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 : 0696)

CONTENTS

CORPORATE PROFILE

TravelSky Technology Limited (the "**Company**", or including 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 and 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, 2013, 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 (Taiwan) Limited, Beijing TravelSky 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. and Aviation Cares of Southwest Chengdu, Ltd.. 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 and Guangzhou Airport AirSpan Information Technology Co., Ltd..

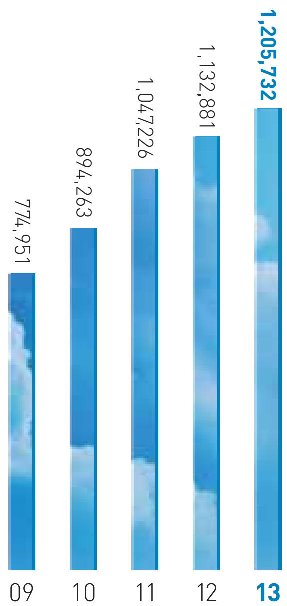
The Group had 5,939 employees as of December 31, 2013.

The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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.

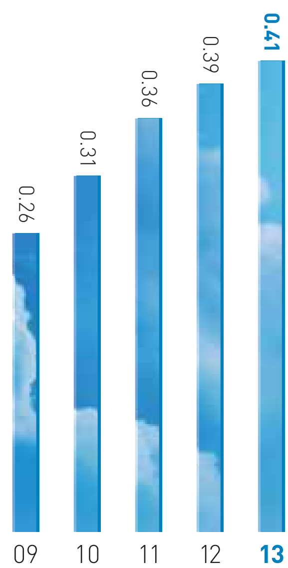
The Company established a Sponsored Level I American Depositary Receipt Programme. American depositary shares under the programme commenced trading on the U.S. over-the-counter market (OTC) on December 27, 2002.

FINANCIAL HIGHLIGHTS

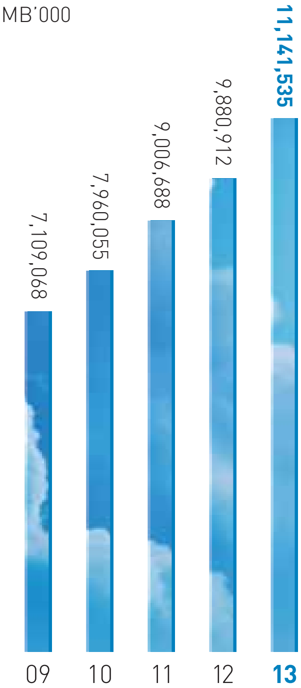
Profit Attributable to Owner of the Parent
RMB'000



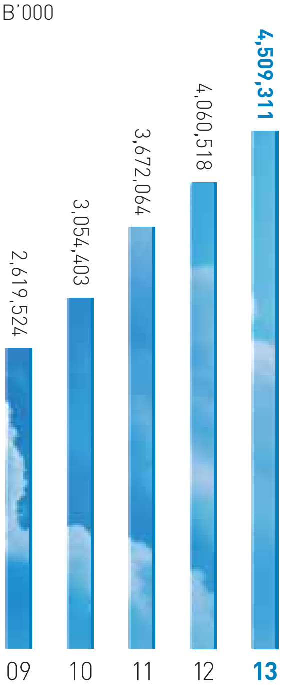
Earnings Per Share (Basic and Diluted)
RMB



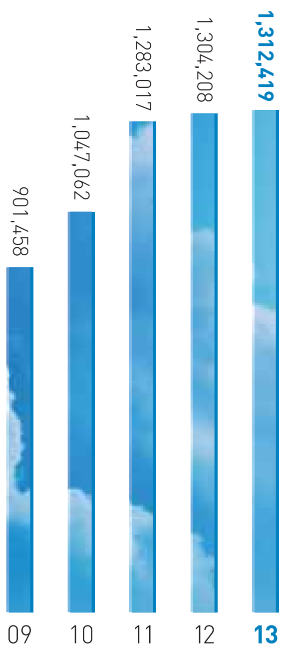
Total Assets
RMB'000



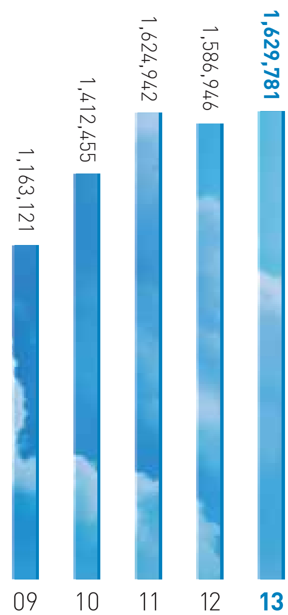
Revenues
RMB'000



Profit before Taxation
RMB'000



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



Note:
1. The financial figures for the year 2009 have been adjusted, as if ACCA had been acquired at the earliest period presented.
2. 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, 2013.
3. The financial statements for the years from 2009 to 2010 have been adjusted due to changes in accounting policies in 2011.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

In 2013, facing the complicated and ever-changing market conditions, the Group prudently assessed the situation and adhered to its core goal of "becoming one of the world's first-class comprehensive information service enterprises". Driven by reforms and innovations, the Group made steady progress in safe production, business development, management enhancement, system research and development, construction of infrastructure etc, delivering continued growth in its operating results.

2014 is a year to make progress for the 12th Five-Year Plan of the Group. It is commonly considered that with the recovery of the global economy albeit its slow pace and the steady progress to be made in China's economy while stability is to be maintained, the fundamental trend of such sound and stable development is anticipated to continue. Additionally, China's advocated "**focused development of emerging strategic industries**", "**development of modern industry of information technology**" and "**initiatives to prompt consumption on information industry**", and its designation of Year 2014 as "**China's Year of Smart Travelling**", has expedited the integrated development of tourism and information technology and will bring enormous opportunities to the development of information technology industry and high-end information service industry, which in turn will lay a solid market foundation for the growth of the Group's existing businesses as well as the exploration of new businesses. Nevertheless, the Group will encounter unprecedented challenges. Under the prevalence of fluctuating oil prices and exchange rates and the persistent impact on the civil aviation industry as the high-speed rail (HSR) network gradually takes shape, commercial airlines are facing more fierce competition from domestic and foreign competitors. Low-cost airlines are emerging in China, and general aviation is poised to blossom, which in turn will contribute to the change in demand for information technology solutions and the relevant service upgrades. Further, the growing call for opening of the GDS market, the fast and sound technological advancement, the ever-emerging business models and the fast-changing competition across industries have further made it more urgent for innovations of technologies as well as business models. All these are pointing to the needs for the Group's adaptation to the new trend, which features market forces and international development, in terms of its concepts of operation, systems and mechanisms, technological capability and service capability.

As such, in 2014, the Group will embrace its goal of "**becoming one of the world's first-class comprehensive information service enterprises**" by pushing ahead amidst difficulties, following the general trend, liberating thoughts, intensifying reforms, promoting development while remaining conservative, thereby further enhancing the quality of development and capability. Firstly, the Group will perfect the research and development management mechanism of its new-generation aviation passenger information service system, by strengthening the leadership, organizational management, technological management, coordination and planning, scientific assessment and allocation of responsibilities, to ensure high efficiency in research and development, orderly implementation of the same, thereby boosting the capability of technological innovations. Secondly, the Group will reform its mechanism of operations management, improve the decision-making process and its efficiency, foster the setting-up of its parent-subsidiary company system, perfect the management of relevant authorized operations and system of classified assessment, renovation in terms of running of new trial businesses in the form of companies and mixed ownership, thereby raising operating efficiency. Thirdly, the Group will expedite the deployment of resources, carry on with the establishment of its domestic system of operations as well as its system for research and development both in China and overseas, expedite the establishment of relevant major construction projects, strengthen project leadership, enhance the competence of professional teams, achieve allocation of responsibilities, prepare for subsequent commencement of production and utilization, thereby laying a solid foundation for sustainable development. Fourthly, the Group will gain pace in its market development by keeping abreast of customer needs and competitive landscape, thinking "out-of-the-box", focusing on the research of a mechanism that encourages market development and product improvement, forming workable solutions, innovating upon business models and service models, and boosting business development capabilities. Fifthly, the Group will step up its efforts in the recruitment and assessment of human resources and relevant incentive mechanisms, establish mechanisms for selecting and hiring people in a market-based approach, enhance the soundness of training and internal flow and promotion of human resources, perfect its position-performance-based remuneration system, examine multiple approaches to equity-based incentive schemes, thereby motivating all of its staff members.

Finally, 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 our management and staff for their collective efforts. Given the ambitious endeavours of our management and staff and the dedicated joint efforts from shareholders, investors, directors and supervisors, I believe the Group will move forward towards the goal of becoming one of the world's first-class comprehensive information service enterprises, better serve its customers, and create greater value.

