31, 2016, the fifth session of Supervisory Committee of the Company reviewed the Company's financial statements for Year 2015, and considered that the financial statements gave a true and fair view of the financial position and operation results of the Company and that they were in compliance with the regulations applicable to the Company. The fifth session of Supervisory Committee confirmed that the Company had not been involved in any material litigation or arbitration, and there were no litigations or claims of material importance pending or threatened by or against the Company in Year 2015.

The Supervisory Committee considered that the Board and the senior management of the Company were committed to acting honestly and to performing their duties diligently during Year 2015, such that the best interests of the Company and the shareholders were protected. The Supervisory Committee considered that the Report of Directors for the year ended December 31, 2015 reflected the actual operational circumstances of the Company. The Supervisory Committee has great confidence in the future prospects and development of the Company.

By Order of the Supervisory Committee

Huang Yuanchang

Chairperson of the Supervisory Committee

March 31, 2016



INDEPENDENT AUDITOR'S REPORT



BAKER TILLY
HONG KONG | 天職香港

Independent auditor's report to the shareholders of TravelSky Technology Limited

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

We have audited the consolidated financial statements of TravelSky Technology Limited (the "Company") and its subsidiaries (collectively referred to as, the "Group") set out on pages 63 to 138, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing issued by International Auditing and Assurance Standard Board of the International Accounting Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.



Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited

Certified Public Accountants

2nd Floor, 625 King's Road, North Point

Hong Kong, March 31, 2016

Choi Kwong Yu

Practising Certificate number P05071



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2015

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

	Note	2015 RMB'000	2014 RMB'000
Revenues			
Aviation information technology services		3,134,973	2,854,335
Accounting, settlement and clearing services		492,659	432,377
System integration services		643,429	1,039,911
Data network and others		1,200,770	1,009,789
Total revenues	5	5,471,831	5,336,412
Operating expenses			
Business taxes and other surcharges		(20,839)	(20,948)
Depreciation and amortisation		(503,673)	(446,931)
Network usage fees		(64,506)	(46,511)
Personnel expenses		(1,268,188)	(1,172,783)
Operating lease payments		(154,342)	(159,460)
Technical support and maintenance fees		(431,617)	(470,085)
Commission and promotion expenses		(566,971)	(573,938)
Costs of software and hardware sold		(411,596)	(813,165)
Other operating expenses		(302,459)	(377,434)
Total operating expenses		(3,724,191)	(4,081,255)
Operating profit			
Financial income, net		137,090	130,799
Government grant	6	410,000	500,000
Share of results of associated companies		22,628	19,012
Profit before taxation	7	2,317,358	1,904,968
Taxation	11	(343,779)	(213,110)
Profit after taxation for the year		1,973,579	1,691,858
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		6,987	(2,022)
Other comprehensive income, net of tax		6,987	(2,022)
Total comprehensive income for the year		1,980,566	1,689,836

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

for the year ended December 31, 2015

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

	Note	2015 RMB'000	2014 RMB'000
Profit after taxation attributable to			
Owner of the Parent		1,914,362	1,652,589
Non-controlling interests		59,217	39,269
		1,973,579	1,691,858
Total comprehensive income attributable to			
Owner of the Parent		1,921,349	1,650,567
Non-controlling interests		59,217	39,269
		1,980,566	1,689,836
Earnings per share for profit attributable to			
Owner of the Parent			
Basic and diluted (RMB)	13	0.65	0.56
Cash dividends	12	485,751	389,186

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

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2015

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

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	14	2,741,925	1,987,785
Lease prepayment for land use right, net	15	1,808,574	1,861,307
Intangible assets, net	16	249,346	431,674
Goodwill	17	4,426	4,426
Investments in associated companies	18	198,256	178,392
Deferred income tax assets	20	78,771	41,122
Other long-term assets	21	88,650	27,258
Deposits with banks with original maturity date over three months	28	220,105	–
Restricted bank deposits	29	129,856	111,617
		5,519,909	4,643,581
Current assets			
Inventories	22	33,824	15,100
Trade receivables, net	23	817,345	755,172
Due from related parties, net	24, 41(3)	2,491,953	2,238,537
Due from associated companies	25	16,890	27,735
Income tax recoverable		479	7,480
Prepayments and other current assets	26	539,682	467,866
Held-to-maturity financial assets	27	1,690,000	1,210,000
Deposits with banks with original maturity date over three months	28	1,348,689	1,263,307
Restricted bank deposits	29	169,763	105,876
Cash and cash equivalents	29	2,242,661	1,994,953
		9,351,286	8,086,026
Total assets		14,871,195	12,729,607
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital	32	2,926,209	2,926,209
Reserves	33	3,641,176	3,334,380
Retained earnings	34	5,282,968	4,058,000
		11,850,353	10,318,589
Non-controlling interests		330,732	257,629
Total equity		12,181,085	10,576,218

**Consolidated Statement of Financial Position**

as at December 31, 2015

(Amounts expressed in thousands of Renminbi (“RMB”))

	Note	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	23,694	19,289
Deferred revenue		4,795	3,955
		28,489	23,244
Current liabilities			
Trade payables and accrued liabilities	30	2,354,742	2,003,463
Due to related parties	31	151,392	92,810
Income tax payable		126,645	14,311
Deferred revenue		28,842	19,561
		2,661,621	2,130,145
Total liabilities		2,690,110	2,153,389
Total equity and liabilities		14,871,195	12,729,607

Approved by the Board of Directors on March 31, 2016

Cui Zhixiong*Director***Xiao Yinhong***Director*

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2015

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

	Note	Attributable to Owner of the Parent				Total RMB'000
		Paid-In capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Non- controlling interests RMB'000	
Balance at January 1, 2014		2,926,209	3,090,477	3,061,005	222,788	9,300,479
Profit for the year		-	-	1,652,589	39,269	1,691,858
Other comprehensive income:						
Currency translation differences	33	-	(2,022)	-	-	(2,022)
Total comprehensive income		-	(2,022)	1,652,589	39,269	1,689,836
Acquisition of a subsidiary	43	-	-	-	3,593	3,593
Dividends relating to 2013	12	-	-	(409,669)	(8,021)	(417,690)
Appropriation to reserves	33, 34	-	245,925	(245,925)	-	-
Balance at December 31, 2014		2,926,209	3,334,380	4,058,000	257,629	10,576,218
Balance at January 1, 2015		2,926,209	3,334,380	4,058,000	257,629	10,576,218
Profit for the year		-	-	1,914,362	59,217	1,973,579
Other comprehensive income:						
Currency translation differences	33	-	6,987	-	-	6,987
Total comprehensive income		-	6,987	1,914,362	59,217	1,980,566
Deemed disposal of interest in a subsidiary	42	-	(399)	-	399	-
Capital injection from non-controlling equity shareholder of a subsidiary	42	-	-	-	24,500	24,500
Dividends relating to 2014	12	-	-	(389,186)	(11,013)	(400,199)
Appropriation to reserves	33, 34	-	300,208	(300,208)	-	-
Balance at December 31, 2015		2,926,209	3,641,176	5,282,968	330,732	12,181,085

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



CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2015

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

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	2,640,872	2,026,995
Refund of enterprise income tax		20,445	72,157
Enterprise income tax paid		(278,133)	(221,059)
Net cash generated from operating activities		2,383,184	1,878,093
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets, land use right and other long-term assets		(988,765)	(964,379)
Maturities of deposits with banks with original maturity date over three months		1,297,230	1,511,423
Placement of deposits with banks with original maturity date over three months		(1,602,717)	(1,642,286)
Interest received		114,221	133,790
Net cash received from acquisition of a subsidiary	43	-	960
Net cash paid for establishment of an associate	18	-	(4,000)
Dividends received from associated companies		4,364	14,556
Increase in held-to-maturity financial assets		(480,000)	(800,000)
Increase in restricted bank deposits		(82,126)	(65,155)
Proceeds from disposal of property, plant and equipment		510	614
Net cash used in investing activities		(1,737,283)	(1,814,477)
Cash flows from financing activities			
Dividend paid to the Company's shareholders		(389,186)	(409,669)
Dividend paid to non-controlling shareholders of subsidiaries		(11,013)	(8,021)
Capital contributions from non-controlling shareholders of subsidiaries		3,911	-
Net cash used in financing activities		(396,288)	(417,690)
Net increase/(decrease) in cash and cash equivalents		249,613	(354,074)
Cash and cash equivalents at beginning of the year		1,994,953	2,348,825
Effect of foreign exchange rate changes on cash and cash equivalents		(1,905)	202
Cash and cash equivalents at end of the year	29	2,242,661	1,994,953

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

As at December 31, 2015, the Company had direct or indirect interests in the following subsidiaries and associated companies. All of these subsidiaries and associated companies are limited liability companies incorporated and operated in the PRC except for TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd., TravelSky R&D USA, Inc., TravelSky Technology (Taiwan) Limited and TravelSky Technology Australia Pty. Ltd. which are limited liability companies incorporated and operated in Hong Kong, Singapore, Korea, Japan, Europe, the United States, Taiwan and Australia respectively.

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
Subsidiaries							
Hainan Civil Aviation Cares Co., Ltd. ("Hainan Cares")	March 2, 1994	64.78%	-	64.78%	-	10,000,000	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems
Cares Shenzhen Co., Ltd. ("Shenzhen Cares")	April 14, 1995	61.47%	-	61.47%	-	61,000,000	Provision of electronic travel distribution and cargo management services; and sale and installation of the related information systems



Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
<i>Subsidiaries (continued)</i>							
Cares Hubei Co., Ltd. ("Hubei Cares")	July 25, 1997	50%	12.5%	50%	12.5%	15,000,000	Provisions of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems
Cares Chongqing Information Technology Co., Ltd. ("Chongqing Cares")	December 1, 1998	51%	-	51%	-	14,800,000	Provisions of electronic travel distribution, airport passenger processing and cargo management services; and sale and installation of the related information systems
Aviation Cares of Yunnan Information Co., Ltd. ("Yunnan Cares")	June 15, 2000	51%	-	51%	-	20,000,000	Computer hardware and software development and data network services
InfoSky Technology Co., Ltd. ("InfoSky")	September 20, 2000	90%	10%	90%	10%	164,738,100	Provision of cargo management services and related software and technology development; and provision of technical support, training and consulting services
TravelSky Technology (Hong Kong) Limited ("TravelSky Hong Kong")	December 13, 2000	100%	-	100%	-	11,385,233	Provision of internet exchange platform services for travel agents
Civil Aviation Cares of Xiamen Ltd. ("Xiamen Cares")	September 14, 2001	51%	-	51%	-	20,000,000	Computer hardware and software development and data network services



Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
<i>Subsidiaries (continued)</i>							
Civil Aviation Cares of Qingdao Ltd. ("Qingdao Cares")	January 11, 2002	51%	-	51%	-	25,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xi'an Ltd. ("Xi'an Cares")	July 9, 2002	51%	-	51%	-	15,000,000	Computer hardware and software development and data network services
Civil Aviation Cares Technology of Xinjiang Ltd. ("Xinjiang Cares")	August 16, 2002	51%	-	51%	-	10,000,000	Computer hardware and software development and data network services
TravelSky Technology (Singapore) Limited ("TravelSky Singapore")	October 21, 2005	100%	-	100%	-	3,553,028	Computer hardware and software consulting services
TravelSky Technology (Korea) Limited ("TravelSky Korea")	December 28, 2005	100%	-	100%	-	5,421,746	Computer software development and data network services
TravelSky Technology (Japan) Limited ("TravelSky Japan")	December 16, 2005	100%	-	100%	-	3,250,527	Software development and computer equipment maintenance services
Shanghai TravelSky Information Technology Limited ("TravelSky Shanghai")	July 1, 2008	100%	-	100%	-	4,000,000	Computer hardware and software development and data network services
Guangzhou TravelSky Information Technology Limited ("TravelSky Guangzhou")	September 28, 2008	100%	-	100%	-	400,000,000	Computer hardware and software development and data network services



Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
<i>Subsidiaries (continued)</i>							
Accounting Center of China Aviation Limited Company (“ACCA”)	October 26, 2007	100%	-	100%	-	759,785,200	Accounting, settlement and clearing services, and related information system development and support services
Beijing YaKe Development Company Limited (“YaKe”)	October 30, 2007	-	100%	-	100%	116,121,600	Provision of information system development and related services
TravelSky Technology (Europe) GmbH (“TravelSky Europe”)	March 23, 2009	100%	-	100%	-	4,680,000	Technology services and technology support
TravelSky CARES (Beijing) Real Estate Limited (“Beijing Estate”)	August 28, 2009	100%	-	100%	-	10,000,000	Real estate development, sales of commercial and residential building, professional contracting, labor subcontracting and investment management
TravelSky Technology (USA) Ltd. (“TravelSky USA”)	September 8, 2009	100%	-	100%	-	9,738,500	Technology services and technology support
Beijing TravelSky Travel Service Limited (“BTSL”)	January 11, 2011	100%	-	100%	-	72,000,000	Conference service, exhibition of tour consulting services and technology promotion services
TravelSky Technology (Taiwan) Limited (“TravelSky Taiwan”)	April 4, 2011	100%	-	100%	-	12,456,767	Technology services and technology support



Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
<i>Subsidiaries (continued)</i>							
Inner Mongolia TravelSky Information Technology Limited ("TravelSky Inner Mongolia")	May 26, 2011	100%	-	100%	-	5,000,000	Computer and related equipment, development on network systems, sales, provision of rental, maintenance, computer system and tour consulting services
Hunan TravelSky Information Technology Limited ("TravelSky Hunan")	June 13, 2011	100%	-	100%	-	5,000,000	Computer hardware and software development, import and export business and provision of tour consulting services
TravelSky Technology Huadong Data Center Limited ("Huadong Data Center")	November 8, 2011	100%	-	100%	-	50,000,000	Provision of Internet Data Center services, computer system services, rental of computer and related equipment, technology service and technical consulting services
Shanghai Yeexing E-Business Limited ("Shanghai Yeexing")	January 22, 2007	60%	-	60%	-	8,800,000	E-commerce, provision of online and ticketing agency services
Henan TravelSky Information Technology Limited ("TravelSky Henan")	August 27, 2012	100%	-	100%	-	10,000,000	Computer software and hardware project contracting; technical consulting services; integrated system projects
Zhejiang TravelSky Information Technology Limited ("TravelSky Zhejiang")#	September 25, 2012	51%	-	100%	-	37,347,300	Electrical system project contracting; trading, repair and rental of computer software and hardware; and technical consulting services



Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
<i>Subsidiaries (continued)</i>							
Beijing TravelSky Technology Limited ("TravelSky Beijing")	December 5, 2012	100%	-	100%	-	50,010,000	Technical development services and transfer; trading of computer software, hardware and accessory equipments
Beijing TravelSky HuaYi Software Technology Co.,Ltd ("TravelSky HY-Software")	October 16, 2009	60%	-	60%	-	1,000,000	Software and computer system services, conference service, consulting and trading of computer software and hardware
Beijing TravelSky Birun Technology Co., Ltd ("TravelSky Birun Technology")	January 9, 2013	51%	-	51%	-	8,000,000	Technical development, transfer and consulting services
Guangxi TravelSky Cloud Data Service Co., Ltd. ("TravelSky Cloud Data")	February 7, 2013	51%	-	51%	-	5,000,000	Computer software and hardware project contracting and data network service; commercial and tour information consulting services
Aviation Cares of Southwest Chengdu, Ltd. ("Xinan Cares") ^a	November 28, 1999	44%	-	44%	-	10,000,000	Air passenger traffic handling, provision of electronic travel distribution and airport passenger processing
TravelSky Technology Australia Pty. Ltd. ("TravelSky Australia")	February 25, 2014	100%	-	100%	-	6,158,000	Technology services and technology support
TravelSky R&D USA, Inc. ("TravelSky R&D USA")	April 18, 2013	100%	-	100%	-	62,078,850	Technology development, technology services and technical consulting services



Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
<i>Subsidiaries (continued)</i>							
TravelSky Mobile Technology Limited ("TravelSky Mobile Tech")	May 13, 2014	100%	-	100%	-	60,000,000	Technology services, technical development and consulting services, provision of rental and sales of computer hardware and software, import and export business, advertising design, production and release
Guangzhou Skyecho Information Technology Limited ("Skyecho")	March 7, 2012	51%	-	51%	-	2,000,000	Computer hardware and software technology support services
Beijing HangJu Information Technology Limited ("Beijing Hangju")*	November 14, 2014	100%	-	-	-	5,000,000	Technical development, transfer and consulting services and computer software development

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

In February 2015, the Company and an independent third party entered into an agreement to make additional capital contributions to TravelSky Zhejiang. The equity interest in TravelSky Zhejiang held by the Group was thereafter diluted from 100% to 51%. Please refer to Note 42 for details.

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

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



Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
Associated Companies							
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("Huadong Cares")	May 21, 1999	41%	-	41%	-	10,000,000	Computer hardware and software development and data network services
Shenyang Civil Aviation Cares of Northeast China, Ltd. ("Dongbei Cares")	November 2, 1999	46%	-	46%	-	20,000,000	Computer hardware and software development and data network services
Yunnan TravelSky Airport Technology Limited ("Yunnan Konggang")	April 1, 2003	40%	-	40%	-	15,000,000	Computer hardware and software development and technical consulting services
Heilongjiang TravelSky Airport Technology Limited ("Heilongjiang Konggang")	April 30, 2003	50%	-	50%	-	6,000,000	Computer hardware and software development and technical consulting services
Shanghai Dongmei Aviation Tourism Online Co., Limited ("Dongmei Online")	September 28, 2003	50%	-	50%	-	24,800,000	E-commerce, sales of computers and related parts and provision of network, technical services and economic consulting services
Dalian TravelSky Airport Technology Limited ("Dalian Konggang")	January 28, 2005	50%	-	50%	-	6,000,000	Computer hardware and software development and technical consulting services



Notes to the Consolidated Financial Statements

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital RMB	Principal activities
		2015		2014			
		Direct	Indirect	Direct	Indirect		
Associated Companies (continued)							
Hebei TravelSky Airport Technology Limited ("Hebei Konggang")	April 5, 2007	50%	-	50%	-	3,000,000	Computer hardware and software development and technical consulting services
Guangzhou Airport AirSpan Information Technology Co. Ltd. ("Guangzhou Konggang")	December 24, 2007	20%	-	20%	-	20,000,000	Computer hardware and software development and technical consulting services
Yantai TravelSky Airport Technology Limited ("Yantai Konggang")	April 3, 2014	40%	-	40%	-	10,000,000	Computer hardware and software development and technical consulting services

2. BASIS OF PREPARATION

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

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



Notes to the Consolidated Financial Statements

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

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

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

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

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

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

- In September 2014, the IASB issued the final version of IFRS 9, it replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 will become effective for annual periods beginning on or after January 1, 2018. The Group is assessing the impact of IFRS 9.
- IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on January 1, 2018 and is currently assessing the impact of IFRS 15 upon adoption.



Notes to the Consolidated Financial Statements

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

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

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

- Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Merger accounting for common control combination

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

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

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

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

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

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

(ii) Subsidiaries

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

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

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(ii) Subsidiaries (continued)

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

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

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

(iii) Transactions with non-controlling interests

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

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

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iv) Associated companies

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

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

The results of associates are included in the Company’s statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company’s investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(b) Goodwill

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

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

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Foreign currencies (continued)

(iii) Group companies

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

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

(d) Property, plant and equipment

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

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

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

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

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

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

(e) Intangible assets (other than goodwill)

Intangible assets mainly represent purchased computer software.

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

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

(f) Lease prepayments for land use rights

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Research and development costs

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

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

Capitalised development costs are amortised on a straight-line basis over their expected useful lives. The period of amortisation does not normally exceed 5 years. During the year ended December 31, 2015, no development costs were capitalised as they did not meet all the criteria listed above (2014: nil).

(h) Impairment of investments in subsidiaries, associates and non-financial assets

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Financial assets

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

Loans and receivables

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

Held-to-maturity financial assets

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

(j) Operating leases (as the lessee)

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

(k) Inventories

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Trade and other receivables

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

(m) Cash and cash equivalents

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

(n) Trade and other payables

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

(o) Taxation

(i) Current income tax

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Taxation (continued)

(ii) Deferred income tax

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

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

(iii) Other tax

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

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

(p) Employee benefits

(i) Pension

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

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

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Other employee benefits

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

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

(iii) Share appreciation rights

Compensation expense in respect of the share appreciation rights granted is accrued as a charge to the consolidated statement of profit or loss and other comprehensive income over the applicable vesting period based on the fair value of the share appreciation rights. The liability of the accrued compensation expense is remeasured to fair value at each of the end of the reporting period with the effect of changes in the fair value of the liability is charged or credited to the consolidated statement of profit or loss and other comprehensive income. Further details of the Group's share appreciation rights scheme are set out in Note 37.

(q) Provisions

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

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

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Revenue recognition

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

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

- Revenue for aviation information technology services, data network services and accounting, settlement and clearing services are recognised when the services are rendered;
- Sale of equipment is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Revenue for equipment installation project and non-proprietary customers' information system development project are recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined in the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable. In the period in which it is determined that a loss will result from the performance of the contract, the entire amount of the estimated ultimate loss is charged against income;
- Interest income is recognised on a time-proportion basis, taking into account the principal amounts outstanding and the applicable interest rates; and
- Dividend income is recognised when the right to receive payment is established.

(s) Government grants

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



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Dividend distribution

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

(u) Share capital

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

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

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

(v) Segment reporting

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

(w) Related parties

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

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group in making financial and operating policy decisions; or has joint control over the Group;
- (ii) the party is an associate of and has significant influence over the Group;
- (iii) the party is a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);



Notes to the Consolidated Financial Statements

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group; or
- (viii) the party, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS

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



Notes to the Consolidated Financial Statements

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

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (continued)

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

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

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

(b) Impairment of assets

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

(c) Income taxes and deferred taxes

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

(d) Services fees

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



Notes to the Consolidated Financial Statements

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

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (continued)

(e) Share appreciation rights

In determining the fair value of the share appreciation rights, considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(f) Impairment of goodwill

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

5. REVENUE

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

6. GOVERNMENT GRANT

	2015 RMB'000	2014 RMB'000
Industry support development fund	410,000	500,000

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

**Notes to the Consolidated Financial Statements**

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

7. PROFIT BEFORE TAXATION

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

	2015 RMB'000	2014 RMB'000
After charging:		
Depreciation	204,696	204,410
Amortisation of intangible assets	221,780	163,292
Amortisation of leasehold improvements	24,464	26,496
Amortisation of lease prepayment for land use right	52,733	52,733
Loss on disposal of property, plant and equipment	2,475	3,054
Provision for impairment of receivables	17,022	62,619
Written off of impairment of receivables	-	(2,092)
Impairment loss on property, plant and equipment	16,974	-
Costs of software and hardware sold	411,596	813,165
Retirement benefits	130,601	98,453
Auditors' remuneration	2,659	2,390
Contribution to housing benefits	69,385	60,059
Research and development expenses	416,508	424,853
Staff costs arising from share appreciation rights	293	761
After crediting:		
Interest income	(128,659)	(128,333)
Exchange gain, net	(33,136)	(2,481)



Notes to the Consolidated Financial Statements

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

8. DIRECTORS AND SUPERVISORS' EMOLUMENTS

(i) Directors' and supervisors' emoluments

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

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

**Notes to the Consolidated Financial Statements**

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

8. DIRECTORS AND SUPERVISORS’ EMOLUMENTS (continued)**(i) Directors’ and supervisors’ emoluments (continued)**

The emoluments of the directors and supervisors during the year ended December 31, 2014 (tax inclusive) are as follows:

Name of director and supervisor	Remuneration for director RMB'000	Bonus for director RMB'000	Salary of employee, allowances and benefits (employer's contribution inclusive) RMB'000	Employees' discretionary bonus RMB'000	Employer's contribution to pension scheme for employee RMB'000	Total RMB'000
Executive directors						
Mr. Xu Qiang (Chairman) (i)(xi)(xii)	-	-	208	554	55	817
Mr. Cui Zhixiong (Acting as the Chairman) (ii)(xi)(xii)	-	-	313	554	84	951
Mr. Xiao Yinhong (xi)(xii)	-	-	313	554	84	951
Non-executive directors						
Mr. Wang Quanhua* (ix)	-	-	-	-	-	-
Mr. Cao Jianxiong (iii)	-	-	-	-	-	-
Mr. Sun Yude* (iv)	-	-	-	-	-	-
Mr. Cai Kevin Yang* (vii)	-	-	-	-	-	-
Independent non-executive directors						
Mr. Cheung Yuk Ming	70	-	29	-	-	99
Mr. Pan Chongyi (x)	70	-	31	-	-	101
Mr. Zhang Hainan (x)	60	-	31	-	-	91
Supervisors						
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor) (vi)(xi)(xii)	-	-	284	492	78	854
Mr. Rao Geping (Independent Supervisor)	60	-	-	-	-	60
Mr. Zeng Yiwei*	-	-	-	-	-	-
Mr. Xiao Wei (Staff Representative Supervisor) (xi)(xii)	-	-	302	286	63	651
Mr. He Haiyan*	-	-	-	-	-	-
	260	-	1,511	2,440	364	4,575

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



Notes to the Consolidated Financial Statements

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

8. DIRECTORS AND SUPERVISORS' EMOLUMENTS (continued)**(i) Directors' and supervisors' emoluments (continued)**

- (i) Resigned on December 2, 2014
- (ii) Exercised the powers of the Chairman on December 2, 2014
- (iii) Appointed on December 23, 2014
- (iv) Resigned on December 23, 2014
- (v) Appointed on March 25, 2015
- (vi) Resigned on March 25, 2015
- (vii) Resigned on June 16, 2015
- (viii) Appointed on December 10, 2015
- (ix) Resigned on December 10, 2015
- (x) Resigned on January 26, 2016
- (xi) Apart from the above emoluments, the Company's share appreciation rights scheme on August 29, 2011 have granted to certain directors, senior management and key technical and managerial personnel of the Company. The values of these share appreciation rights scheme is measured according to the Group's accounting policy as set out in Note 3(p)(iii). Please refer to Note 37 for details of this scheme.

