中国航信 TravelSky

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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

RESULTS HIGHLIGHTS

- Total revenue amounted to approximately RMB6,223.2 million, representing an increase of approximately 13.7% over Year 2015
- Profit attributable to equity holders of the Company was approximately RMB2,421.1 million, representing an increase of approximately 26.5% over Year 2015
- Earnings per share was RMB0.83
- The Board recommended the distribution of a final cash dividend of RMB0.222 per share for Year 2016

The board of directors (the "**Board**") of TravelSky Technology Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") for the year ended December 31, 2016 ("**Year 2016**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

	Note	2016 RMB'000	2015 RMB'000
Profit after taxation attributable to			
Owner of the Parent		**2,421,114**	1,914,362
Non-controlling interests		**64,487**	59,217
		2,485,601	1,973,579
Total comprehensive income attributable to			
Owner of the Parent		**2,420,499**	1,921,349
Non-controlling interests		**64,487**	59,217
		2,484,986	1,980,566
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	*6*	**0.83**	0.65
Cash dividends	*7*	**649,619**	485,751

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2016
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	**2016** *RMB'000*	2015 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment, net		**3,401,218**	2,741,925
Lease prepayment for land use right, net		**1,755,842**	1,808,574
Intangible assets, net		**423,583**	249,346
Goodwill		**141,466**	4,426
Investments in associated companies		**209,623**	198,256
Deferred income tax assets		**134,095**	78,771
Other long-term assets		**48,555**	88,650
Available-for-sale financial assets		**1,180,000**	–
Deposits with banks with original maturity date over three months		**320,174**	220,105
Restricted bank deposits		**5,893**	129,856
		7,620,449	5,519,909
Current assets			
Inventories		**36,967**	33,824
Trade receivables, net	*8*	**1,096,241**	817,345
Due from related parties, net		**2,518,302**	2,491,953
Due from associated companies		**31,663**	16,890
Income tax recoverable		**1,399**	479
Prepayments and other current assets		**608,703**	539,682
Held-to-maturity financial assets		**840,000**	1,690,000
Deposits with banks with original maturity date over three months		**1,582,336**	1,348,689
Restricted bank deposits		**462,470**	169,763
Cash and cash equivalents		**3,332,134**	2,242,661
		10,510,215	9,351,286
Total assets		**18,130,664**	14,871,195

	Note	2016 RMB'000	2015 RMB'000
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital		**2,926,209**	2,926,209
Reserves		**4,002,547**	3,641,176
Retained earnings		**6,856,345**	5,282,968
		13,785,101	11,850,353
Non-controlling interests		**379,809**	330,732
Total equity		**14,164,910**	12,181,085
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**35,087**	23,694
Deferred revenue		**10,045**	4,795
		45,132	28,489
Current liabilities			
Trade payables and accrued liabilities	*9*	**3,503,630**	2,354,742
Due to related parties		**136,123**	151,392
Income tax payable		**249,099**	126,645
Deferred revenue		**31,770**	28,842
		3,920,622	2,661,621
Total liabilities		**3,965,754**	2,690,110
Total equity and liabilities		**18,130,664**	14,871,195
Net current assets		**6,589,593**	6,689,665
Total assets less current liabilities		**14,210,042**	12,209,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

2 ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended standards adopted by the Group

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

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

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

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

New and revised IFRSs issued but not yet effective

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

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

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

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

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

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

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

3. REVENUE

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

4. PROFIT BEFORE TAXATION

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

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

5. TAXATION

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

Taxation of the Group except for TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd., TravelSky R&D USA, INC., TravelSky Technology (Taiwan) Limited, TravelSky Technology Australia Pty. Ltd., OpenJaw Technologies Limited, OpenJaw Technologies Iberica S.L., OpenJaw Technologies Polska Sp. Z.O.O. and OpenJaw Technologies AsiaPac Ltd is provided based on the tax laws and regulations applicable to the PRC enterprises. The Group provides for the PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation 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 the "High and New Technology Enterprise", and was entitled to the preferential corporate income tax rate of 15% from Year 2014 to Year 2016 as a "High and New Technology Enterprise".

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

Pursuant to the notice of the Cai Shui 2016 No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Industry and Information Technology of the People's Republic of China on May 4, 2016, the Company has applied for a preferential tax rate of 10% regarding to the "Important Software Enterprise" to the relevant authority. If the application is approved, the Company will enjoy a preferential tax rate of 10% for Year 2015, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% will be reflected in the profit or loss account of the enterprise when it is refunded.