Xu Qiang
Chairman

March 24, 2014

BUSINESS REVIEW

Xiao Yinhong
Executive Director and General Manager

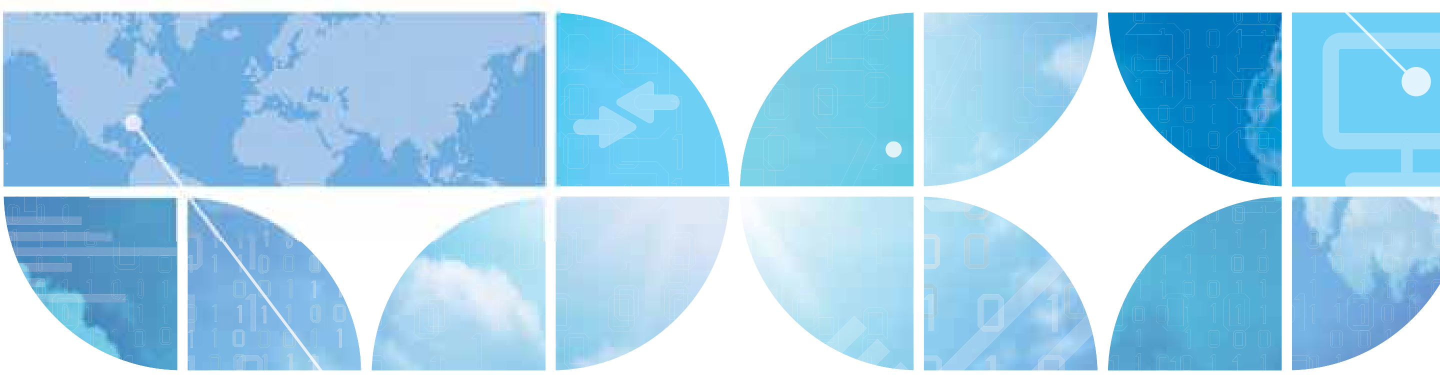
As the leading provider of information technology solutions for China's aviation and travel industry, the Company stands at a core tache along the value chain of China's aviation and travel service distribution. The Company has been devoted to serving the needs of all industry participants ranging from commercial airlines, airports, travel products and services providers, travel agencies, travel service distributors, 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 three decades of tenacious development, the Company 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 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 Company, which consist of a series of products and solutions, are provided to the PRC commercial airlines and more than 300 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.

In 2013, benefiting from the mild recovery of the global economy, the stable and improved economy of China, and the stabilized and accelerated development of the air transportation industry in China, the Group's electronic travel distribution (ETD) system processed approximately 385.6 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 11.1% over the same period in 2012. Among which, the processed flight bookings on commercial airlines in China increased by approximately 10.7%, while those on foreign and regional commercial airlines increased by approximately 19.3%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Company reached 113, with sales percentage through direct links exceeding 99.8%. In 2013, apart from the adoption of our App services by all major domestic commercial airlines in the PRC, more foreign and regional commercial airlines were using the Company's APP system services, multihost connecting program service and the Angel Cue platform connecting services, resulting in the increase of the number of such users to 93, with approximately 8.1 million of passenger departures processed in 60 airports.

In 2013, the Group 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 traveler services, auxiliary services, e-commerce and international services. As a strategic partner of the Fast Travel project of IATA, the Company completed, as scheduled, the implementation of projects which are compliant with IATA standards, including self-service baggage processing, self-service endorsement etc, and continued to support the leading position of commercial airlines in terms of the industry standards in IATA's Fast Travel area. The "monitoring and management approach of the kiosk and self-service system", as well as "the mobile check-in information subscription system and approach" have both obtained national technology invention patent. The commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 95 major domestic and international airports, and the online check-in service has been applied in 142 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 61.9 million departing passengers. Sales support for auxiliary service, based on the Electronic Miscellaneous Document (EMD) system, was also applied in 14 domestic and regional commercial airlines. The Company also implemented the EMD-based applications for fee-charging including re-scheduling of air tickets, overweight baggage, prepaid baggage and seat selection. It has also built a firm technological foundation for the supporting service business of commercial airlines; and the auxiliary income system for supporting commercial airlines in their refined channel management (NewSky) has already been in use in 15 commercial airlines. The Company provided E-Build (an e-commerce supporting platform) product or relevant overall solutions to 27 commercial e-commerce websites owned by 15 commercial airlines, including the launch of the international B2C and B2B websites in regional or overseas markets for 6 domestic and



BUSINESS REVIEW

regional commercial airlines including China Eastern Airlines Corporation Limited and Hong Kong Airlines Ltd. The Company also continued to technologically support 6 China-based commercial airlines joining the aviation alliances in their efforts of lining up with the ever-changing international standards set by the respective aviation alliances.

In 2013, based on the general principles of self-design and group innovation, the new-generation aviation passenger service system ("**New Generation System**") entered a stage of full-scale R&D, stressing the combination of technological advancement, customer participation and industry cooperation. Applying new products and new technologies, addressing urgent customer needs and in a modular approach, the Group gradually launched key products and functions, including graphic front-end (Airline GUI) for airline business and load planning (LDP GUI), high performance Seamless Server which can support O&D revenue management, graphic-based automatic flight schedule manager, revenue integrity tools for groups, the EMD-based applications for fee-charging including re-scheduling of air tickets and prepaid baggage, and reaccommodation of flight and travelers.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

The Company provided accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation corporations through Accounting Centre of China Aviation Limited Company (中國航空結算有限責任公司) ("**ACCA**"), a wholly-owned subsidiary of the Company. As the downstream businesses of the Company's principal activities in air travel service distribution and sales, the above businesses strengthened the Company'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 2013, there were approximately 624.3 million transactions and approximately 267.5 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 USD6.5 billion, and e-payment transaction amounted to approximately RMB4.5 billion.

In 2013, the Group continued to consolidate its existing market of accounting, settlement and clearing services and stepped up its efforts in market promotion and system research and development. During the year, 3 commercial airlines including Zhejiang Changlong Airlines Limited and Yunnan Yingan Airlines Co., Ltd., as well as 7 new airport customers with new international routes including Shanghai Pudong Airport and Guizhou Airport Group were added. The Group was also the successful bidder of the e-commerce accounting and settlement management platform project of Air China Limited, providing the newly-launched sales auditing services to it as well as China Southern Airlines Company Limited. As scheduled, the Group also forged ahead with the project of new-generation revenue management system for international passengers in Singapore Airlines Limited (International Passenger Revenue Accounting System, or IPRA) and the project of IATA's global New Generation BSP Data Processing System. As a working team member for IATA's Simplified Interline Settlement (SIS), the Company has helped 7 domestic commercial airlines including China Eastern Airlines Corporation Limited and 3 overseas and regional commercial airlines including Singapore Airlines Limited and Air Macau to bring SIS system into operation, and promoted and implemented Universal Air Travel Plan (UATP)'s weekly clearing, thereby expediting the pace of clearing of funds. The self-developed agency bills online payment (BOP) business has put in place a newly-launched BOP credit facilities product, which has significantly simplified the procedures for purchase of BSP bills by agents, thereby enhancing its operational efficiency.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

The Group's travel service distribution network comprises nearly 60,000 sales terminals owned by more than 7,000 travel agencies and travel service distributors, with high-level networking and direct links to all GDS around the world and 113 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 centers across China and 7 overseas distribution centers across Asia, Europe and North America. The network processed over 303.7 million transactions during 2013 with its transaction amount up to RMB323.3 billion.

In 2013, the Group continued its effort in the optimization and promotion of the product lines for distribution information technology services. Taking the online distribution interface product (IBE+) as the core, the Group built a new-generation distribution platform, establishing a full process for the distribution of tickets focusing on ticket sales and covering price quotation, booking, ticketing, return and re-scheduling, itinerary services etc, aiming to satisfy agencies' needs for online distribution business and extended traveler service. The Group also launched new products including Mobile Business Travel Solution (差旅移動) and Front-end Mobile (前端移動), developed new functions including itinerary printing of international flight tickets, online booking tools (OBT) carbon emission statistics, which have enriched the offering covered by the fare of international flights, continued to optimize the Key Account In-House service system and gradually established a strategic customer service system, so as to strengthen the support for customer services.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2013, the Group pursued greater efforts in the development of airport information technology service product lines and grasped the opportunities presented by the construction of information systems during the redevelopment and expansion of airports. By integrating marketing, function expansion, and provision of one-stop solutions, the Group endeavoured to undergo its marketing and incubation of demand. The Airport Message Broker (AMB) platform has been promoted to 7 airports including Tonghua Airport and Yiwu Airport, whereas a series of newly-developed products, products of mobile airport operation data monitoring system, have been promoted to 2 airports including Yanji Airport. In addition, products of self-service boarding services have been promoted to 3 airports including Beijing Capital Airport, Guangzhou Airport and Shenzhen Airport, and the Airport Shared Connectivity and Infrastructure Integration (ASCII) system has been promoted to 2 airports including Shenyang Airport and Nanjing Airport. 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 106 overseas or regional airports, processing approximately 20.5 million passenger departures, and accounting for approximately 84.3% 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 8 airports including Huangping Airport and Xiangyang Airport.