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

2015

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

* Appointed as supervisor on March 25, 2015



Notes to the Consolidated Financial Statements

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

8. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)**(i) Directors' and supervisors' emoluments (continued)**

(xi) (continued)

2014

	Quantity of share appreciation rights				Exercised and actual paid during the year RMB'000	Recognised in consolidated statement of profit or loss during the year RMB'000
	January 1, 2014 Share'000	Exercised during the year Share'000	Forfeited during the year Share'000	December 31, 2014 Share'000		
Executive directors						
Mr. Xu Qiang	495	(330)	(165)	-	672	(157)
Mr. Cui Zhixiong	495	(330)	-	165	672	119
Mr. Xiao Yinhong	495	(330)	-	165	672	119
Supervisors						
Ms. Li Xiaojun	336	(224)	-	112	428	53
Mr. Xiao Wei	213	(142)	-	71	245	7
	2,034	(1,356)	(165)	513	2,689	141

- (xii) In 2010, the Group obtained the approval from the relevant government authorised to establish a supplementary housing benefit scheme for their employees. This supplementary housing benefit scheme will provide supplemental housing benefits to existing employees who have met certain pre-requisite criteria. Please refer to Note 10 for details of this scheme. Pursuant to the supplementary housing benefit scheme, the Group agrees to pay a one-time lump sum housing allowances to certain eligible employees for their past services in 2010 and recorded in personnel expenses in the relevant reporting period. The amount received by the relevant directors and supervisors with regard to this scheme is set out below:

	2015 RMB'000	2014 RMB'000
Executive directors		
Mr. Xu Qiang	-	59
Mr. Cui Zhixiong	-	182
Mr. Xiao Yinhong	-	60
Supervisors		
Ms. Li Xiaojun	-	-
Mr. Xiao Wei	-	121
	-	422



Notes to the Consolidated Financial Statements

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

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

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) directors whose emoluments (excluding share appreciation rights) are reflected in the analysis presented above. The emoluments (excluding share appreciation rights) payable to the remaining three (2014: three) individuals during the year are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	584	1,362
Bonuses	2,029	1,164
Retirement benefits	254	247
	2,867	2,773

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

	Number of the five highest paid individuals	
	2015	2014
Nil – HKD1,000,000 (equivalent to RMB813,300)	–	–
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,219,950)	5	5
	5	5

During the year ended December 31, 2015, no emolument was paid to any of the directors, supervisors and the five highest paid employees as an inducement to join or upon joining the Company or as compensation for loss of office (2014: nil). No directors, supervisors and the five highest paid employees had waived or agreed to waive any emolument (2014: nil).

**Notes to the Consolidated Financial Statements**

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

8. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)***(iii) Emoluments of senior management**

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

	Number of individuals	
	2015	2014
Nil – HKD1,000,000 (equivalent to RMB813,300)	2	4
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,219,950)	3	3
	5	7

9. RETIREMENT BENEFITS

All the full time employees of the Group are covered by state-sponsored pension scheme under which the employees are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make specified contributions to the state-sponsored pension scheme at the rate of 20% of the employees' basic salaries subject to certain ceiling for the year ended December 31, 2015 (2014: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2015 amounted to approximately RMB91.7 million (2014: RMB79.4 million). This amount was recorded in personnel expenses.

In addition, starting from January 1, 2007, a supplementary defined contribution pension plan managed by an insurance company was established. The annual contributions to this plan made by the Group for the year ended December 31, 2015 amounted to approximately RMB38.9 million (2014: RMB19.1 million). These amounts were recorded in personnel expenses.

Under these schemes, the Group has no obligation for post-retirement benefits beyond the annual contributions made.

As at December 31, 2015, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2014: nil).



Notes to the Consolidated Financial Statements

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

10. HOUSING BENEFITS

All the full-time employees of the Group are entitled to participate in a state-sponsored housing fund. The fund can be one-off used by the employees for housing purchases, or may be one-off withdrawn upon their retirement. The Group is required to make annual contributions to this state-sponsored housing fund equivalent to a certain percentage of each employee's salary. The contributions made by the Group to the housing fund for the year ended December 31, 2015 amounted to approximately RMB69.4 million (2014: RMB59.0 million). This amount was recorded in personnel expenses.

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

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

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

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

As of December 31, 2015, the total number of employees of the Group was 6,631 (2014: 6,214).

**Notes to the Consolidated Financial Statements**

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

11. TAXATION**Income tax**

	2015 RMB'000	2014 RMB'000
Current tax:		
PRC enterprise income tax expenses	374,760	216,985
Over-provision in respect of prior years	(4,486)	(912)
Overseas income tax expenses	6,749	1,926
Deferred tax	(33,244)	(4,889)
	343,779	213,110

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

Under the Corporate Income Tax Law of the People's Republic of China (“**CIT Law**”), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as “High and New Technology Enterprises” are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a “High and New Technology Enterprise” since its establishment, and was reviewed to renew the identification of “High and New Technology Enterprise” in accordance with relevant regulatory requirements. The latest review was conducted in October 2014, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as one of the “High and New Technology Enterprises”, and was entitled to the preferential corporate income tax rate of 15% from Year 2014 to Year 2016 as a “High and New Technology Enterprise”.



Notes to the Consolidated Financial Statements

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

11. TAXATION (continued)

Income tax (continued)

In addition to the recognised "High and New Technology Enterprise", enjoying a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the year, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded. The Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout since Year 2006 to Year 2014. The latest certification was granted on January 2, 2014, pursuant to which the Company was granted the certification as a "Important Software Enterprise" under the National Planning Layout, accordingly the Company has calculated the income tax expense at the corporate income tax rate of 10% for Year 2013 and Year 2014.

As at December 31, 2015, the relevant authorities have not yet issued the notice for the application of the assessment of the "Important Software Enterprise" for Year 2015. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2015 pursuant to the relevant requirements.

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

In 2015 and 2014, the reconciliation between the Group's actual tax charge and the amount which is calculated based on the weighted average statutory tax rate is as follows:

	2015 RMB'000	2014 RMB'000
Profit before taxation	2,317,358	1,904,968
Weighted average statutory tax rate	25%	25%
Tax calculated at domestic tax rates applicable to profits in the respective countries	577,272	479,396
Share of profits of associated companies	(5,657)	(4,753)
Effect of non-taxable income	(55,682)	(57,960)
Effect of non-deductible expenses	101,001	54,888
Effect of tax losses not recognised	11,989	13,696
Effect of tax losses utilised	(439)	(274)
Effect of preferential tax rates	(280,219)	(270,971)
Over-provision in respect of prior years	(4,486)	(912)
Actual tax charge	343,779	213,110

**Notes to the Consolidated Financial Statements**

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

11. TAXATION (continued)**Business tax**

The Group is subject to business taxes on its service revenues below:

Date network services and others	5%
Technical support services	5%

Value-added tax

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

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

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

12. DIVIDENDS DISTRIBUTION

The equity holders approved the distribution of a final dividend of RMB389.2 million (RMB0.133 per share) for Year 2014 in the annual general meeting of the Company held on June 16, 2015. The amount was accounted for in shareholders’ equity as an appropriation of retained earnings for the year ended December 31, 2015.

On March 31, 2016, the Board recommended the distribution of a final cash dividend of RMB485.8 million for Year 2015 (RMB0.166 per share). The proposed final dividend distribution is subject to shareholders’ approval in the next general meeting of the Company and will be recorded in the Group’s financial statements for the year ending December 31, 2016.

13. EARNINGS PER SHARE

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

	2015	2014
Earnings (RMB’000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	1,914,362	1,652,589
Numbers of shares (’000)		
Weighted average number of ordinary shares in issue	2,926,209	2,926,209
Earnings per share (RMB)		
Basic and dilutive	0.65	0.56

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2015 and 2014.



Notes to the Consolidated Financial Statements

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

14. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, property, plant and equipment comprised:

	Note	Buildings RMB'000	Computer systems and software RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost								
As at January 1, 2014		467,298	2,634,287	77,484	281,904	614,853	110,402	4,186,228
Purchases		81,507	144,072	4,304	50,197	474,954	8,804	763,838
Disposals/write off		-	(88,870)	(2,916)	(19,920)	-	(187)	(111,893)
Transfer from assets under construction to other assets		267,633	-	-	3,458	(271,091)	-	-
Acquisition of a subsidiary	43(i)	-	-	75	373	-	-	448
As at December 31, 2014 and January 1, 2015		816,438	2,689,489	78,947	316,012	818,716	119,019	4,838,621
Purchases		10,311	71,460	5,719	41,034	874,061	2,139	1,004,724
Disposals/write off		-	(61,101)	(4,389)	(30,564)	-	-	(96,054)
Transfer to intangible assets (Note 16)		-	-	-	-	(1,465)	-	(1,465)
As at December 31, 2015		826,749	2,699,848	80,277	326,482	1,691,312	121,158	5,745,826
Accumulated depreciation								
As at January 1, 2014		(139,563)	(2,244,019)	(50,676)	(212,192)	-	(60,957)	(2,707,407)
Charge for the year		(25,922)	(144,009)	(6,982)	(27,497)	-	(26,496)	(230,906)
Disposals/write off		-	86,207	2,794	19,037	-	187	108,225
As at December 31, 2014 and January 1, 2015		(165,485)	(2,301,821)	(54,864)	(220,652)	-	(87,266)	(2,830,088)
Charge for the year		(34,313)	(131,104)	(7,238)	(32,041)	-	(24,464)	(229,160)
Disposals/write off		-	59,228	4,257	29,584	-	-	93,069
As at December 31, 2015		(199,798)	(2,373,697)	(57,845)	(223,109)	-	(111,730)	(2,966,179)
Provision for impairment								
As at January 1, 2014 and December 31, 2014		-	(20,748)	-	-	-	-	(20,748)
Provision for the year		-	(16,974)	-	-	-	-	(16,974)
December 31, 2015		-	(37,722)	-	-	-	-	(37,722)
Net book value								
As at December 31, 2014		650,953	366,920	24,083	95,360	818,716	31,753	1,987,785
As at December 31, 2015		626,951	288,429	22,432	103,373	1,691,312	9,428	2,741,925

**Notes to the Consolidated Financial Statements**

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

15. LEASE PREPAYMENT FOR LAND USE RIGHT, NET

	2015 RMB'000	2014 RMB'000
Cost		
As at January 1 and December 31	2,121,934	2,121,934
Accumulated amortisation		
As at January 1	(260,627)	(207,894)
Charge for the year	(52,733)	(52,733)
As at December 31	(313,360)	(260,627)
Net book value		
As at December 31	1,808,574	1,861,307

Lease prepayment for land use right, net, mainly represented a purchase price of RMB1.91 billion for the land use right of the lands namely 08, 09, 19 and 21 blocks at Xincheng 19 Street, Shunyi District, Beijing at an open auction held on January 14, 2010. The Company is in the process of building a new operating center comprising a data center and the headquarter office building of the Company on this piece of land.

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

16. INTANGIBLE ASSETS, NET

	2015 RMB'000	2014 RMB'000
Cost		
As at January 1	989,540	596,450
Additions	37,987	388,240
Acquisition of a subsidiary [Note 43(i)]	-	4,850
Transfer from assets under construction [Note 14]	1,465	-
As at December 31	1,028,992	989,540
Accumulated amortisation		
As at January 1	(557,866)	(394,574)
Charge for the year	(221,780)	(163,292)
As at December 31	(779,646)	(557,866)
Net book value		
As at December 31	249,346	431,674

The intangible assets of the Group represent purchased computer software.