As at November 9, 2016, the Company has obtained the approval from the relevant authorities certified as "Important Software Enterprise" under the National Planning Layout for Year 2015. Thus the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% was refunded and reflected in the profit or loss account in Year 2016.

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

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

6. EARNINGS PER SHARE

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

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

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

7. DIVIDENDS DISTRIBUTION

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

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

8. TRADE RECEIVABLES, NET

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

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

9. TRADE PAYABLES AND ACCRUED LIABILITIES

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

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

10. BUSINESS COMBINATIONS

Acquisition of subsidiaries in the current year

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

The acquisition was accounted for using the purchase method.

Net assets acquired in the transaction are as follows:

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

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

Note:

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

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

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

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

12. SEGMENT REPORTING

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

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

2016 BUSINESS REVIEW

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

AVIATION INFORMATION TECHNOLOGY SERVICES

The aviation information technology ("**AIT**") services offered by the Company, which consist of a series of products and solutions, are provided to 38 commercial airlines in the PRC and more than 350 foreign and regional commercial airlines. The AIT services comprised electronic travel distribution ("**ETD**") services (including Inventory Control System ("**ICS**") services and Computer Reservation System ("**CRS**") services) and Airport Passenger Processing ("**APP**") services, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product services for supporting aviation alliances, solutions for developing e-tickets and e-commerce, data services for supporting decision-making of commercial airlines as well as information management system for improvement of ground operational efficiency.

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

In 2016, the Company further aligned the research and development focus with the industrial trend and customers' demand and continued to enhance its aviation-related information technology services and its extended services, with an aim to fulfill the demand of commercial airlines for the information technology solutions on travel convenience, e-commerce, auxiliary services and international services. As a strategic partner of the Fast Travel project of IATA, the Company's has self-developed the self-help product series, which were in compliance with the IATA standards. Our self-help luggage processing system has already been brought into operation in 17 domestic and overseas airport sites of 7 domestic and regional commercial airlines. The commonly used self-service check-in system (CUSS) has been launched in 142 major domestic and international airports, and the online check-in service has been applied in 267 airports at home and abroad. Such products and services, together with the mobile check-in service and SMS check-in service, processed a total of approximately 176.8 million departing passengers. The number of users of our self-developed mobile application, "Umetrip", has reached over 30 million, and covered new functions such as ticket control, inflight meal selection, general forecast and pick-up services. In collaboration with more than 100 domestic airports, our application expedited the clearance procedure by making it easier and faster. The Company was among the first companies in the world to be awarded the highest level of IATA New Distribution Capability (NDC) certification – Level 3, participated in the relevant work of the NDC International Standard Management Working Group (Passenger Distribution Management Group) and continued to optimize the e-commerce products such as Carriers Direct Platform (CDP), B2C e-commerce solutions (Travel Retail Platform) and E-Build platform, which were all in compliance with IATA New Distribution Capability (NDC). The sales solutions for auxiliary services for commercial airlines (the "**Easy add value**" (增值易) product platform) assisted more than 10 large-to-medium scale commercial airlines in expanding the auxiliary service business, among which the Electronic Miscellaneous Document (EMD) for on-spot baggage system covered the self-owned counters of domestic large-scale commercial airlines in more than 60 domestic and overseas airports. In 2016, the Company continued to work closely with airline alliance and supported the implementation of projects such as SkyTeam Rebooking (天合聯盟旅客保護).

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

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

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

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

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

The Group's travel service distribution network comprises more than 70,000 sales terminals owned by more than 8,000 travel agencies and travel service distributors, with high-level networking and direct links to all Global Distribution Systems ("**GDSs**") around the world and 137 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localized services to travel agencies and travel service distributors through more than 40 local distribution centres across China and 9 overseas distribution centres across Asia, Europe, North America and Australia. The network processed over 422.4 million transactions during 2016 with its transaction amount reaching RMB424.8 billion.

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

AIRPORT INFORMATION TECHNOLOGY SERVICES

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

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

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

PUBLIC INFORMATION TECHNOLOGY SERVICES

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

INFRASTRUCTURE

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

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

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

Net Cash Flows and Liquidity

The Group's working capital for Year 2016 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB3,645.4 million.

As at December 31, 2016 the Group had no short-term and long-term bank loans, neither did the Group use any financial instruments for hedging purpose.