BUSINESS REVIEW

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2013, apart from optimizing the existing customer system support services, the Group endeavored to promote the air freight logistics information technology services to the market. It successfully implemented the cargo shipping system of Air China Cargo Co., Ltd, won the bidding of the project of cargo shipping system of China Cargo Airlines Ltd., connected 37 medium to large-sized air cargo terminals with its air logistics information platform, and provided data service for 15 domestic and international commercial airlines including Alitalia. In 2013, the system handled approximately 13.6 million air freight bills, an increase of 33.3% from the corresponding period in 2012.

TRAVEL PRODUCT DISTRIBUTION SERVICES

In 2013, the Group further stepped up its efforts in the construction of its hotel informationisation platform, striving for the flawless flow of information among upstream hotels, hotel suppliers and downstream hotel distributors and users. The products under research and development covered hotel information sources, aviation and non-aviation agency front-end products, travel agency products and trading platform etc.. It successfully forged direct communication in terms of information with various domestic and overseas leading hotel groups and suppliers, and created the distribution platform for international hotel and car-renting, thereby connecting and distributing the inventory of Travelport, Intercontinental, Mariott and Hertz car rental. The Group has basically established its system of hotel and travelling products, and expanded the sales channels for its hotel products. Meanwhile, as competitors stepped up their promotional efforts which gave rise to keener market competition, the Group distributed 990,300 hotel's room-nights through its hotel distribution platform-Sohoto.com during the year, representing a decrease of approximately 30.5% as compared with the corresponding period in 2012.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2013, leveraging upon the opportunities presented by China's advocated development of strategic and new information service industry, the Group conducted in-depth research of the policies and trends of the industry, and continued to expedite the construction of a public information technology services platform, with a view to creating a community-wide public information service brand with its continued exploration of customer base and service sectors with a focus on governmental authorities and central enterprises. The Group continued to provide outsourced entrustment services of information centers to China Galaxy Securities Company Limited, the information centre under the Ministry of Civil Affairs, SASAC Training Centre, China National Pharmaceutical Group Corporation, and won the bidding for the integration service in respect of electronic passports from the Department of Consular Affairs under the Ministry of Foreign Affairs of China, information system cloud service for the Central Government Procurement Center, operation and maintenance services for the clearing center of Civil Aviation Administration of China, and the information consulting project for China Southern Power Grid Guizhou Company. The self-developed Cloud Data Replication (CDR), and Travel Cloud (TCD) products have been adopted by various customers.

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.

Accordingly, in 2013, the Group expedited its technological advancement, "system configuration intelligence management system and its management approach", "a firewall-penetrable approach" have obtained a national technology invention patent; and implemented technological innovation by expanding the mainframe system, and optimization of the application and implementation of departure system, localization of system/network facilities/technology, and centralized monitoring of data center. It also expedited the layout of production resources, and carried on with the construction of the Beijing Shunyi New Operating Centre. Further, the Group strengthened production safety, optimized safe production management system, strengthened safe production and information safety inspection, and stepped up safety audit and various contingency skill drills. With a solid safety foundation throughout the year, and stable operation in its ICS, CRS, APP, the core open system and the settlement and clearing mainframe systems, the Group secured the safe operation of the civil aviation passenger information system in its daily operations and also during the peak communal time around Chinese New year, the convention of meetings of the National People's Congress and the People's Political Consultative Conference, and during China's National Day Holiday.

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 results announcement. The financial statements have been prepared in accordance with International Financial Reporting Standards ("**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 2013, profit before taxation of the Group was approximately RMB1,312.4 million, representing an increase of approximately 0.6% over that in the year ended December 31, 2012 ("**Year 2012**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB1,629.8 million, representing an increase of approximately 2.7% over that in Year 2012. Profit attributable to equity holders of the Company was approximately RMB1,205.7 million, representing an increase of approximately 6.4% over that in Year 2012.

The basic and diluted earnings per share of the Group in Year 2013 were RMB0.41.

TOTAL REVENUE

The total revenue of the Group in Year 2013 amounted to approximately RMB4,509.3 million, representing an increase of approximately RMB448.8 million, or 11.1% from approximately RMB4,060.5 million in Year 2012. 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 2013, as compared to 60.0% for Year 2012. Aviation information technology service revenue increased by 6.0% from RMB2,435.6 million in Year 2012 to RMB2,582.0 million in Year 2013. 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 9.5% of the Group's total revenue in Year 2013, as compared to 10.6% for Year 2012. Accounting, settlement and clearing services revenue increased by 0.4% from RMB429.5 million in Year 2012 to RMB431.2 million for Year 2013. 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.

- Data network revenue and other revenue accounted for 33.2% of the Group's total revenue in Year 2013, as compared to 29.4% for Year 2012. Data network revenue and other revenue increased by 25.2% from RMB1,195.3 million in Year 2012 to RMB1,496.1 million for Year 2013. 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 business etc. provided by the Group. The growth of revenue was mainly due to the increase in revenue from data network services and airport information technology services.

OPERATING EXPENSES

Operating expenses for Year 2013 amounted to RMB3,275.7 million, representing an increase of RMB432.8 million, or 15.2%, from RMB2,842.9 million in Year 2012. The increase in operating expenses is reflected as follows:

- Business tax and surcharges decreased by 70.4%, mainly due to the gradual pilot practice of levying value-added tax in lieu of business tax in transport industry and certain modern service industry in various regions in Mainland China;

- Depreciation and amortisation increased by 14.9%, mainly due to equipment renewals of the Group;

- Network usage fees increased by 16.2%, mainly due to the growth in the business volume in the Group's information technology services;

- Operating lease payments increased by 21.1%, mainly due to increase in leased office space by the Group; and

- Technical support and maintenance fees increased by 54.2%, mainly due to the continuous efforts in research and development of new products and technologies of the Group.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB16.0 million, or approximately 1.3%, from approximately RMB1,217.6 million in Year 2012 to approximately RMB1,233.6 million in Year 2013.

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 favorable statutory tax rate of 15% according to the CIT Law. The Company has been 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 relevant taxation authority has confirmed that, as a High and New Technology Enterprise, the Company may use a preferential tax rate of 15% in computing corporate income tax from 2011 to 2013.

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 a "key software enterprise falling within the State's planned arrangement" for the year it can further enjoy a preferential income 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 tax rate of 10% will be refunded to the relevant enterprises after the period, and will be correspondingly reflected in the profit and loss account of the enterprise when it is refunded. From 2006 to 2012, the Company was certified as a "key software enterprise falling within the State's planned arrangement".

On January 2, 2014, the Company obtained the certificate for "key software enterprise falling within the State's planned arrangement" for Year 2013 to Year 2014. Accordingly the Company has calculated the income tax expense at the tax rate of 10% for Year 2013. Meanwhile, in October 2013, relevant tax regulatory bodies approved the refund of the 5% excess income tax to the Company. Such impact was reflected in the corresponding financial statements for Year 2013 of the Company. (Please refer to the announcement of the Company dated January 2, 2014.)

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Under the new CIT Law, tax rates falling within the range of 15% to 25% apply to the Company's subsidiaries in China.

Under the relevant provisions, with effect from September 1, 2012, revenue from the Company's provision of aviation information technology services, 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 Company is subject, please refer to Note 10 to the "Notes to the Consolidated Financial Statements".

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As a result of the above factors, the profit attributable to equity holders of the Company increased by approximately 6.4% from approximately RMB1,132.9 million in Year 2012 to approximately RMB1,205.7 million in Year 2013.

PROFIT AVAILABLE FOR DISTRIBUTION

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund (as stated in Note 35 to the financial statements) from the profit attributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2013, amounted to approximately RMB2,378.6 million (2012: RMB1,940.6 million).

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31	
	2013 (RMB in million)	2012 (RMB in million)
Net cash generated from operating activities	**1,743.8**	696.7
Net cash (used in)/generated from in investing activities	**(744.7)**	514.0
Net cash used in financing activities	**(391.4)**	(358.4)
Net increase in cash and cash equivalents	**607.7**	852.4
Effect of foreign exchange rate changes on cash and cash equivalents	**1.9**	(3.3)

The Group's working capital for Year 2013 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,743.8 million.

In Year 2013, the Group had no short-term or long-term bank loans, neither did the Group use any financial instruments for hedging purposes.