Notes to the Consolidated Financial Statements

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

17. GOODWILL

	2015 RMB'000	2014 RMB'000
Cost and carrying value		
At January 1	4,426	4,166
Arising from acquisition of a subsidiary (Note 43(i))	-	260
At December 31	4,426	4,426

The carrying amounts of goodwill primarily arose from the acquisition of subsidiaries, Skyecho and TravelSky HY-Software, in prior years.

Impairment testing of goodwill

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

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

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumption for the value-in-use calculations of the above CGUs are those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the most recent financial data of 3 years and extrapolates cash flows for the following five years with growth rate in revenue of 9% to 15%. Cash flows beyond the five-year period are extrapolated using zero growth rates. The discount rate is 16.1% per annum.

As at December 31, 2015, management of the Group was of the view that there was no impairment of goodwill.

**Notes to the Consolidated Financial Statements**

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

18. INVESTMENTS IN ASSOCIATED COMPANIES

	2015 RMB'000	2014 RMB'000
Beginning of the year	178,392	156,980
Share of profits by the Company	22,628	19,012
Establishment of an associate	-	4,000
Dividends receivable from associated companies	(2,764)	(1,600)
End of the year	198,256	178,392

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

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

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profit RMB'000
2015					
100 per cent	546,103	(70,507)	475,596	534,553	52,983
Group's effective					
interest	226,860	(28,604)	198,256	234,450	22,628
2014					
100 per cent	511,892	(84,701)	427,191	747,251	45,845
Group's effective					
interest	211,728	(33,336)	178,392	336,116	19,012



Notes to the Consolidated Financial Statements

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

19. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2015 RMB'000	2014 RMB'000
Assets as per statement of financial position:		
Trade receivables, net (Note 23)	817,345	755,172
Due from related parties, net (Note 24)	2,491,953	2,238,537
Due from associated companies (Note 25)	16,890	27,735
Interest receivable and other current assets (Note 26)	498,982	437,461
Held-to-maturity financial assets (Note 27)	1,690,000	1,210,000
Deposits with banks with original maturity date over three months (Note 28)	1,568,794	1,263,307
Restricted bank deposits (Note 29)	299,619	217,493
Cash and cash equivalents (Note 29)	2,242,661	1,994,953
Total	9,626,244	8,144,658
Liabilities as per statement of financial position:		
Trade payables and other liabilities (Note 30)	2,304,218	1,979,195
Due to related parties (Note 31)	151,392	92,810
Total	2,455,610	2,072,005

20. DEFERRED INCOME TAX

	2015 RMB'000	2014 RMB'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	61,607	31,288
Deferred tax assets to be recovered within 12 months	17,164	9,834
	78,771	41,122
Deferred tax liabilities:		
Deferred tax liabilities to be settled over 12 months	(23,694)	(19,289)
Net movement	55,077	21,833

**Notes to the Consolidated Financial Statements**

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

20. DEFERRED INCOME TAX (continued)

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

	Depreciation and Amortisation	Accrual, Provision and Others	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2014	5,764	11,180	16,944
Recognised in the consolidated statement of profit or loss and other comprehensive income	5,443	(554)	4,889
As at December 31, 2014 and January 1, 2015	11,207	10,626	21,833
Recognised in the consolidated statement of profit or loss and other comprehensive income	26,130	7,114	33,244
As at December 31, 2015	37,337	17,740	55,077

At December 31, 2015, the Group has unused tax losses of approximately RMB150.0 million (2014: RMB106.2 million) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in the tax loss approximately RMB2.1 million (2014: RMB1.6 million) arising from Australia, Europe, Hong Kong and Singapore subsidiaries may be carried forward indefinitely. Included in the tax loss approximately RMB7.3 million (2014: RMB5.4 million) arising from Taiwan and Korea subsidiaries will expire in various date up to 2025. Included in the tax loss approximately RMB2.2 million (2014: RMB1.2 million) arising from Japan subsidiary will expire up to 2022. There is no tax loss (2014: RMB1.2 million) arising from America and North America subsidiaries. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

	2015	2014
	RMB'000	RMB'000
2015	-	177
2016	112	112
2017	19,477	19,477
2018	25,304	25,304
2019	51,651	51,651
2020	42,316	-
	138,860	96,721



Notes to the Consolidated Financial Statements

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

21. OTHER LONG-TERM ASSETS

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

22. INVENTORIES

	2015 RMB'000	2014 RMB'000
Equipment for sale	33,447	6,687
Spare parts	377	8,413
Total	33,824	15,100

No inventories have been pledged as security for both years.

23. TRADE RECEIVABLES, NET

	2015 RMB'000	2014 RMB'000
Trade receivables	954,893	875,698
Provision for impairment of receivables	(137,548)	(120,526)
Trade receivables, net	817,345	755,172

The carrying amounts of the Group's trade receivables approximated its fair value as at December 31, 2015 because of the short-term maturities of these receivables.

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

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

**Notes to the Consolidated Financial Statements**

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

23. TRADE RECEIVABLES, NET (continued)

As of December 31, 2015 and 2014, the ageing analysis of the trade receivables was as follows:

	2015 RMB'000	2014 RMB'000
Within 6 months	669,063	601,470
Over 6 months but within 1 year	117,520	139,296
Over 1 year but within 2 years	89,520	82,996
Over 2 years but within 3 years	38,923	25,273
Over 3 years	39,867	26,663
Total trade receivables	954,893	875,698
Provision for impairment of receivables	(137,548)	(120,526)
Trade receivables, net	817,345	755,172

As of December 31, 2015, trade receivables of RMB47.1 million (2014: RMB22.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
Over 6 months but within 1 year	25,950	9,037
Over 1 year but within 2 years	18,194	9,916
Over 2 years but within 3 years	2,256	3,013
Over 3 years	745	621
	47,145	22,587

As of December 31, 2015, trade receivables of RMB238.7million (2014: RMB251.6 million) were impaired. The amount of the provision was approximately RMB137.5 million as of December 31, 2015 (2014: approximately RMB120.5 million). The management has assessed that a portion of these receivables is expected to be recovered. The ageing analysis of these receivables is as follows:

	2015 RMB'000	2014 RMB'000
Over 6 months but within 1 year	91,570	130,259
Over 1 year but within 2 years	71,326	73,080
Over 2 years but within 3 years	36,667	22,260
Over 3 years	39,122	26,042
	238,685	251,641



Notes to the Consolidated Financial Statements

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

23. TRADE RECEIVABLES, NET (continued)

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

	2015 RMB'000	2014 RMB'000
Balance at beginning of year	120,526	59,999
Provision	17,022	62,619
Write-off	-	(2,092)
Balance at end of year	137,548	120,526

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

	2015 RMB'000	2014 RMB'000
RMB	647,551	619,375
HKD denominated	46,913	66,849
USD denominated	175,695	121,914
Others	84,734	67,560
	954,893	875,698

24. DUE FROM RELATED PARTIES, NET

	2015 RMB'000	2014 RMB'000
Within 6 months	1,603,791	1,337,543
Over 6 months but within 1 year	584,490	483,285
Over 1 year but within 2 years	284,428	388,991
Over 2 years but within 3 years	3,678	19,395
Over 3 years	15,566	9,323
Due from related parties	2,491,953	2,238,537
Provision for impairment of receivables	-	-
Due from related parties, net	2,491,953	2,238,537

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

As of December 31, 2015, notes receivable of RMB110.5 million (2014: RMB50.4 million) was included in the above balances.

**Notes to the Consolidated Financial Statements**

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24. DUE FROM RELATED PARTIES, NET (continued)

As of December 31, 2015, due from related parties of RMB888.2 million (2014: RMB901.0 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2015 RMB'000	2014 RMB'000
Over 6 months but within 1 year	584,490	483,285
Over 1 year but within 2 years	284,428	388,991
Over 2 years but within 3 years	3,678	19,395
Over 3 years	15,566	9,323
	888,162	900,994

25. DUE FROM ASSOCIATED COMPANIES

	2015 RMB'000	2014 RMB'000
Trade related balances (i)	16,890	19,735
Loan receivable (ii)	-	8,000
	16,890	27,735

- (i) These balances are trade-related, interest free, unsecured and generally repayable within one year.
- (ii) As at December 31, 2014, the loan receivable is unsecured, bears interest at 6.15% per annum and is repayable within 1 year.

26. PREPAYMENTS AND OTHER CURRENT ASSETS

	2015 RMB'000	2014 RMB'000
Advance payments	40,700	30,405
Interest receivable	24,579	10,141
Prepaid expenses	10,613	7,460
Other receivables (i)	381,868	340,123
Other current assets	81,922	79,737
	539,682	467,866

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



Notes to the Consolidated Financial Statements

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27. HELD-TO-MATURITY FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
At amortised cost:		
Certificates of deposits held	1,690,000	1,210,000

The annual interest rate on certificates of deposit held by the Group ranges from 2.75% to 4.0% (2014: 3.5% to 5.5%) and these deposits have a maturity period from 90 days to 184 days (2014: 20 days to 183 days) and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate their fair values.

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

	2015 RMB'000	2014 RMB'000
Denominated in:		
RMB	1,561,952	1,257,061
Others	6,842	6,246
Total	1,568,794	1,263,307
Non-current portion	220,105	-
Current portion	1,348,689	1,263,307
Total	1,568,794	1,263,307

As at December 31, 2015, deposits with banks with original maturity date over three months represent deposits with banks with an original maturity one year or more up to three years. The annual interest rate ranges from 1.75% to 4.23%.

As at December 31, 2014, 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 one year. The annual interest rate ranges from 2.85% to 3.3%.

**Notes to the Consolidated Financial Statements**

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29. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Cash		
RMB	556	237
Others	10	32
Total	566	269
Demand deposits – denominated in		
RMB	2,338,428	2,059,030
USD denominated	171,116	133,015
HKD denominated	12,018	8,895
Others	20,152	11,237
Total	2,541,714	2,212,177
Less: Restricted bank deposits (i)		
Non-current portion	(129,856)	(111,617)
Current portion	(169,763)	(105,876)
Total	(299,619)	(217,493)
Total cash and cash equivalents	2,242,661	1,994,953

- (i) As at December 31, 2015 and 2014, the restricted bank deposits mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing.



Notes to the Consolidated Financial Statements

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30. TRADE PAYABLES AND ACCRUED LIABILITIES

	2015 RMB'000	2014 RMB'000
Trade payables	459,847	416,961
Accrued departure technology support fees	407,239	354,695
Accrued technical support fees	41,027	38,887
Accrued network usage fees	15,033	10,047
Accrued bonuses and staff cost	277,959	217,771
Other taxes payable (i)	50,524	24,268
Other payables (ii)	984,469	805,577
Other liabilities	118,644	135,257
Total	2,354,742	2,003,463

At December 31, 2015, approximately RMB47.6 million of the above balances was denominated in U.S. dollars (2014: RMB46.2 million).

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

	2015 RMB'000	2014 RMB'000
Within 6 months	321,227	345,135
Over 6 months but within 1 year	40,111	27,088
Over 1 year but within 2 years	72,102	25,317
Over 2 years but within 3 years	6,986	6,613
Over 3 years	19,421	12,808
Total trade payables	459,847	416,961
Accrued liabilities and other liabilities	1,894,895	1,586,502
Total	2,354,742	2,003,463

**Notes to the Consolidated Financial Statements**

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

30. TRADE PAYABLES AND ACCRUED LIABILITIES (continued)**(i) Other taxes payables**

	2015 RMB'000	2014 RMB'000
Business tax payable	852	243
VAT payable	31,152	12,873
Other	18,520	11,152
Total	50,524	24,268

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

31. DUE TO RELATED PARTIES

	2015 RMB'000	2014 RMB'000
Within 6 months	117,760	62,755
Over 6 months but within 1 year	1,774	160
Over 1 year but within 2 years	2,711	3,338
Over 2 years but within 3 years	2,590	1,699
Over 3 years	26,557	24,858
Total	151,392	92,810

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

**Notes to the Consolidated Financial Statements**

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33. RESERVES

	Capital surplus RMB'000	Statutory surplus reserve fund RMB'000	Merger reserve RMB'000 (i)	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000 (ii)	Currency translation differences RMB'000	Total RMB'000
Balance as at January 1, 2014	658,842	1,015,344	369,313	605,272	451,675	(9,969)	3,090,477
Currency translation differences	-	-	-	-	-	(2,022)	(2,022)
Appropriation to reserves	-	143,686	-	102,239	-	-	245,925
Balance as at December 31, 2014	658,842	1,159,030	369,313	707,511	451,675	(11,991)	3,334,380
Balance as at January 1, 2015	658,842	1,159,030	369,313	707,511	451,675	(11,991)	3,334,380
Currency translation differences	-	-	-	-	-	6,987	6,987
Deemed disposal of interest in a subsidiary	(399)	-	-	-	-	-	(399)
Appropriation to reserves	-	158,263	-	141,945	-	-	300,208
Balance as at December 31, 2015	658,443	1,317,293	369,313	849,456	451,675	(5,004)	3,641,176

- (i) Merger reserve represents the difference between the carrying value of the acquired subsidiary – ACCA and the fair value of the domestic shares issued for the acquisition of ACCA at the acquisition date.
- (ii) Revaluation reserve represents the revaluation of certain assets including property, plant and equipment, lease prepayment for land use rights and intangible assets, on the occurrence of the Company's initial public offerings in 2001 and in respect of the acquisition of the Group's subsidiary, ACCA, in 2009.