As at December 31, 2016, cash and cash equivalents of the Group amounted to RMB3,332.1 million, of which approximately 90.5%, 7.6% and 0.5% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

Held-To-Maturity Financial Assets

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

Charge on Assets

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

Restricted Bank Deposits

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

Government Grants

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

Capital Expenditure

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

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

New Operating Centre in Beijing

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

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

Main Investments

– *Overseas Acquisition – Acquisition of OpenJaw*

  TravelSky Technology (Singapore) Limited, a subsidiary of the Company, acquired 100% equity interest in OpenJaw Technologies Inc. ("**OpenJaw**") on May 5, 2016 (Eastern Canada Time), at a price of approximately US$39.4 million. OpenJaw is a company incorporated under the laws of Ireland, and it is mainly engaged in the provision of services in relation to the travel technologies and products. Its principal business is related to the principal business of the Company. For details, please refer to the Company's announcements dated April 6, 2016 and May 6, 2016 and Note 10 of the notes to the consolidated financial statements in this announcement.

– *Discloseable Transactions – Formation of Two Joint Ventures*

On May 20, 2016, the Company entered into share subscription agreements separately in relation to the formation of two joint ventures, namely China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**") and China Merchants RenHe Property and Casualty Insurance Company Limited ("**CMRH P&C**"). The registered capital of CMRH Life and CMRH P&C are both RMB5 billion, which will be contributed by the shareholders of each of the two joint ventures in cash. The Company will contribute RMB875 million to each of CMRH Life and CMRH P&C and will hold 17.5% equity interest in each of CMRH Life and CMRH P&C upon completion of the transactions. The formation of these joint ventures is conditional upon obtaining the approval by regulatory authorities and the completion of other applicable approval procedures. As at December 31, 2016, the application for establishment preparation of CMRH P&C were in progress. The approval for establishment preparation of CMRH Life had been obtained from regulatory authorities and the establishment work and the application for commencement of business were under preparation. The Company will make capital contribution in accordance with the relevant terms under the share subscription agreement. For details, please refer to the Company's announcement dated May 20, 2016 and Note 11 of the notes to the consolidated financial statements in this announcement.

Exchange Risk

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

Gearing Ratio

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

Contingent Liabilities

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

Employees

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

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

In 2007, the Group implemented a corporate annuity scheme (or "**supplementary pension plan**") in accordance with relevant policies of the PRC. According to the corporate annuity scheme, the Group is required to make provision for monthly corporate annuity fees with reference to the total actual salary each month in the previous year and the ratio approved by the relevant authorities of the PRC. It also needs to deposit the annuities in the custody account of corporate annuity fund opened by its custodian. In Year 2016, the aggregate corporate annuity expenses of the Group amounted to approximately RMB32.7 million (Year 2015: RMB38.9 million).

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

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

Distribution of Profit

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

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

(ii) appropriation to the statutory surplus reserve fund;

(iii) appropriation to the discretionary surplus reserve fund;

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

The appropriation of 10% of its net profit to the discretionary surplus reserve fund for the year ended December 31, 2015 was approved at the annual general meeting held on June 16, 2016. The amount was accounted for in shareholder's equity as a distribution of retained earnings for Year 2016.

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

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2016

On March 29, 2017, the Board proposed the distribution of a final cash dividend of RMB649.6 million, which represented RMB0.222 per share (tax inclusive) for Year 2016 ("**Dividend**") as calculated based on the total number of shares in issue of the Company of 2,926,209,589 shares as at the date of this announcement subject to further adjustment (if any). Upon distribution of the above Dividend, the distributable profit as at December 31, 2016 is approximately RMB4,510.3 million (as at December 31, 2015: RMB3,513.3 million).

The Company will submit the above Dividend distribution proposal to the AGM. If such proposal is approved at the AGM, the Dividend for Year 2016 is expected to be paid on or before September 30, 2017. The date of the AGM has not been fixed, and detailed arrangements in relation to the AGM (including the date and book closure period) will be disclosed by the Company in due course. Further, upon conclusion of the AGM, the Company will publish an announcement on the matters related to the Dividend, including, among other things, the amount of Dividend per share in Hong Kong dollar, book closure period, ex-date, dividend payment date and dividend tax.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

CORPORATE GOVERNANCE PRACTICE

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

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

In 2016, the Company fully complied with the Code Provisions.

2017 OUTLOOK

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

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

ONLINE PUBLICATION OF ANNUAL RESULTS

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

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

Beijing, PRC
March 29, 2017

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

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