As at December 31, 2013, cash and cash equivalents of the Group amounted to RMB2,348.8 million, of which approximately 95.7%, 3.8% and 0.2% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

NET CASH FLOWS AND LIQUIDITY

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HELD-TO-MATURITY FINANCIAL ASSETS

As at December 31, 2013, the Group held commercial bank financial products in the amount of RMB410 million with a yield rate from 3.90% to 4.70%. Such products are principal-protected, fixed income financial products with a maturity of 6 months, and not redeemable prior to the maturity date.

CHARGE ON ASSETS

As at December 31, 2013, the Group had no charge on its assets.

RESTRICTED BANK DEPOSITS

As at December 31, 2013, restricted bank deposits in the amount of RMB152.3 million (2012: nil) mainly refers to the deposit 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 RMB834.2 million in Year 2013, representing an increase of approximately RMB410.8 million as compared to that of approximately RMB423.4 million in Year 2012. The capital expenditure of the Group in Year 2013 consisted principally of upgrade of the existing equipment, development of the new generation aviation passenger service system and promotion of other new businesses, and the construction of the new operating centre in Beijing.

The Board estimates that the Group's planned capital expenditure for 2014 will amount to approximately RMB2,458.7 million, which is mainly 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 2014 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 AGM 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 total 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.)

At the end of 2013, the Phase I work of the new operating centre in Beijing has accumulated an expenditure of approximately RMB0.355 billion, representing 9.7% of the construction budget plan of the Phase I work. The expenditure in 2013 was approximately RMB0.289 billion. Three buildings under the Phase I work have already been under construction. They consist of server building A, a power building and the operating centre of the production area, with a gross floor area of approximately 117,000 sq. m.. The construction progress basically meets the duration of the plan. In 2014, the construction of other buildings such as the headquarters building, the research and development centre and the settlement centre of the Phase I work will be commenced successively. The required expenditure is expected to be approximately RMB1.73 billion, which has been included in the capital expenditure plan of the Company in 2014.

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, 2013, the gearing ratio of the Group was approximately 16.5% (2012: 14.7%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2013.

CONTINGENT LIABILITIES

As at December 31, 2013, the Group had no material contingent liabilities.

EMPLOYEES

As at December 31, 2013, the total number of employees of the Group was 5,939. Staff costs amounted to approximately RMB975.9 million for Year 2013, representing approximately 29.8% of the total operating expenses of the Group for Year 2013.

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 in 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 during preceding 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 2013, the annual corporate annuity of the Group amounted to approximately RMB37.1 million (2012: RMB30.0 million).

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

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, the adoption of which was approved 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**").

DISTRIBUTION OF PROFIT

In Year 2013, according to the Company Law of the People's Republic of China (the "**PRC Company Law**"), related 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The appropriation of 10% of its net profit to the discretionary surplus reserve fund for the year ended December 31, 2012 was approved in the annual general meeting held on June 18, 2013. The amount was accounted for in shareholder's equity as a distribution of retained earnings for Year 2013.

The proposed appropriation of 10% of its net profit amounted to RMB102.2 million to the discretionary surplus reserve fund for the year ended December 31, 2013 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, 2014.

PROPOSED DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2013

On March 24, 2014, the Board proposed the distribution of a final cash dividend of RMB409.7 million, which represented RMB0.140 per share (tax inclusive) for Year 2013 ("**Dividend**"). The total number of shares in issue 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, 2013 is approximately RMB1,968.9 million (2012: RMB1,551.4 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税法實施條例》), non-resident enterprise shareholders (including enterprise shareholders holding H shares of the Company as defined by the CIT Law) are subject to an enterprise 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税法》) 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税法實施條例》), 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 arrangements signed by countries in which they are domiciled 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 the 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 Company 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 2013, the Company did not deviate from any Code Provision. The Company has provided the management with corresponding written guidelines in respect of the authority granted from the Board, and will review and update on an annual basis, which has been in compliance with the previous deviated Code Provisions D.1.1 and D.1.2.

SECURITIES TRANSACTIONS OF DIRECTOR

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 a 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 2013.

THE BOARD

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

The election of the members of the new session of the Board took place at the annual general meeting held on June 18, 2013. As mentioned in the announcement of the Company dated June 18, 2013, upon the election by the shareholders, (i) Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong have been appointed as the executive directors of the fifth session of the Board; (ii) Mr. Wang Quanhua, Mr. Sun Yude and Mr. Cai, Kevin Yang have been appointed as the non-executive directors of the fifth session of the Board; (iii) Mr. Cheung Yuk Ming, Mr. Pan Chongyi and Mr. Zhang Hainan have been appointed as the independent non-executive directors of the fifth session of the Board. Upon the expiry of the term as a director, Mr. Xu Zhao and Mr. Zhou Deqiang ceased to be the non-executive director and independent non-executive director with effect from June 18, 2013, respectively. On the same date, the fifth session of the Board has appointed Mr. Xu Qiang to continue to serve as Chairman; re-appointed the members of the five committees under the Board; appointed senior management members of the Company: Mr. Xiao Yinhong as the General Manager; Mr. Rong Gang, Mr. Wang Wei, Mr. Sun Yongtao, Mr. Zhu Xiaoxing and Mr. Huang Yuanchang as Vice General Manager; Mr. Sun Yongtao as the Chief Financial Officer (Chief Accountant); Mr. Li Jinsong as the General Counsel; and Mr. Yu Xiaochun as the Company Secretary (Secretary to the Board). In addition, in late March 2014, Mr. Li Jinsong ceased to be the General Counsel of the Company due to change of work arrangements.

CORPORATE GOVERNANCE REPORT

For 2013, the list of directors of the Company are set out below and the attendance of the directors is as follows:

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for Audit Committee meetings	Attendance rate for Remuneration and Evaluation Committee meetings	Attendance rate for Nomination Committee meetings	Attendance rate for Strategic Committee meetings	Attendance rate for Executive Committee meetings
Xu Qiang	Chairman, Executive Director; Chief Member of Nomination Committee; Chief Member of Strategic Committee; Chief Member of Executive Committee	100%	100%	–	–	100%	–	100%
Cui Zhixiong	Executive Director; Member of Strategic Committee; Member of Executive Committee	100%	100%	–	–	–	–	100%
Xiao Yinhong	Executive Director, General Manager; Member of Strategic Committee; Member of Executive Committee	75% (Note 3)	100%	–	–	–	–	100%
Wang Quanhua	Non-executive Director; Member of Remuneration and Evaluation Committee; Member of Strategic Committee	100%	75%	–	0%	–	–	–
Sun Yude	Non-executive Director; Member of Strategic Committee	75% (Note 3)	0%	–	–	–	–	–
Cai, Kevin Yang	Non-executive Director; Member of Strategic Committee	100%	100%	–	–	–	–	–
Cheung Yuk Ming	Independent Non-executive Director; Chief Member of Audit Committee; Member of Remuneration and Evaluation Committee	100%	100%	100%	100%	–	–	–

Name	Position	Attendance rate for Board meetings	Attendance rate for general meetings	Attendance rate for Audit Committee meetings	Attendance rate for Remuneration and Evaluation Committee meetings	Attendance rate for Nomination Committee meetings	Attendance rate for Strategic Committee meetings	Attendance rate for Executive Committee meetings
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%	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%	100%	–	–
Xu Zhao	Resigned as Non-executive Director; Resigned as member of Strategic Committee	100%	0%	–	–	–	–	–
Zhou Deqiang	Resigned as independent Non-executive Director; Resigned as member of Audit Committee; Resigned as Chief Member of Remuneration and Evaluation Committee; Resigned as member of Nomination Committee	100%	100%	100%	–	100%	–	–

Note:

1. Attendance rate = Number of meetings attended/number of meetings ought to be attended by the director in 2013.

2. In 2013, the Board held four physical meetings, and called one AGM, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting. The Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee held five, one and two meetings, respectively. No meeting was convened for the Strategic Committee. The Executive Committee held two meetings.

   In addition, the Board also held two Board meetings by way of circulation of written proposals. The Nomination Committee and the Remuneration and Evaluation Committee held one and two meetings by way of circulation of written proposals, respectively. The attendance rates of all Directors at the meetings held by way of circulation of written proposals are 100% but is not included in the above attendance rate table.

3. Each of Director Xiao Yinhong and Director Sun Yude did not attend one Board meeting in person, but appointed other Directors to vote and express his views on his behalf by a written authorization.