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

34. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2015, according to the Company Law of PRC, related regulations, and the Articles of Association of the Company, the distributable net profit after taxation and non-controlling interest is distributed in the following order:

- (i) making up cumulative prior years' losses, if any;
- (ii) appropriation to the statutory surplus reserve fund;
- (iii) appropriation to the discretionary surplus reserve fund;
- (iv) distribution of dividends for ordinary shares to equity holders.

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

The appropriation of 10% of its net profit amounted to RMB141.9 million to the discretionary surplus reserve fund for the year ended December 31, 2014 was approved in the annual general meeting held on June 16, 2015. The amount was accounted for in shareholders' equity as a distribution of retained earnings in the year ended December 31, 2015.

The proposed appropriation of 10% of its net profit amounted to RMB156.3 million to the discretionary surplus reserve fund for the year ended December 31, 2015 is subject to shareholders' approval at the forthcoming annual general meeting. Therefore, the amount upon approval will be recorded in the Group's financial statements for year ending December 31, 2016.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2015 was approximately RMB3,999.1 million (2014: RMB3,120.2 million).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,562.8 million (2014: RMB1,419.4 million) for the year ended December 31, 2015.



Notes to the Consolidated Financial Statements

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

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net		2,202,809	1,447,274
Lease prepayment for land use right, net		1,756,998	1,808,467
Intangible assets, net		206,818	382,183
Investments in subsidiaries	(a)	1,338,436	1,314,049
Investments in associated companies		26,140	26,140
Deferred income tax assets		78,456	40,850
Other long-term assets		58,677	3,804
Restricted bank deposits		129,856	111,617
		5,798,190	5,134,384
Current assets			
Trade receivables, net		622,672	539,445
Due from related parties, net		1,939,181	1,877,125
Due from subsidiaries, net		159,922	109,012
Due from associated companies		7,961	15,284
Income tax recoverable		–	7,480
Prepayments and other current assets		83,560	67,184
Held-to-maturity financial assets		1,690,000	1,210,000
Restricted bank deposits		164,812	105,876
Cash and cash equivalents		920,703	838,221
		5,588,811	4,769,627
Total assets		11,387,001	9,904,011
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital		2,926,209	2,926,209
Reserves	(b)	3,208,491	2,908,283
Retained earnings		3,651,238	2,777,864
Total equity		9,785,938	8,612,356



Notes to the Consolidated Financial Statements

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

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

	Note	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		9,128	3,145
Deferred revenue		3,868	2,520
		12,996	5,665
Current liabilities			
Trade payables and accrued liabilities		1,065,208	840,124
Due to related parties		119,901	81,630
Due to subsidiaries		305,310	364,236
Income tax payable		97,648	-
		1,588,067	1,285,990
Total liabilities		1,601,063	1,291,655
Total equity and liabilities		11,387,001	9,904,011
Net current assets		4,000,744	3,483,637
Total assets less current liabilities		9,798,934	8,618,021

Approved by the Board of Directors on March 31, 2016

Cui Zhixiong
Director

Xiao Yinhong
Director



Notes to the Consolidated Financial Statements

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

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)**(a)** A list of the Company's subsidiaries is shown in Note 1 to the consolidated financial statements.**(b)**

	Capital surplus RMB'000	Statutory surplus reserve fund RMB'000	Discretionary surplus reserve fund RMB'000	Revaluation reserve RMB'000	Total RMB'000
Balance as at January 1, 2014	661,932	1,008,064	605,272	387,090	2,662,358
Transfer from retained earnings	-	143,686	102,239	-	245,925
Balance as at December 31, 2014	661,932	1,151,750	707,511	387,090	2,908,283
Balance as at January 1, 2015	661,932	1,151,750	707,511	387,090	2,908,283
Transfer from retained earnings	-	158,263	141,945	-	300,208
Balance as at December 31, 2015	661,932	1,310,013	849,456	387,090	3,208,491

36. CASH GENERATED FROM OPERATING ACTIVITIES

	2015 RMB'000	2014 RMB'000
Profit before taxation	2,317,358	1,904,968
Adjustments for:		
Depreciation and amortisation	503,673	446,931
Loss on disposal of property, plant and equipment	2,475	3,054
Interest income	(128,659)	(128,333)
Provision for impairment of receivables	17,022	62,619
Written off of impairment of receivables	-	(2,092)
Impairment loss on property, plant and equipment	16,974	-
Staff costs arising from share appreciation rights	293	761
Share of results from associated companies	(22,628)	(19,012)
Foreign exchange loss/(gain)	23,450	(8,492)
(Increase)/decrease in current and non-current assets:		
Trade receivables	(95,717)	(51,274)
Inventories	(18,724)	(6,352)
Prepayments and other current assets	(57,378)	(74,023)
Due from related parties/associated companies	(244,171)	(390,438)
Other long term assets	-	14,163
Increase/(decrease) in current liabilities and non-current liabilities:		
Trade payables and accrued liabilities	258,201	369,833
Deferred revenue	10,121	(10,631)
Due to related parties	58,582	(84,687)
Cash generated from operations	2,640,872	2,026,995



Notes to the Consolidated Financial Statements

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

37. SHARE APPRECIATION RIGHTS SCHEMES

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

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

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

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

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

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

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



Notes to the Consolidated Financial Statements

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37. SHARE APPRECIATION RIGHTS SCHEMES (continued)

For the year ended December 31, 2015, the Group has recorded expenses of RMB0.29 million (2014: RMB0.76 million) in relation to the share appreciation rights. The liability and staff cost of share appreciation rights liability were recorded in accrued bonus and benefits under trade payables and accrued expenses and operating expenses, respectively.

The fair value of share appreciation rights of HKD1.85 per share appreciation right as at December 31, 2014 was determined by using the Binomial Model. The significant inputs into the model were fair value per share of HKD8.38 at December 31, 2014, exercise price shown above, share price volatility of 33.40%, dividend yield of 0%, share appreciation rights life of 3.66 years, and an annual risk-free interest rate of 1.20%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices of the Company over the last four years.

Pursuant to stipulated requirement of SASAC, the amount received or receivable by the eligible candidate of the scheme should not exceed certain percentages of their total individual emoluments for two consecutive years when the rights were granted.

The number of granted share appreciation rights outstanding is set out below:

	2015 Thousand share	2014 Thousand share
At the beginning of the year	4,462	14,004
Exercised during the year	(4,320)	(9,153)
Forfeited during the year	(142)	(389)
At the end of the year	-	4,462



Notes to the Consolidated Financial Statements

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38. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(i) Foreign currency risk

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

The Group's exposure to foreign exchange risk relates principally to its trade receivables, deposits with banks with original maturity date over three months, cash and cash equivalents and trade payables denominated in foreign currencies. Analysis of these assets and liabilities by currency are disclosed in Notes 23, 28, 29, and 30 respectively.

As at December 31, 2015, if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit for the year would have been approximately RMB17.3 million (2014: RMB14.4 million) lower/higher, mainly as a result of foreign exchange differences on translation of balances of denominated in USD and HKD trade receivables, deposits with banks with original maturity date over three months, cash and cash equivalents and trade payables.

(ii) Interest rate risk

The Group's interest-bearing assets are mainly represented by deposits with banks with original maturity date over three months, cash and cash equivalents and held-to-maturity financial assets. Interest income is approximately RMB128.7 million (2014: RMB128.3 million). Apart from this, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates and maturities of the Group's held-to-maturity financial assets and deposits with banks with original maturity date over three months are disclosed in Notes 27 and 28 respectively.

The Group has no significant borrowings or non-current liabilities at December 31, 2015 and therefore do not have significant exposure to changes in interest rates.



Notes to the Consolidated Financial Statements

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

38. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(iii) Credit risk

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

As a substantial portion of these revenues was generated from the shareholders of the Company, the amount due from related parties balances are trade related, and the counterparties mainly comprise the domestic airlines. Most of these domestic airlines are stated-owned enterprises with good repayment history. There was no material default of the balances in the past. Approximately 62% (2014: 70%) of the total amount due from related parties was due from the top 3 customers of the Group: China Southern Airlines Company Limited, China Eastern Airlines Corporation Limited, and Air China Limited.

The Group has policies to ensure that the bank balances are placed with the banks with good reputation and credit quality. The Group also performs evaluation of credit quality of the banks periodically. Approximately 75% (2014: 67%) of the total bank balances were concentrated with 4 largest state-owned banks as at December 31, 2015.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2015, approximately 24% of the Group’s total assets are in cash and cash equivalents and deposits with banks with original maturity date over three months (2014: 26%). Directors believe the Group has sufficient cash balances to meet its daily operations requirements and has no significant exposure to liquidity risk.

Capital risk management

The Group’s objective is to maintain an optimal capital structure and reduce the cost of capital.

The Group reviews and manages its capital structure actively and regularly to ensure optimal capital structure and shareholder returns, taking into account the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.



Notes to the Consolidated Financial Statements

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

38. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement

(i) Financial instruments carried at fair value

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

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

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

2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Share appreciation rights	-	-	-	-
2014	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Share appreciation rights	-	7,490	-	7,490

The fair value of share appreciation rights is determined based on the valuation using the Binomial Model. Measurement inputs include stock price on measurement date, exercise price of the investment, expected volatility, weight average expected life of the instruments, expected dividends and risk-free interest rate. Services and non-market performance conditions attached to the transactions are not taken into account in determination of the fair value. For certain measurement inputs used, please refer to Note 37 for details.

There were no transfer between Level 1 and Level 2 during the year.

There were no changes in valuation techniques during the year.

**Notes to the Consolidated Financial Statements**

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38. FINANCIAL RISK MANAGEMENT (continued)**Fair value measurement (continued)****(ii) Financial instruments carried at other than fair value**

The Group’s financial instruments carried at other than fair value mainly consist of cash and cash equivalents, deposits with banks with original maturity date over three months, held-to-maturity financial assets, trade receivables, prepayments, due from associated and related parties, trade payables, accrued liabilities and due to related parties.

The carrying amounts of the Group’s financial instruments carried at other than fair value approximated their fair values as at December 31, 2015 because of the short-term maturities of these instruments.

39. SEGMENT REPORTING

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group’s chief decision maker for operation is the Group’s general manager. The information reviewed by the general manager is identical to the information presented in the consolidated statement of profit or loss and other comprehensive income. No segment consolidated income statement has been prepared by the Group for the year ended December 31, 2015 and 2014.

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

Certain customers accounted for greater than 10% of the Group’s total revenues, please refer to Note 41 for details.

40. COMMITMENTS**(a) Capital commitments**

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

	2015 RMB'000	2014 RMB'000
Authorised and contracted for		
– Computer System and others	40,494	41,989
– Assets under constructions	1,622,384	1,734,581
– Furniture, fixtures and other equipment	2,413	1,331
Authorised but not contracted for – Computer System and others	636,168	674,905
Total	2,301,459	2,452,806

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

An amount of approximately RMB63.3 million (2014: RMB27.0 million) of capital commitments has been contracted for at December 31, 2015 which was denominated in U.S. dollars.



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40. COMMITMENTS (continued)**(b) Operating lease commitments**

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

	2015 RMB'000	2014 RMB'000
Within one year	137,322	111,233
Later than one year but not later than five years	126,958	14,076
Total	264,280	125,309

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

(c) Equipment maintenance fee commitments

As at December 31, 2015, the Group had equipment maintenance fee commitments of approximately RMB125.1 million (2014: RMB82.8 million).

41. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised 2014), "Related Party Disclosure", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. Entities are also considered to be related if they are subject to common control or common significant influence. For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

(1) Related parties

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

Name	Relationship with the Company
CTHC	Shareholder of the Company, ultimate holding company
China Southern Air Holding Company	Shareholder of the Company
China Southern Airlines Company Limited	Subsidiary of a shareholder of the Company
China Eastern Air Holding Company	Shareholder of the Company
China Eastern Airlines Corporation Limited	Shareholder of the Company
China National Aviation Holding Company	Shareholder of the Company
Air China Limited	Subsidiary of a shareholder of the Company
Xiamen Airlines Company Limited	Shareholder of the Company
China Eastern Airlines Wuhan Company Limited	Shareholder of the Company
Hainan Airlines Company Limited	Shareholder of the Company
Shenzhen Airlines Company Limited	Shareholder of the Company
Shanghai Airlines Company Limited	Subsidiary of a shareholder of the Company



Notes to the Consolidated Financial Statements

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41. RELATED PARTY TRANSACTIONS (continued)

(2) Related party transactions

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

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

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

Name	Note	2015 RMB’000	2014 RMB’000
China Southern Airlines Company Limited	(a)	603,233	570,404
China Eastern Airlines Corporation Limited	(a)	708,944	628,846
Air China Limited	(a)	674,145	621,524
Hainan Airlines Company Limited	(a)	297,412	292,006

Note:

- (a) Included their respective subsidiaries.

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

(ii) Lease of properties from CTHC

For the year ended December 31, 2015, operating lease rentals for lease of properties from CTHC amounted to RMB42.4 million (2014: RMB42.4 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.



Notes to the Consolidated Financial Statements

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

41. RELATED PARTY TRANSACTIONS (continued)

(3) Balances with related parties

Balances due from the related parties mainly comprised:

Name	Note	2015 RMB'000	2014 RMB'000
Trade related balances (i)			
China Southern Airlines Company Limited	(a)	120,617	358,995
China Eastern Airlines Corporation Limited	(b)	704,975	917,287
Air China Limited	(c)	208,040	288,938
Hainan Airlines Company Limited		299,552	292,132
Other balances (ii)			
China Southern Airlines Company Limited	(a)	151,419	44,798
China Eastern Airlines Corporation Limited	(b)	91,613	70,923
Air China Limited	(c)	268,871	208,713

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

- (i) The trade related balances with related parties primarily arose from the above related party transactions.
- (ii) The other balances represented the payment made on behalf of related parties, which are part of the ACCA's settlement and clearing services business.

Notes:

- (a) Included the transaction balance of its subsidiary, Xiamen Airlines Company Limited.
- (b) Included the transaction balances of its subsidiaries, China Eastern Airlines Wuhan Company Limited, China United Airlines Company Limited and Shanghai Airlines Limited.
- (c) Included the transaction balances of its subsidiaries, Shenzhen Airlines Company Limited, Air Macau Company Limited and Kunpeng Airlines Company Limited.

**Notes to the Consolidated Financial Statements**

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

41. RELATED PARTY TRANSACTIONS (continued)**(4) Balances with other major state-owned enterprises**

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

	2015 RMB'000	2014 RMB'000
Bank balances	2,862,956	2,178,344

The Group is a state-owned enterprise. In accordance with the IAS 24 (revised 2014), "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than entities under the Group, directly or indirectly controlled by the PRC government are also defined as related parties of the Company and its subsidiaries.

The majority of the business activities of the Company and its subsidiaries are conducted with state-owned enterprises. For the purpose of the related party transactions disclosure in accordance with IAS 24, the Company and its subsidiaries have established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that all material related party balances and transactions have been adequately disclosed.

42. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

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

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

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



Notes to the Consolidated Financial Statements

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43. BUSINESS COMBINATIONS

Acquisition of a subsidiary in the previous year

On May 23, 2014, the Company has acquired 51% equity interest in Skyecho for a consideration of RMB4 million from independent third parties (the "Acquisition"). Skyecho is principally engaged in the provision of software and hardware technical support services. The Acquisition is aimed at strengthening the information technology development of the existing business of the Group.

The acquisition was accounted for using the purchase method.

Net assets acquired in the transaction are as follows:

	Note	Fair value at the date of acquisition RMB'000
Net assets acquired:		
Property, plant and equipment	14	448
Intangible assets	16	4,850
Trade receivables		779
Prepayments and other current assets		2,048
Cash and cash equivalents		2,960
Other payables and accrued liabilities		(772)
Payable to shareholders		(2,980)
Net assets		7,333
Non-controlling interests		(3,593)
Goodwill (Note)	17	260
		4,000



Notes to the Consolidated Financial Statements

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

43. BUSINESS COMBINATIONS (continued)

Acquisition of a subsidiary in the previous year (continued)

	2014 RMB'000
Total consideration satisfied by:	
Cash	2,000
Other payables	2,000
	4,000
Net cash inflow arising on acquisition:	
Cash consideration paid	(2,000)
Cash and cash equivalents acquired	2,960
	Net cash inflow 960

Notes:

The goodwill arose from a number of factors. Most significant amongst these is the synergies expected to arise after the acquisition of Skyecho for the equity interests of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the revenue and profit for the period are revenue of approximately RMB7,076,000 and net profit of approximately RMB2,378,000 attributable to the additional business generated by the acquired subsidiary for the period between the date of acquisition and December 31, 2014.

Had this business combination been effected on January 1, 2014, the revenue of the Group would be approximately RMB5,339.7 million and profit for the year of the Group would be approximately RMB1,692.9 million. The directors of the Group consider this 'pro-formas' an approximate measure of the performance of the combined group on an annualised basis and a reference point only for comparison in future periods.

44. ULTIMATE HOLDING COMPANY

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

45. COMPARATIVE FIGURES

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

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on March 31, 2016.



SUPPLEMENTARY INFORMATION FROM THE MANAGEMENT

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2015

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

	Year ended December 31,				
	2011	2012	2013	2014	2015
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Revenues	3,672,064	4,060,518	4,509,311	5,336,412	5,471,831
Profit before taxation	1,283,017	1,304,208	1,312,419	1,904,968	2,317,358
Profit attributable to owner of the Parent	1,047,226	1,132,881	1,205,732	1,652,589	1,914,362
Earnings before interests, tax, depreciation and amortisation	1,624,942	1,586,946	1,629,781	2,223,566	2,692,372
Earnings per share (Basic and diluted) (RMB)	0.36	0.39	0.41	0.56	0.65

	As at December 31,				
	2011	2012	2013	2014	2015
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Total assets	9,006,688	9,880,912	11,141,535	12,729,607	14,871,195
Total liabilities	1,379,846	1,449,264	1,841,056	2,153,389	2,690,110
Total equity	7,626,842	8,431,648	9,300,479	10,576,218	12,181,085

Note:

Earnings per share were calculated on the basis of total number of shares in issue of 2,926,209,589 shares as at December 31, 2015.



CORPORATE INFORMATION

(as of the issue date of this report)

BOARD

The fifth session of the Board of the Company established by election by shareholders on June 18, 2013 comprises:

Cui Zhixiong	<i>The Chairman (effective from March 31, 2016), Executive Director</i>
Xiao Yinhong	<i>Executive Director, General Manager</i>
Cao Jianxiong	<i>Non-executive Director (appointed on December 23, 2014)</i>
Li Yangmin	<i>Non-executive Director (appointed on December 10, 2015)</i>
Yuan Xin'an	<i>Non-executive Director (appointed on December 10, 2015)</i>
Cheung Yuk Ming	<i>Independent Non-executive Director</i>
Cao Shiqing	<i>Independent Non-executive Director (appointed on January 26, 2016)</i>
Ngai Wai Fung	<i>Independent Non-executive Director (appointed on January 26, 2016)</i>

AUDIT AND RISK MANAGEMENT COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cheung Yuk Ming	<i>Chief Member (Chairman)</i>
Cao Shiqing	<i>Member (appointed on January 26, 2016)</i>
Ngai Wai Fung	<i>Member (appointed on January 26, 2016)</i>

REMUNERATION AND EVALUATION COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cao Shiqing	<i>Chief Member (Chairman) (appointed on January 26, 2016)</i>
Cheung Yuk Ming	<i>Member</i>
Ngai Wai Fung	<i>Member (appointed on January 26, 2016)</i>
Yuan Xin'an	<i>Member (appointed on December 10, 2015)</i>

NOMINATION COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cui Zhixiong	<i>Chief Member (Chairman) (appointed on December 2, 2014)</i>
Cheung Yuk Ming	<i>Member (appointed on January 26, 2016)</i>
Cao Shiqing	<i>Member (appointed on January 26, 2016)</i>



Corporate Information

(as of the issue date of this report)

STRATEGIC COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cui Zhixiong	<i>Chief Member (Chairman)</i> (appointed on December 2, 2014)
Xiao Yinhong	<i>Member</i>
Cao Jianxiong	<i>Member</i> (appointed on December 23, 2014)
Li Yangmin	<i>Member</i> (appointed on December 10, 2015)
Yuan Xin'an	<i>Member</i> (appointed on December 10, 2015)

EXECUTIVE COMMITTEE

On March 31, 2016, the Board resolved to cancel the Executive Committee, which was established by the fifth session of the Board of the Company on June 18, 2013. On March 31, 2016, the duty of the following Executive Committee members has been terminated.

Cui Zhixiong	<i>Chief Member (Chairman)</i> (appointed on December 2, 2014)
Xiao Yinhong	<i>Member</i>

DIRECTORS RESIGNED (INCLUDING THEIR RESPECTIVE DUTIES IN THE RELEVANT COMMITTEE)

Cai, Kevin Yang	<i>Non-executive Director, Member of the Strategic Committee</i> (appointed on June 18, 2013, resigned on June 16, 2015)
Wang Quanhua	<i>Non-executive Director, Member of the Strategic Committee, Member of the Remuneration of Evaluation Committee</i> (appointed on June 18, 2013, resigned on December 10, 2015)
Pan Chongyi	<i>Independent Non-executive Director, Member of the Audit Committee, Chief Member of the Remuneration of Evaluation Committee, Member of the Nomination Committee</i> (appointed on June 18, 2013, resigned on January 26, 2016)
Zhang Hainan	<i>Independent Non-executive Director, Member of the Audit Committee, Member of the Remuneration of Evaluation Committee, Member of the Nomination Committee</i> (appointed on June 18, 2013, resigned on January 26, 2016)

SUPERVISORY COMMITTEE

The fifth session of the Supervisory Committee of the Company established by election by shareholders on June 18, 2013 (other than the staff representative supervisors) comprises:

Huang Yuanchang	<i>Chairperson of the Supervisory Committee</i> (appointed on March 25, 2015) <i>Staff Representative Supervisor</i> (appointed by the staff representative committee of the Company on March 25, 2015)
Xiao Wei	<i>Staff Representative Supervisor</i> (appointed by the staff representative committee of the Company on January 10, 2014)
Zeng Yiwei	<i>Supervisor</i>
He Haiyan	<i>Supervisor</i>
Rao Geping	<i>Independent Supervisor</i>



Corporate Information

(as of the issue date of this report)

SUPERVISOR RESIGNED

Li Xiaojun *Chairperson of the Supervisory Committee, Staff Representative Supervisor* (resigned on March 25, 2015)

SENIOR MANAGEMENT

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Rong Gang	<i>Vice General Manager</i>
Wang Wei	<i>Vice General Manager</i>
Sun Yongtao	<i>Vice General Manager, Chief Financial Officer (Chief Accountant)</i>
Zhu Xiaoxing	<i>Vice General Manager</i>
Yu Xiaochun	<i>Company Secretary (Secretary to the Board)</i>

SENIOR MANAGEMENT MEMBER RESIGNED

Huang Yuanchang *Vice General Manager* (resigned on January 21, 2015)

AUDITORS

International auditors:

Baker Tilly Hong Kong Limited
2nd Floor, 625 King's Road, North Point, Hong Kong

PRC auditors:

Baker Tilly China
Building 12, Foreign Cultural and Creative Garden,
No. 19, Chegongzhuang West Road, Haidian District, Beijing 100048, PRC

LEGAL ADVISERS

as to Hong Kong law:

Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

as to the PRC law:

Beijing Guantao Law Firm
18/F, Tower B, Xincheng Plaza, 5 Finance Street,
Xicheng District, Beijing 100032, PRC

**Corporate Information**

(as of the issue date of this report)

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
2402, Admiralty Centre I, 18 Harcourt Road, Hong Kong
Telephone: (852) 2527 1628
Facsimile: (852) 2527 1271
Email: sprg-travelsky@sprg.com.hk

CONTACT DETAILS FOR INVESTORS

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Postal address: No.157 Dongsu West Street, Dongcheng District, Beijing 100010, PRC
Telephone: (8610) 5765 0696
Facsimile: (8610) 5765 0695
Email: ir@travelsky.com
Website: www.travelskyir.com

REGISTERED ADDRESS

7 Yu Min Da Street, Houshayu Town, Shunyi District
Beijing 101308, PRC

PLACE OF BUSINESS IN HONG KONG

Room 3606, 36/F, China Resources Building
26 Harbour Road, Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00696

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong



Corporate Information

(as of the issue date of this report)

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York Mellon

Regular Mail:

BNY Mellon Shareowner Services
P.O.BOX 30170
College Station, TX 77842-3170

Overnight Mail:

BNY Mellon Shareowner Services
211 Quality Circle, Suite 210
College Station, TX 77845

COMPANY'S WEBSITES

Website of consolidated information of the Company:

www.travelsky.net

Website established in accordance with Rule 2.07C(6)(a) of the Listing Rules:

www.travelskyir.com

You may obtain the financial reports, announcements, circulars, operation data and results presentation of the Company through this website.



BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

DIRECTORS

Mr. Cui Zhixiong, aged 55, the Chairman and an executive director of the Company, graduated as a postgraduate from the Party School of the Central Committee of the CPC (中央黨校) majoring in Global Economics and had an EMBA degree from Nankai University. From December 1976 to September 1989, he served as an army officer. From September 1989 to February 1993, he worked in the Government Offices Administration of the State Council (國務院機關事務管理局) and held positions as a deputy secretary and secretary of the Communist Youth League Committee of the State Organs of the CPC. From February 1993 to April 2004, he served as a director of general office, deputy secretary and secretary in the Communist Youth League Work Committee of the Central Government Departments (共青團中央國家機關團工委). Meanwhile, he served as the Vice-Chairman and Chairman of the State Organs Youth Federation of the CPC (中央國家機關青年聯合會) from December 1993 to April 2004. From November 2001 to October 2003, Mr. Cui served as Deputy Secretary-General of Gansu Provincial Committee and Deputy Secretary of Municipal Committee of Jiayuguan, Gansu Province. He has been the party secretary of China TravelSky Holding Company (a promoter of the Company) since April 2004 and served as a deputy general manager of China TravelSky Holding Company from April 2004 to June 2008. Since August 2008, he has been the Party Secretary of the Company. Since October 2008, Mr. Cui served as an executive director of the third session of the Board of the Company. Since March 2010, Mr. Cui served as an executive director of the fourth session of the Board of the Company. Since June 2013, Mr. Cui has served as an executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee and the Executive Committee. Since December 2014, Mr. Cui has exercised the powers of the Chairman, and served as the chief member of the Nomination Committee, the Strategic Committee and the Executive Committee. Since March 31, 2016, Mr. Cui has been appointed as the Chairman of the Company. Since December 2015, he has served as a general manager of China TravelSky Holding Company. China TravelSky Holding Company has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Cui is an employee of China TravelSky Holding Company.

Mr. Xiao Yinhong, aged 53, an executive director and the General Manager of the Company, is a professor-level senior engineer graduated from Zhejiang University. He was awarded a master's degree of administration from Beihang University (北京航空航天大學) with over 30 years of management experience in the aviation industry in the PRC. From July 1984 to October 2000, Mr. Xiao consecutively held positions such as the deputy director of Application Office (應用室), director of Information Office (信息室), assistant to general manager and deputy general manager of China Civil Aviation Computer Information Center (中國民航計算機信息中心), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). Mr. Xiao served as an executive director of the first session of the Board of the Company from October 2000 to December 2003. From October 2000 to August 2008, Mr. Xiao served as a Vice General Manager of the Company and has served as the General Manager of the Company since August 2008. Since October 2008, Mr. Xiao served as an executive director of the third session of the Board of the Company. Since March 2010, Mr. Xiao served as an executive director of the fourth session of the Board of the Company. Since June 2013, Mr. Xiao has served as an executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee and the Executive Committee.

**Biographies of Directors, Supervisors, Senior Management and Company Secretary**

(as of the issue date of this report)

Mr. Cao Jianxiong, aged 56, a non-executive director of the Company and a senior economist, graduated from East China Normal University and was awarded a master's degree in economics. He was appointed as the Deputy General Manager and Chief Financial Officer of China Eastern Airlines Corporation Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and a subsidiary of China Eastern Air Holding Company (a promoter and a substantial shareholder of the Company); stock code: 00670 (Hong Kong Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)) in December 1996. From September 1999 to December 2008, he served as the Vice President of China Eastern Airlines Group Corporation. From October 2000 to June 2007, he served as the non-executive director, Vice Chairman and the chairman of the Strategic Committee of the Company. From June 2001 to December 2008, he served as a director of China East Airlines Corporation Limited. From October 2006 to December 2008, he served as the President and the Deputy Party Secretary of the Communist Party Committee of China Eastern Airlines Corporation Limited. Since December 2008, Mr. Cao has been serving as the Deputy General Manager and a member of Communist Party Group of China National Aviation Holding Company. Since June 2009, he has been a non-executive director of Air China Limited (a company listed on the Main Board of the Hong Kong Stock Exchange and a subsidiary of China National Aviation Holding Company (a promoter and a substantial shareholder of the Company); stock code: 00753 (Hong Kong Stock Exchange); 601111 (Shanghai Stock Exchange); AIRC (London Stock Exchange)). Since December 2014, Mr. Cao has served as a non-executive director of the fifth session of the Board of the Company and a member of the Strategic Committee. China National Aviation Holding Company has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Cao is an employee of China National Aviation Holding Company.

Mr. Li Yangmin, aged 52, a non-executive director of the Company, is a professor-level senior engineer. Mr. Li graduated from the Civil Aviation University of China and obtained a master's degree from Northwestern Polytechnical University and an Executive Master of Business Administration (EMBA) degree from Fudan University. Mr. Li joined the civil aviation industry in 1985. He previously served as the deputy general manager of the aircraft maintenance base and the manager of air route department (航線部) of Northwest Airlines Company (西北航空公司), general manager of the aircraft maintenance base of China Eastern Airlines Northwest Branch (中國東方航空西北分公司), deputy general manager of China Eastern Airlines Northwest Branch and general manager of China Eastern Airlines Yunnan Branch (中國東方航空雲南分公司). Mr. Li has been served as the deputy general manager of China Eastern Airlines Corporation Limited (a subsidiary of China Eastern Air Holding Company, a promoter and a substantial shareholder of the Company; whose shares are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 00670 (Hong Kong Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)) from October 2005, and concurrently served as the safety director of China Eastern Airlines Corporation Limited from July 2010 to December 2012. He has become a party member of China Eastern Air Holding Company since May 2011. Mr. Li has been served as the party secretary and director of China Eastern Airlines Corporation Limited since June 2011. He concurrently served as the chairman of China Cargo Airlines from February 2012 to January 2013. Since December 2015, Mr. Li has served as a non-executive director of the fifth session of the Board of the Company and a member of the Strategic Committee. China Eastern Air Holding Company has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Li is an employee of China Eastern Air Holding Company.



Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Yuan Xin'an, aged 59, a non-executive director of the Company and a senior engineer, graduated from Xi'an Air Force Engineering University with a bachelor degree in Aerospace Machinery. Mr. Yuan began his career in December 1976 and previously served as the quality control manager, the deputy director and the deputy general manager of Guangzhou Aircraft Maintenance Engineering Co., Ltd. (民航廣州飛機維修公司), the deputy general manager of the engineering department of China Southern Airlines Company Limited (a company whose shares are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 01055 (Hong Kong Stock Exchange); 600029 (Shanghai Stock Exchange); a subsidiary of China Southern Air Holding Company (a promoter and a substantial shareholder of the Company)), the chief engineer and the general manager of engineering department of China Southern Airlines Company Limited. Mr. Yuan served as the deputy general manager and a member of the standing committee of the Communist Party Committee of China Southern Airlines Company Limited from April 2002 to September 2007, and concurrently served as the assistant to the general manager of China Southern Air Holding Company from February to September 2007. Mr. Yuan has served as the deputy general manager and a party member of China Southern Air Holding Company since September 2007, and has concurrently served as the general council of China Southern Air Holding Company since July 2008. Mr. Yuan currently serves as a director of China Southern Airlines Company Limited. Mr. Yuan concurrently serves as the chairman of MTU Maintenance Zhuhai Co., Ltd. (珠海保稅區摩天宇航空發動機維修有限公司), Guangzhou Southern Airline Construction Company Limited (廣州南航建設有限公司) and Shenzhen Air Catering Co., Ltd. (深圳航空食品有限公司), as well as a director of China Aircraft Services Limited (中國飛機服務有限公司). Since December 2015, Mr. Yuan has served as a non-executive director of the fifth session of the Board of the Company, a member of the Remuneration and Evaluation Committee and a member of the Strategic Committee. China Southern Air Holding Company has interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and Mr. Yuan is an employee of China Southern Air Holding Company.

Mr. Cheung Yuk Ming, aged 63, is an independent non-executive director of the Company, a member of the HKICPA, the Hong Kong Institute of Bankers, the Institute of Internal Auditors (United States), the Institute of Chartered Accountants (England and Wales), the Chartered Institute of Arbitrators (United Kingdom) and the Hong Kong Securities & Investment Institute. Mr. Cheung is also a member of the Construction Management Association of America and the Society of Construction Law (Hong Kong). He completed courses on construction management, the New York bar exam, development and financing in the mining industry, petroleum economics and petroleum risk management conducted by the China University of Geosciences in Beijing, the School of Law of the Pace University in New York, the Institute of Civil Engineering Surveyors (United Kingdom) and other associations. Prior to June 2009, Mr. Cheung worked at PriceWaterhouse and other organizations. Since January 2005, Mr. Cheung has been appointed an executive director of Lawrence CPA Limited. Mr. Cheung had been appointed as an independent

**Biographies of Directors, Supervisors, Senior Management and Company Secretary**

(as of the issue date of this report)

non-executive director of Metallurgical Corporation of China Ltd., a state-owned enterprise (Hong Kong Stock Exchange stock code: 01618) since 2009 and retired together with four other directors in October 2014 on change of the board membership under Chinese corporate governance regulation. Mr. Cheung had been an independent non-executive director of EPI (Holdings) Limited (Hong Kong Stock Exchange stock code: 00689) since June 2011 and retired in July 2013 on change of executive management of the company. Since May 2015, Mr. Cheung has been appointed an independent non-executive director of China Energy Engineering Corporation Limited (Hong Kong Stock Exchange stock code: 03996). Mr. Cheung had been appointed as an independent non-executive director of China Shanshui Cement Group Limited (Hong Kong Stock Exchange stock code: 00691) on 1 December 2015 and as an executive director on 2 February 2016. Since March 2010, Mr. Cheung served as an independent non-executive director of the fourth session of the Board of the Company, the Chairman of the Audit Committee and a member of the Remuneration and Evaluation Committee. Since June 2013, Mr. Cheung has served as an independent non-executive director of the fifth session of the Board of the Company, the chief member of the Audit Committee and a member of the Remuneration and Evaluation Committee. Since January 2016, Mr. Cheung has been a member of the Nomination Committee.

Mr. Cao Shiqing, aged 61, an independent non-executive director of the Company, is a professor-level senior engineer and graduated from Tsinghua University. Mr. Cao served successively as the deputy dean and party secretary of the Seventh Design and Research Institute of the Ministry of Machinery Industry (機械工業部第七設計研究院) from September 1990 to October 2000. From October 2000 to December 2004, Mr. Cao served as the party secretary and deputy dean of the China Machinery International Engineering Consultant & Design Institute (中機國際工程諮詢設計總院). From December 2004 to August 2006, he served as the party secretary and deputy dean of the China Information Technology Designing & Consulting Institute (中訊郵電諮詢設計院). Mr. Cao served as the party secretary and deputy general manager of China New Era Group Corporation (中國新時代控股集團公司) from August 2006 to January 2010, and as the party secretary and deputy dean of the China Academy of Machinery Science & Technology (機械科學研究總院) from January 2010 to August 2015. Since January 2016, Mr. Cao has served as an independent non-executive director of the fifth session of the Board of the Company, a member of the Audit Committee, the chief member of the Remuneration and Evaluation Committee and a member of the Nomination Committee.



Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Dr. Ngai Wai Fung, aged 54, an independent non-executive director of the Company, is a director and the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. Dr. Ngai has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chips companies. Dr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He is the immediate past president of The Hong Kong Institute of Chartered Secretaries, a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, the Adjunct Professor of Law at Hong Kong Shue Yan University and a member of the General Committee of The Chamber of Hong Kong Listed Companies. Dr. Ngai was appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of the Working Group on Professional Services under the Economic Development Commission for two years in 2013, and reappointed for further two years in 2015. He is a fellow of The Association of Chartered Certified Accountants in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of The Hong Kong Institute of Chartered Secretaries, a fellow of The Hong Kong Institute of Directors and a member of The Hong Kong Securities and Investment Institute. Dr. Ngai obtained a Doctoral Degree in Finance at Shanghai University of Finance and Economics and received a Master's Degree in Corporate Finance from Hong Kong Polytechnic University and a Master's Degree in Business Administration from Andrews University of Michigan and a Bachelor's Degree in Law at University of Wolverhampton. Dr. Ngai is the independent non-executive director of the following companies, namely BaWang International (Group) Holding Limited (SEHK, Stock Code: 01338), Biostime International Holdings Limited (SEHK, Stock Code: 01112), Bosideng International Holdings Limited (SEHK, Stock Code: 03998), Beijing Capital Juda Limited (SEHK, Stock Code: 01329), China Railway Group Limited (SEHK, Stock Code: 00390), China Coal Energy Company Limited (SEHK, Stock Code: 01898), Powerlong Real Estate Holdings Limited (SEHK, Stock Code: 01238), SITC International Holdings Company Limited (SEHK, Stock Code: 01308), Yangtze Optical Fibre and Cable Joint Stock Limited Company (SEHK, Stock Code: 06869), and BBMG Corporation (English translation denotes for identification purposes only) (SEHK, Stock Code: 02009) Topsearch International (Holdings) Limited (SEHK, Stock Code: 02323). Dr. Ngai is also the independent director of LDK Solar Co., Ltd. He was the independent non-executive director of Franshion Properties (China) Limited (SEHK, Stock Code: 00817) from May 2007 to June 2011, the independent non-executive director of China Life Insurance Company Limited (SEHK, Stock Code: 02628) from December 2006 to May 2009, the independent non-executive director of China Railway Construction Corporation Limited (SEHK, Stock code: 01186) from November 2007 to October 2014 and the independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (SEHK, Stock Code: 00631) from November 2009 to December 2015. Since January 2016, Dr. Ngai has served as an independent non-executive director of the fifth session of the Board of the Company, a member of the Audit Committee and a member of the Remuneration and Evaluation Committee.



Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

SUPERVISORS

Mr. Huang Yuanchang, aged 53, Chairperson of the Supervisory Committee and a staff representative supervisor of the Company, is a senior engineer graduated from Nanjing Institute of Technology (南京工業學院). Mr. Huang holds a master's degree of administration from Beihang University and has more than 30 years of management and technical support experience in China's aviation industry. From August 1983 to October 2000, Mr. Huang served as the Deputy Head and Head of the Machine Room, the Head of Operation Room, the Head of Production Management Department, assistant to the General Manager and the Deputy General Manager of China Civil Aviation Computer Center (中國民航計算機中心), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). Mr. Huang served as an executive director of the first session of the Board of the Company from October 2000 to December 2003. Mr. Huang served as a vice general manager of the Company from October 2000 to November 2006. From August 2007 to August 2008, Mr. Huang was the General Manager of the Marketing and Research & Development Department of China TravelSky Holding Company, a promoter of the Company. From September 2008 to January 2015, Mr. Huang acted as a vice general manager of the Company. He has become the chairperson of the labour union of the Company since January 2015. Since March 2015, he has become a staff representative supervisor and the chairperson of the fifth session of the Supervisory Committee of the Company.

Mr. Xiao Wei, aged 46, a staff representative supervisor of the Company, graduated as a postgraduate from Beihang University with a master's degree in engineering. Mr. Xiao joined China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), in April 1995. From October 2000 (when the Company was established) to October 2008, Mr. Xiao served as a general manager of Shenyang Civil Aviation Cares of Northeast China, Ltd., a subsidiary of the Company, and Deputy Director and Director of the Community Union Working Department of the Company. Mr. Xiao has been working as Office Manager to the Disciplinary Committee (Supervision) of the Company since October 2008. Since March 2010, Mr. Xiao served as a staff representative supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Mr. Xiao has been re-appointed as a staff representative supervisor of the fifth session of the Supervisory Committee of the Company. Currently, Mr. Xiao is also a supervisor of TravelSky Technology Huadong Data Center Limited, Beijing TravelSky Birun Technology Co., Ltd., Cares Hubei Co., Ltd., Civil Aviation Cares Technology of Xi'an Ltd. and InfoSky Technology Co., Ltd., all of which are subsidiaries of the Company.

Ms. Zeng Yiwei, aged 44, a supervisor of the Company, graduated from Xiamen University with a master's degree and is a senior accountant. Since 1993, Ms. Zeng has been working as the deputy manager and manager of the Finance Division of the Finance and Accounting Department and deputy general manager of the Finance and Accounting Department of Xiamen Airlines (廈門航空有限公司). She has been promoted to be the general manager of the Finance and Accounting Department of Xiamen Airlines since September 2010 and she also has been promoted to be deputy chief financial director since August 2015. Since March 2010, Ms. Zeng served as a supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Ms. Zeng has been re-appointed as a supervisor of the fifth session of the Supervisory Committee of the Company.



Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. He Haiyan, aged 53, graduated from Lanzhou University, majoring in nuclear physics. Mr. He has extensive technological research and development and management experience in IT industry. From July 1982 to October 1992, Mr. He was a lecturer in Lanzhou University. From November 1992 to July 1994, Mr. He visited and studied at GSI Helmholtz Centre for Heavy Ion Research (德國國立重粒子研究所). From August 1994 to December 1994, Mr. He worked at the computer centre of Hainan Provincial Airlines Co., Ltd. (海南省航空公司). From December 1994 to June 2000, Mr. He served as the department manager and then the general manager of Hainan Phoenix Information System Co., Ltd. (海南鳳凰信息系統有限公司). From July 2004 to September 2007, Mr. He served as the general manager of Information Planning and Management Department of HNA Group Co., Ltd. (海航集團有限公司), and from November 2006 to January 2010, he served as the general manager of Hainan Baicheng Systems Co., Ltd. (海南百成信息系統有限公司). From October 2000 to November 2012, Mr. He successively served as the deputy general manager, general manager, president and chairman of HNA Systems Co., Ltd. (海南海航航空信息系統有限公司). Mr. He has served as the general manager of the Information Management Department of HNA Airlines Holding Co., Ltd. (海航航空控股有限公司) since November 2012. Mr. He has served as a supervisor of the fifth session of the Supervisory Committee of the Company since June 2013.

Mr. Rao Geping, aged 68, an independent supervisor of the Company, is a professor and doctorate tutor of the Law School of Peking University, the head of the Hong Kong and Macau Research Center and the head of Hong Kong, Macau and Taiwan Law Research Center in Peking University, a member of the Chinese People's Political Consultative Conference and a member of the Committee for the Basic Law of Hong Kong Special Administrative Region of the Standing Committee of the National People's Congress of the PRC. Mr. Rao specialises in areas such as laws of Hong Kong, Macau and Taiwan as well as international law. Mr. Rao served as an independent director of CITIC Securities Company Limited (Hong Kong Stock Exchange stock code: 06030, Shanghai Stock Exchange stock code: 600030) and now acts as a non-employee supervisor of CITIC Securities Company Limited. Since December 2003, Mr. Rao served as an independent supervisor of the second session of the Supervisory Committee of the Company and was re-appointed as an independent supervisor of the third session of the Supervisory Committee in January 2007. Since March 2010, Mr. Rao was re-appointed as an independent supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Mr. Rao has been re-appointed as an independent supervisor of the fifth session of the Supervisory Committee of the Company.

**Biographies of Directors, Supervisors, Senior Management and Company Secretary**

(as of the issue date of this report)

SENIOR MANAGEMENT

Mr. Rong Gang, aged 53, a vice general manager of the Company, is a professor-grade senior engineer. He graduated from Chongqing University and holds a master's degree in business administration from Guanghua School of Management, Peking University. He has over 30 years of management experience in China's civil aviation industry. From August 1983 to May 1996, Mr. Rong worked in Civil Aviation Computer Information Centre (民航計算機信息中心), the predecessor of China TravelSky Holding Company (one of the promoters of the Company). From May 1996 to May 1999, he worked in General Administration of Civil Aviation of China (中國民用航空總局). From May 1999 to September 2002, Mr. Rong served as the Vice President and secretary of the disciplinary committee of Civil Aviation Computer Information Centre. He was a deputy general manager of China TravelSky Holding Company, a promoter of the Company, from September 2002 to June 2008. From October 2000 to March 2009, Mr. Rong acted as a non-executive director of the Company. He also served as a member of the Company's Strategic Committee from March 2004 to March 2009. Mr. Rong has been a vice general manager of the Company since December 2008.

Mr. Wang Wei, aged 55, a vice general manager of the Company, is a senior engineer. He graduated from Tsinghua University and holds a master's degree in business administration from the China Europe International Business School. From July 1993 to April 2002, he served as a deputy general manager of the Beijing branch of China Aviation Supplies Import and Export Corporation (中國航空器材進出口總公司北京分公司). He was the assistant to the general manager of China Aviation Supplies Import and Export Corporation from April 2002 to September 2002. From September 2002 to March 2008, Mr. Wang served as deputy general manager of China Aviation Supplies Import and Export Group Corporation (中國航空器材進出口集團公司). From March 2008 to June 2008, he served as a deputy general manager of China TravelSky Holding Company, a promoter of the Company. Mr. Wang has been a vice general manager of the Company since December 2008.



Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

Mr. Sun Yongtao, aged 58, a vice general manager and the Chief Financial Officer of the Company, is a senior accountant. He graduated as a postgraduate from Nankai University and holds a master's degree in economics. From May 1988 to July 1993, he was the Chief Accountant of Shenzhen Century Plaza Hotel Company Limited (深圳新都酒店股份有限公司). From July 1993 to January 1996, he was a director and General Manager of Finance Department of Shum Yip Investment Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, now known as Shenzhen Investment Limited). From January 1996 to February 2002, he served as the Financial Controller, the Deputy General Manager (General Affairs) and a director of Hengli Weaving (Holdings) Limited (香港恒力紡織(集團)有限公司). He was the Deputy General Manager and the Financial Controller of Daya Bay Nuclear Power Finance Corporation, Ltd. (大亞灣核電財務有限責任公司) from February 2002 to November 2004. Mr. Sun was the Chief Accountant of China TravelSky Holding Company, a promoter of the Company, from November 2004 to June 2008. From March 2008 to May 2008, Mr. Sun served as the acting chairman of the Company. From January 2007 to March 2009, Mr. Sun served as a non-executive director of the Company and a member of the Remuneration and Evaluation Committee. Mr. Sun has been a vice general manager of the Company since December 2008 and the Chief Financial Officer of the Company since March 2010.

Mr. Zhu Xiaoxing, aged 51, a vice general manager of the Company, graduated from Jilin University majoring in computer software and was awarded an Executive Master degree of Business Administration (EMBA) by Tsinghua University. Mr. Zhu has nearly 30 years of experience in management and technical support in China's civil aviation industry. Mr. Zhu held positions including Division Head of the System Division, the Deputy Head and Head of the Operation Department and Head of the Customer Service Department of China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), from August 1987 to October 2000. From October 2000 to August 2004, Mr. Zhu was successively the General Manager of the Operation Department, the Customer Service Department and the Technical Management Department of the Company. From August 2004 to August 2008, Mr. Zhu served as the General Manager of the Company. From October 2004 to March 2009, he served as an executive director of the Company. Mr. Zhu has been a vice general manager of the Company since August 2008.



Biographies of Directors, Supervisors, Senior Management and Company Secretary

(as of the issue date of this report)

COMPANY SECRETARY

Mr. Yu Xiaochun, aged 48, the company secretary of the Company (Secretary to the Board), received a bachelor's degree from Beihang University majoring in management engineering and obtained a master's degree in management from Beihang University in 2002. Since joining China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company (one of the promoters of the Company), in July 1989, Mr. Yu has nearly 30 years of experience in China's civil aviation industry. Mr. Yu was the deputy director of the marketing department of China Civil Aviation Computer Information Center from July 1999 to October 2000. From October 2000 (when the Company was established) to December 2002, he held various positions in the Company such as the deputy director of the Marketing Department, the general manager of the DCS Department (離港部) and the deputy general manager of the Marketing Department. From December 2002 to July 2009, Mr. Yu was the general manager of the planning and development department of China TravelSky Holding Company, a promoter of the Company. From July 2009 to March 2013, he was the head of the Planning and Development Department of the Company. Mr. Yu served as a joint company secretary and secretary to the Board of the Company since March 2010. Mr. Yu has served as the company secretary and secretary to the Board of the Company since June 2013.