CORPORATE GOVERNANCE REPORT

The Board is accountable to the general meeting in accordance with the Articles and performs the following duties: calling 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 in 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 to lead and monitor the Company, and to collectively make decisions on and supervise 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 2013, 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 controls 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. On the Board meeting held on March 24, 2014, the Board decided to grant to the Executive Committee certain powers to replace the following powers already granted to the general manager in March 2010: (a) determine the insignificant adjustments of the internal management bodies; (b) determine the establishment of branches of the Company; (c) determine the appointment or removal of the principal officers of the internal management bodies and branches (branch companies) of the Company; (d) appoint or change the members of the board of directors and the supervisory committee of the wholly-owned subsidiaries, and appoint, change or recommend shareholder representatives, directors, supervisors and the senior management of the subsidiaries; and (e) approve and dispose of the equity investment and equity acquisition or disposal matters in respect of the principal operations of the Company or a single investment of the Company or a total investment of less than RMB10,000,000 made in the same investee, including approval of the investment or transaction plans, approval and execution of the necessary documents in the course of plan implementation and so on. Matters involving the connected transactions and notifiable transactions under the Listing Rules shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company. For details of the new authorization granted to the Executive Committee, please refer to page 29 of this 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.

In 2013, the Company has provided the management with corresponding written guidelines in respect of the authority granted from the Board, and will review and update on an annual basis, which has been in compliance with the previous deviated Code Provisions D.1.1 and D.1.2.

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.

In 2013, as required under Code Provision A.6.5, each director 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 2013, the Company Secretary provided each director with updates and amendments on the Listing Rules and other laws and regulations from time to time and arranged induction training for the members of the new fifth session of the Board, including trainings on directors' continuing obligations under the Listing Rules as well as the rules and requirements of the Guidelines on Disclosure of Inside Information. Some directors also attended training talks organised by professional bodies on topics including legal supervision, corporate governance and financial control. In 2013, the compliance with Code Provision A.6.5 of each director according to the trainings arranged by the Company for the directors and the learning and training records provided by individual director is as follows:

Executive Directors	
Mr. Xu Qiang	A, B
Mr. Cui Zhixiong	A, B
Mr. Xiao Yinhong	A
Non-executive Directors	
Mr. Wang Quanhua	A
Mr. Sun Yude	A
Mr. Cai, Kevin Yang	A, B
Independent Non-executive Directors	
Mr. Cheung Yuk Ming	A, B, C
Mr. Pan Chongyi	A, B, C
Mr. Zhang Hainan	A, B, C

Notes:

A: learning and reading updates and amendments on relevant laws and regulations including the Listing Rules

B: participating in the training arranged by the Company on continuing obligations under the Listing Rules and the Guidelines on Disclosure of Inside Information

C: attending training talks on topics including legal supervision, corporate governance and financial control organised by professional bodies

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board (Chairman) and General Manager (Chief Executive Officer) are Mr. Xu Qiang and Mr. Xiao Yinhong, respectively.

TERMS OF NON-EXECUTIVE DIRECTORS

Name	Position	Date of Appointment	Expiry Date
Wang Quanhua	Non-executive Director	June 18, 2013	June 17, 2016
Sun Yude	Non-executive Director	June 18, 2013	June 17, 2016
Cai, Kevin Yang	Non-executive Director	June 18, 2013	June 17, 2016
Cheung Yuk Ming	Independent Non-executive Director	June 18, 2013	June 17, 2016
Pan Chongyi	Independent Non-executive Director	June 18, 2013	June 17, 2015
Zhang Hainan	Independent Non-executive Director	June 18, 2013	June 17, 2015
Xu Zhao	Non-executive Director (resigned)	June 5, 2012	June 18, 2013
Zhou Deqiang	Independent Non-executive Director (resigned)	March 16, 2010	June 18, 2013

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 arranges suitable training on laws and regulations and operation management for the directors and senior management and, 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 a code of conduct regarding the securities transactions of the Company's directors and supervisors and has also formulated the "Model Code for Securities Transactions by Employees".

Audit 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 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 of the fourth session of the Board comprised three independent non-executive directors, namely Mr. Cheung Yuk Ming, Mr. Zhou Deqiang and Mr. Pan Chongyi. Mr. Cheung Yuk Ming acted as the chief member of the Audit Committee (chairman). The term of each member of the committee was the same as his respective term as a director.

On June 18, 2013, the new fifth session of the Board appointed three independent non-executive directors, namely Mr. Cheung Yuk Ming, Mr. Pan Chongyi and Mr. Zhang Hainan, to form a new session of the Audit Committee. Mr. Cheung Yuk Ming acts as the chief member of the Audit Committee (chairman). The term of each member is the same as his respective term of office as a director.

In 2013, the Audit Committee convened five 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 met with the auditor at least annually in the absence of the Company's management; discussed with the auditor the nature and scope of the audit and reporting obligations; received the audit procedures and work plan for the annual audit and half-year review from the auditor; listened to the management's explanation and response to any queries raised by the external auditor during its audit and gave specific opinions and recommendations.

3. 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.

CORPORATE GOVERNANCE REPORT

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.

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 effectiveness; 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 policies.

The Remuneration and Evaluation Committee appointed by the fourth session of the Board comprised three independent non-executive directors, namely Mr. Zhou Deqiang, Mr. Cheung Yuk Ming and Mr. Pan Chongyi, and a non-executive director namely Mr. Wang Quanhua. Mr. Zhou Deqiang, an independent non-executive director, acted as the chief member of the Remuneration and Evaluation Committee (chairman). The term of each member of the Remuneration and Evaluation Committee was the same as his respective term as a director.

On June 18, 2013, the new fifth session of the Board appointed 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, to form a new session of the Remuneration and Evaluation Committee. Mr. Pan Chongyi acts as the chief member of the Remuneration and Evaluation Committee (chairman). The term of each member is the same as his respective term as a director.

In 2013, the Remuneration and Evaluation Committee held one meeting and two meetings by way of circulation of written proposals. Except Mr. Wang Quanhua authorised other members to attend one meeting on his behalf in writing, the attendance rate of other members at the meetings was 100%.

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 serve 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 entitled to remuneration for their full-time service if they are full-time employees of the Company. Such remuneration includes salaries, benefits, subsidies and retirement benefit scheme contribution as determined in accordance with the laws and regulations of the PRC and the policy guidance issued by the upper 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 and the directors are entitled to liability insurance purchased by the Company for the directors and senior management.

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.

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 according to 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 7 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 fourth session of the Board of the Company appointed the Chairman, Mr. Xu Qiang, and two independent non-executive directors, namely Mr. Zhou Deqiang and Mr. Pan Chongyi, to form the Nomination Committee. Mr. Xu Qiang, the Chairman, acted as the chief member of the Nomination Committee (chairman). The term of each member of the Nomination Committee was the same as his respective term as a director.

On June 18, 2013, the new fifth session of the Board appointed the Chairman, Mr. Xu Qiang, and two independent non-executive directors, namely Mr. Pan Chongyi and Mr. Zhang Hainan, to form a new session of the Nomination Committee. Mr. Xu Qiang continues to act as the chief member of the Nomination Committee (chairman). The term of each member is the same as his respective term as a director.

The nomination and recommendation procedures of the Company's directors are as follows: the major promoter shareholders nominate and recommend candidates for directors (other than independent non-executive directors) while the Nomination Committee selects suitable candidates for independent non-executive directors. Such candidates for directors (including independent non-executive directors) must at least fulfill the relevant requirements of Chapter 6 of the PRC Company Law, Chapter 3 and 13 of the Listing Rules and Chapter 14 of the Articles. Candidates for independent non-executive directors must also satisfy the independence requirement as set out in Chapter 3 of the Listing Rules. The Board is responsible for submitting the details about the candidates to the 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 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 held two meetings and one meeting by way of circulation of written proposals. The attendance rate of all members at the meetings was 100%.

During the reporting period, the Nomination Committee reviewed the structure, size and composition of the Board, as well as nomination of members of the new session of the Board and the nomination of senior management personnel. It also 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; 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, legal, management and marketing.

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 fourth session of the Board of the Company appointed three executive directors, namely Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Wang Quanhua, Mr. Xu Zhao and Mr. Sun Yude, to form the Strategic Committee. Mr. Xu Qiang, the Chairman, acted as the chief member of the Strategic Committee (chairman). The term of each member of the committee was the same as his respective term as a director.

On June 18, 2013, the new fifth session of the Board appointed three executive directors, namely Mr. Xu Qiang, Mr. Cui Zhixiong and Mr. Xiao Yinhong, and three non-executive directors, namely Mr. Wang Quanhua, Mr. Sun Yude and Mr. Cai, Kevin Yang, to form a new session of the Strategic Committee. Mr. Xu Qiang continues to as the chief member of the Strategic Committee (chairman). The term of each member is the same as his respective term as a director.

The Strategic Committee did not convene any meeting in 2013.

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 fourth session of the Board appointed three executive directors, namely Xu Qiang, Cui Zhixiong and Xiao Yinhong, to form the Executive Committee with Director Xu Qiang appointed as the chief member of the Executive Committee (chairman). On June 18, 2013, the new fifth session of the Board re-appointed three executive directors, namely Xu Qiang, Cui Zhixiong and Xiao Yinhong, to form a new session of the Executive Committee with Director Xu Qiang appointed as the chief member of the Executive Committee (chairman).

On March 16, 2010, the Board authorised the Executive Committee to approve and dispose of the equity investment and equity acquisition or disposal matters in respect of the principal operations of the Company or a single investment of the Company or a total investment of over RMB10,000,000 made in the same investee but representing less than 1% of the total assets of the Group (the Company and its subsidiaries), including approval of the investment or transaction plans, approval and execution of the necessary documents in the course of plan implementation and so on. Matters involving the connected transactions and notifiable transactions under the Listing Rules shall be conducted according to the related requirements of connected transactions and notifiable transactions formulated by the Company.

The Executive Committee held two meetings in 2013 to consider certain projects on equity investments pursuant to the abovementioned authorization from the Board, which have been reported to the Board.

On 24 March 2014, the Board approved of the grant to the Executive Committee of the following power to replace the power granted to the Executive Committee and the General Manager in March 2010, 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, notifying to the Board for consideration and performance of 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 to the Board regarding material adjustments, if any; appointing or removing of members of the Board of Directors or the Supervisory Committees of wholly-owned subsidiaries, and appointing, removing or nominating of candidates for shareholders' representatives, directors and supervisors of subsidiaries; and formulating of the basic management system of the Company.

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 2013 amounted to RMB2,110,900, comprising annual audit fee of approximately RMB1,404,700 and non-audit service fees for the review of interim financial statements, compliance review of continuing connected transactions and compliance review of preliminary results announcements and others with a total of approximately RMB706,200.

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 2014.

COMPANY SECRETARY

Upon the expiry of the employment contract, Ms. Liu Pui Yee ceased to be the joint company secretary of the Company with effect from March 16, 2013. Mr. Yu Xiaochun continues to serve as the company secretary of the Company after the retirement of Ms. Liu. (For details, please refer to the announcement of the Company dated March 15, 2013.)

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 professional training in 2013.

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 Dongsi West Street, Dongcheng District, Beijing 100010, PRC

INVESTOR RELATIONS

There were no amendments or changes to the Articles in 2013.

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 corporate 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 three years.

On June 18, 2013, upon the election at the annual general meeting, Ms. Zeng Yiwei and Mr. He Haiyan have been appointed as supervisors of the fifth session of the Supervisory Committee, and Mr. Rao Geping has been appointed as an independent supervisor of the fifth session of the Supervisory Committee. On the same date, Mr. Yu Yanbing ceased to be the supervisor of the Company upon the expiry of his term of office. On June 18, 2013, the fifth session of the Supervisory Committee held a meeting, at which Supervisor Li Xiaojun has been re-elected as the Chairperson of the Supervisory Committee.

On January 10, 2014, the Company held a staff representative meeting, at which Ms. Li Xiaojun and Mr. Xiao Wei have been re-elected as the staff representative supervisors of the fifth session 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 2013 are as follows:

Name	Position	Attendance rate for Supervisory Committee meetings	Attendance rate for general meetings	Attendance rate for Board meetings
Li Xiaojun	Chairperson of the Supervisory Committee, Staff Representative Supervisor	100%	100%	100%
Xiao Wei	Staff Representative Supervisor	100%	100%	100%
Zeng Yiwei	Supervisor	67% (Note 3)	75%	75%
He Haiyan	Supervisor	100%	100%	100%
Rao Geping	Independent Supervisor	67% (Note 3)	100%	75%
Yu Yanbing	Resigned Supervisor	100%	0%	100%

Notes:

1. Attendance rate = Number of meetings attended/number of meetings ought to be attended by the supervisor in 2013.

2. In 2013, the Supervisory Committee held three meetings, and the Board held four meetings, and called one AGM, one domestic shareholders' meeting, one H shareholders' meeting and one extraordinary general meeting. In addition, the Supervisory Committee also held one meeting by way of circulation of written proposals, the attendance of which is not included in the above attendance rate.

3. Each of Supervisor Rao Geping and Supervisor Zeng Yiwei was unable to attend one meeting in person, but both of them has appointed other supervisors to attend and vote at the meeting on his/her behalf in writing.

During 2013, the Supervisory Committee reviewed the financial information relating to the annual results for the year ended December 31, 2012 and the interim results for the six months ended June 30, 2013, 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 2013.

By Order of the Board
Yu Xiaochun
Company Secretary

March 24, 2014

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 2013.

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 2013 were principally derived from the operations of the Group in the PRC.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at December 31, 2013 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at December 31, 2013, 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, 2013, 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	121,572,791 H shares of RMB1 each (L)	Investment manager	13.04%	4.15%
GMT Capital Corp.	65,030,000 H shares of RMB1 each (L) (Note 3)	Beneficial owner	6.97%	2.22%
The Bank of New York Mellon Corporation	70,344,328 H shares of RMB1 each (L) (Note 4)	Interest of controlled corporation	7.54%	2.40%
	70,288,328 H shares of RMB1 each (P)	Interest of controlled corporation	7.54%	2.40%
JPMorgan Chase & Co.	82,945,700 H shares of RMB1 each (L) (P) (Note 5)	Custodian-corporation/ approved lending agent	8.89%	2.83%
	1,236,000 H shares of RMB1 each (L) (Note 5)	Beneficial owner	0.13%	0.04%
	432,000 H shares of RMB1 each (S) (Note 5)	Beneficial owner	0.05%	0.01%
Platinum International Fund	43,293,433 H shares of RMB1 each (L) (Note 6)	Beneficial owner	6.96%	2.22%
Keywise Capital Management (HK) Limited	50,369,000 H shares of RMB1 each (L)	Investment manager	5.40%	1.72%
Norges Bank	46,637,500 H shares of RMB1 each (L)	Beneficial owner	5.00%	1.59%

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 TravelSky Holding Company	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Southern Air Holding Company	349,381,500 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	65,773,500 domestic shares of RMB1 each (L) (Note 7)	Interest of controlled corporation	3.30%	2.25%
China Eastern Air Holding Company	328,243,500 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	25,155,000 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 9)	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company	268,300,500 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	18,720,000 domestic shares of RMB1 each (L) (Note 10)	Interest of controlled corporation	0.94%	0.64%

Notes:

(1) (L) – Long position; (S) – Short position; (P) – lending pool.

(2) 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, 2013; 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, 2013.

(3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by GMT Capital Corp. on December 11, 2013, GMT Capital Corp. shall be deemed to be interested in 65,030,000 H shares. These shares were deemed to be held by GMT Capital Corp. through Bay II Resources Partners, LP, Bay Resources Partners, LP, Bay Resource Partners Offshore Master Fund, Thomas Claugus and Lyxor/Bay Resources Partners (such companies were 100% controlled by GMT Capital Corp.).

REPORT OF DIRECTORS

(4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Bank of New York Mellon Corporation on December 24, 2013, the 70,344,328 H shares in which The Bank of New York Mellon Corporation was deemed to be interested were held through The Bank of New York Mellon (such company was 100% controlled by The Bank of New York Mellon Corporation).

(5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on November 4, 2013, JPMorgan Chase & Co. was deemed to be interested in 84,181,700 H Shares (L) and 432,000 H Shares (S). These shares were held by JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc. J.P. Morgan Securities plc, J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan Clearing Corp, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc, 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.

(6) 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, 2013 is uncertain.

(7) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company. China Southern Air Holding Company was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the SFO.

(8) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the SFO.

(9) These shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the SFO.

(10) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company. China National Aviation Holding Company was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.

(11) For the latest disclosure of interests filings of the substantial shareholders of the Company's H shares, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited ("**HKEx**") (www.hkexnews.hk).

Save as the above, to the best knowledge of the Company's directors, as at December 31, 2013, no person (other than directors, supervisors or chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company that are required to be recorded in the register maintained by the Company under Section 336 of the SFO.

PUBLIC FLOAT

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

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

As at December 31, 2013, 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, 2013.

As at December 31, 2013, 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, 2013,

(a) Mr. Xu Qiang (Chairman and an executive director of the Company) was an employee of China TravelSky Holding Company;

(b) Mr. Wang Quanhua (a non-executive director) was an employee of China Southern Air Holding Company;

(c) Mr. Sun Yude (a non-executive director) was an employee of China National Aviation Holding Company; and

(d) Mr. Cai Kevin Yang (a non-executive director) was an employee of China Eastern Air Holding Company.

Save as disclosed above, as at December 31, 2013, 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.

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 two years from June 18, 2013 for Mr. Pan Chongyi and Mr. Zhang Hainan, both directors, and three years from June 18, 2013 for other directors and all supervisors. 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, 2013, 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 IN CONTRACTS

Certain members of the fifth session of the Board and the Supervisory Committee 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 were materially interested, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during, or at the end of Year 2013.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of directors, supervisors and senior management are set out in Note 7 to the financial statements.

INTEREST CAPITALISED

No interest was capitalised for the Group in Year 2013.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during Year 2013 are summarised in Note 13 to the financial statements.

RESERVES

Details of movements in reserves of the Group for Year 2013 are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board proposed the payment of a final cash dividend amounting to RMB0.140 per share (tax inclusive) for Year 2013. For details, please refer to the section headed "Proposed Distribution of a Final Cash Dividend for 2013" 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 during the year ended December 31, 2013.

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 8 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

China National Software & Service Co.Ltd., ("**CNSS**") was the largest supplier of the Group for Year 2013 and the total fees paid by the Group to CNSS in Year 2013 accounted for 2.24% of the Group's total operating expenses (after deducting depreciation and amortisation expenses). During Year 2013, the total amount paid to the five largest suppliers of the Group accounted for 9.08% 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 13.3% of the Group's total revenues for the Year 2013. During the Year 2013, total sales to the Group's five largest customers accounted for 45.4% of the Group's total revenues. 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 issued share capital of the Company as at December 31, 2013. 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 associates nor any shareholder (which to the knowledge of the directors held more than 5% of the Company's issued share capital) had any interest in any of the aforementioned suppliers and customers.

REPORT OF DIRECTORS

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at December 31, 2013 are set out in Note 1 to the financial statements.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During the Year 2013, 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 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 service and related products to the Airlines, including:

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

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

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

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

In accordance with the prescribed prices of Civil Aviation Administration of China ("**CAAC**") determined through amicable negotiation between both parties, depending on the types of system through which the transactions were processed, and upon a combined or separate basis of fee charge, the aforesaid Airlines were required to pay service fees to the Group on 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 passenger 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 passenger for international and regional flights and RMB4 per passenger 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 the 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 guideline 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. The pricing of PID connection and maintenance services is subject to the maximum 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 source of principal operating revenue of the Group. For more details, please refer to the announcements of the Company dated November 17, 2010, December 14, 2011 and November 30, 2012 and circulars of the Company dated December 3, 2010, January 6, 2012 and December 21, 2012.

REPORT OF DIRECTORS

Waiver regarding written agreements:

As stated in the announcements of the Company date December 14, 2011 and November 30, 2012, and the circulars of the Company dated January 6, 2012 and December 21, 2012, the Company is in no position to stop or even partially stop to provide aviation information technology services to the airlines simply for the absence of written agreements, due to the Company's obligations to observe certain regulatory requirements concerning normal operations of civil aviation, and the social responsibilities to secure the normal travelling trips of civil aviation passengers. On the other hand, airlines have been used to applying delay tactic in the process of entering into written agreements in attempts to extract advantages. These have resulted in a situation where the Company has to face a dilemma over and for which it has no control or solution, amidst the needs to safeguard the interests of all shareholders, enter into transaction on arm's length basis and in the ordinary course of business, shoulder social responsibilities and strictly comply with the requirement of having written agreements under Rule 14A.35(1) of the Listing Rules.

Accordingly, 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.35(1) 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 being 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 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, 2013 were as follows:

Airlines (connected persons)	**Term of Waiver**	**Latest Signing of Agreements**	**Year 2013 Annual Caps** (RMB'000)	**Year 2013 Transaction Amounts** (RMB'000)
Southern Airlines	Three years from 2013 to 2015	Agreement for a term of one year was entered into for 2013 on October 8, 2013.	556,066.00	465,458.18
Sichuan Airlines	No waiver.	Agreement for a term of three years was entered into for 2011-2013 on November 17, 2010. Agreement for a term of three years was entered into for 2014-2016 on November 1, 2013.	257,965.80	146,290.13
Eastern Airlines	Three years from 2012 to 2014	Agreement for a term of two years was entered into for 2013-2014 on March 3, 2014.	757,603.00	520,303.20

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

The Company leases the properties in Dongsi, Beijing from China TravelSky Holding Company as data centers for daily operation. 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:

(i) The Company re-entered into the Beijing Tenancy agreement with China TravelSky Holding Company for the lease of the Dongsi properties, for a term of three years starting from January 1, 2013. The amount of the rentals 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 rentals 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.

REPORT OF DIRECTORS

For Year 2013, the total rental paid by the Company to China TravelSky Holding Company for the lease of the Dongsi properties 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 announcement of the Company dated August 31, 2012, 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, renewable automatically for a successive term of 3 years from the date of the expiry of such term, if no written opposition is raised by either party three months in advance.

The Connected Cares are:

(A) Non-wholly-owned subsidiaries, being the connected persons under Rule 14A.11(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.11(4) of the Listing Rules: Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**"), Shenyang Civil Aviation Cares of Northeast China Ltd. ("**Dongbei Cares**").

Details of the Services Framework Agreement

The Connected Cares shall provide to the Company or its customers with technical training and maintenance services, and services in respect of sale of products, purchase of equipments, marketing and distribution of products of the Company including, among other things, (i) to build the network nodes of the computer system for civil aviation passengers transport service in the regions to be agreed by the Company and the Connected Cares, and provide daily maintenance and technical supports 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 relevant Service Company.

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 guide 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 guide prices, or set by the Company according to the cost to revenue principle, where no prescribed rates or guide prices are available, or they have been cancelled or are no longer applicable; and (iv) to comply with the ordinary business principle which are no less favourable to the Company than terms available from independent third parties, including

(i) 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.

(ii) 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.

(iii) With respect to marketing and distribution of products of the Company, (i) the Company shall pay for 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.

REPORT OF DIRECTORS

(iv) 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 a 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, 2013 were as follows:

Connected Cares	Year 2013 Annual caps (RMB'000)	Year 2013 Transaction amounts (RMB'000)
Hainan Cares	7,440	3,251
Shenzhen Cares	21,780	16,554
Xiamen Cares	29,770	13,428
Xinjiang Cares	5,170	4,451
Dongbei Cares	10,460	8,630
Hubei Cares	6,790	6,335
Yunnan Cares	3,640	2,300
Xi'an Cares	7,630	5,278
Qingdao Cares	7,820	4,909
Huadong Cares	33,080	24,452

(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.

(i) The provision of Revenue Accounting Systems Development and Support Services and/or Passenger and Cargo Revenue Accounting and Settlement Services by ACCA to the Airlines.

The services provided by ACCA include:

(1) computer system application development and support services including self-developed computer application systems in respect of both international and domestic passengers revenue accounting system, international and domestic cargo revenue accounting system, mail revenue accounting system, airport miscellaneous charges accounting system, data service system and international and domestic clearing and settlement system; service fees varied depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate) as expressly stipulated in the agreement, and such fees would be collected on a monthly basis;

(2) data capturing, sales reporting control, sales auditing, prorating, uplift processing, outward and inward billing, coupon matching, accounting, reconciliation and management reporting services for passenger and cargo (as the case may be) revenue accounting and settlement services; service fees would be determined with reference to the rates and rules prescribed in the relevant documents of the industrial regulatory authorities, and the pricing of services provided would be expressly stipulated in the relevant agreements based on a percentage rate of the total accounting amount and/or the transaction volume times unit price; the service fees were collected monthly;

(3) commercial analysis and management products application services; the pricing schedule is not subject to any regulatory pricing guidelines but shall be determined after fair negotiation between ACCA and the Airlines; the service fees generally consist of a fixed monthly fee for usage and operation maintenance for the system analysis and management products, a one-off system implementation fee of RMB100,000 and a commercial development fee of RMB2,000 per person per day.

In Year 2013, 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 2013 Annual Caps** (RMB'000)	**Year 2013 Transaction Amounts** (RMB'000)
Southern Airlines	Three years from 2012 to 2014	Agreement for a term of three years from 2012 to 2014 was entered into on December 25, 2012.	69,488	51,710.25
Sichuan Airlines	Three years from 2012 to 2014	Agreement for a term of three years from 2012 to 2014 was entered into on December 31, 2011.	6,272	5,502.81
Eastern Airlines	Three years from 2013 to 2015	Agreement for a term of three years from 2013 to 2015 was entered into on August 20, 2013.	90,484	74,610.79

Note: "Waiver regarding written agreements" is as described in (a) above. For details, please refer to the announcements of the Company dated December 14, 2011 and November 30, 2012, and the circulars of the Company dated January 6,2012 and 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 the airlines on the basis of a "Standard Charging Unit" per processing transaction. Transactions are defined in Renminbi for transactions in the PRC, in Hong Kong dollars for Hong Kong and Macau and in United States dollars for other territories, subject to exchange rate fluctuation which will be adjusted in accordance with the terms of the 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 December 1, 2010, the annual cap for Year 2013 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) was RMB56,931,000. In 2013, the transaction amount of such continuing connected transaction was approximately RMB26,030,137.

(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 2013 for this continuing connected transaction was RMB75.4 million. The transaction amount in 2013 was approximately RMB44,050,324.

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

(i) were in the usual and ordinary course of business of the Group;

(ii) were conducted on normal commercial terms, or where there is no available comparison, on terms that are no less favorable than those available to or from (as it is applicable) independent third parties;

(iii) were conducted on the terms of the relevant agreements governing those transactions, which are fair and reasonable and in the interest of the shareholders of the Company as a whole; and

(iv) did not exceed the annual cap amounts disclosed in the previous announcements and circulars during the financial year ended December 31, 2013.

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 above items (a) to (d) of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

NEW AGREEMENT GOVERNING CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY THE COMPANY IN 2013

Technology services provision agreement for air freight business

On 19 December 2013, the Company entered into a 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. and China Cargo Airlines Co., Ltd., pursuant to which the Company has agreed to provide 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. (For details, please refer to the announcement of the Company dated December 19, 2013.)

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One-off connected transactions

Similar to other branches of the Company, including branch companies, subsidiaries and associated companies, the Connected Cares stated in 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 total price for the projects so undertaken. The amount of consideration is to be paid by installments in cash, subject to the conditions set forth in the respective agreements.

The Company and certain Connected Cares entered into contracts in respect of the relevant projects in Year 2013:

Connected Cares	**Date of Agreement and Announcement**	**Project**	**Contract Sum** (RMB)
Qingdao Cares	January 10, 2013	The Company entrusted Qingdao Cares to research on and develop a new generation of airport operation and management system for the Company.	9,800,000.00
	January 31, 2013	Qingdao Cares entrusted the Company to procure the software required for the departure system for the expansion project of the Eerduosi Airport and the implementation of such software, at a consideration of RMB4,636,600.	4,348,600.00
	August 30, 2013	As the actual demand for the number of the required software under the Procurement Agreement reduced, the fees payable by Qingdao Cares for the software required for the expansion project of the Eerduosi Airport decreased by approximately RMB288,000.	

Connected Cares	Date of Agreement and Announcement	Project	Contract Sum (RMB)
Xi'an Cares	March 5, 2013	The Company subcontracted to Xi'an Cares the overall construction of the departure system for Terminal 2 for the Phase II expansion project of Xi Ning Airport, which included, but not limited to, the procurement, installation and testing of the required third party hardware and software and the overall system implementation and warranty for the departure system.	6,012,820.00
	December 10, 2013	The Company subcontracted to Xi'an Cares the overall construction of the departure system for the Delhi Airport, which includes, but not limited to, the procurement, installation and testing of the required third party software and hardware and the overall system implementation and the two-year quality warranty for the departure system.	2,500,000.00
Huadong Cares	August 16, 2013	The Company purchased certain computer network system equipment from Huadong Cares for the Yiwu Project, at a consideration of RMB5,366,884.	7,594,686.00
	August 30, 2013	For the purpose of satisfying additional needs of the Yiwu Airport project, the Company entered into the Supplemental Supply Agreement with Huadong Cares, pursuant to which the Company agreed to purchase additional computer network system equipment from Huadong Cares at a consideration of RMB2,227,802.	
	November 18, 2013	The Company subcontracted to Huadong Cares the overall construction of the departure system and security inspection information system for the Nanjing Airport Project, which includes, but not limited to, the procurement, installation and testing of the required equipment and the overall system implementation and the two-year quality warranty for the departure system and security inspection information system.	22,424,810.00
		For the Nanjing Airport Project, the Company agreed to provide certain computer software as required for the departure system of the Nanjing Airport Project to Huadong Cares.	3,840,000.00

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Connected Cares	Date of Agreement and Announcement	Project	Contract Sum (RMB)
	December 20, 2013	The Company subcontracted to Huadong Cares the overall construction of the departure system and security inspection information system of the Wuxi Airport, which includes, but not limited to, the procurement, installation and testing of the required equipment and the overall system implementation and the two-year quality warranty for the departure system and security inspection information system.	22,354,609.00
		The Company subcontracted to Huadong Cares the overall construction of the departure system and security inspection information system of the Nantong Airport, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the departure system and security inspection information system.	7,180,820.00
		The Company entrusted Huadong Cares to procure the software and hardware required for the airport operation analysis system and the departure system of the Hengyang Airport, and the implementation and maintenance of such software and hardware.	4,555,700.00
Dongbei Cares	September 18, 2013	The Company subcontracted to Dongbei Cares the overall construction of the departure system and security inspection information system for the Dandong Airport Project, which includes, but not limited to the procurement of the required third party hardware and software, at a consideration of RMB2,371,014.	2,524,514.00
	December 20, 2013	The Company entered into the Supplemental Agreement in respect of the Dandong Airport project, pursuant to which it was agreed that Dongbei Cares shall purchase additional required third party hardware and software at a consideration of RMB153,500.	

Connected Cares	Date of Agreement and Announcement	Project	Contract Sum (RMB)
	September 18, 2013	The Company subcontracted to Dongbei Cares the overall construction of the security inspection information system for the Yanji Airport Project, which includes, but not limited to the procurement, installation and testing of the required third party hardware and software and the overall system implementation and the one-year quality warranty for the security inspection information system.	1,137,665.00
Xiamen Cares	December 20, 2013	The Company subcontracted to Xiamen Cares the overall construction of the departure system and security inspection information system for the Enshi Airport, which includes, but not limited to, the procurement, installation and testing of the required software and hardware and the overall system implementation and the one-year quality warranty for the departure system and security inspection information system.	9,885,118.40

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 and 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, 2013, 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.

REPORT OF DIRECTORS

TAX RELIEF AND EXEMPTION

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its 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 2013.

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 2013.

DONATION

In May 2013, the Company donated RMB0.5 million for the relief of the earthquake-hit Ya'an, Sichuan.

AUDITORS

Pursuant to the resolutions passed at the AGM held on June 18, 2013, Baker Tilly Hong Kong Limited (Certified Public Accountants in Hong Kong) and Baker Tilly China (Certified Public Accountants in the PRC) were engaged as the Company's international and PRC auditors respectively for Year 2013. They were also the Company's international and PRC auditors respectively for Year 2011 and Year 2012.

A resolution relating to the appointment of Baker Tilly Hong Kong Limited (Certified Public Accountants in Hong Kong) and Baker Tilly China (Certified Public Accountants in the PRC) as the Company's international and PRC auditors for the year ending December 31, 2014 respectively will be proposed at the forthcoming AGM of the Company.

By order of the Board
Xu Qiang
Chairman

March 24, 2014

REPORT OF SUPERVISORY COMMITTEE

Dear Shareholders,

For the year ended December 31, 2013, members of the Supervisory Committee of the Company have diligently performed their duties during their tenure 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 have been 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. On the same day, Mr. Yu Yanbing ceased to be the supervisor of the Company due to the expiry of the term of office. The fifth session of the 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 Supervisory Committee of the Company convened three meetings and one meeting by way of written proposals in Year 2013. The Supervisory Committee reviewed the Company's annual financial statements for Year 2012 and interim financial statements for Year 2013, 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 27, 2014, the fifth session of Supervisory Committee of the Company reviewed the Company's financial statements for Year 2013, 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 2013.

The Supervisory Committee considered that the Board and the senior management of the Company were committed to act honestly and to perform their duties diligently during Year 2013, 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, 2013 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
Li Xiaojun
Chairperson of the Supervisory Committee

March 24, 2014

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 58 to 138, which comprise the consolidated and company statements of financial position as at December 31, 2013, and the consolidated statement of 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.

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 state of affairs of the Company and of the Group as of December 31, 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance 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 24, 2014

Choi Kwong Yu
Practising Certificate number P05071

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2013
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	2013 RMB'000	2012 RMB'000
Revenue			
Aviation information technology services		**2,582,004**	2,435,644
Accounting, settlement and clearing services		**431,236**	429,534
Data network and others		**1,496,071**	1,195,340
Total revenues	5	**4,509,311**	4,060,518
Operating expenses			
Business taxes and other surcharges		**(30,790)**	(104,176)
Depreciation and amortisation		**(380,630)**	(331,387)
Network usage fees		**(64,965)**	(55,891)
Personnel expenses		**(975,904)**	(854,778)
Operating lease payments		**(148,004)**	(122,217)
Technical support and maintenance fees		**(326,699)**	(211,920)
Commission and promotion expenses		**(460,975)**	(491,398)
Other operating expenses		**(887,754)**	(671,116)
Total operating expenses		**(3,275,721)**	(2,842,883)
Operating profit		**1,233,590**	1,217,635
Financial income, net		**63,945**	58,070
Share of results of associated companies		**14,884**	28,503
Profit before taxation	6	**1,312,419**	1,304,208
Taxation	10	**(72,780)**	(141,615)
Profit after taxation for the year		**1,239,639**	1,162,593
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(2,073)**	126
Other comprehensive income, net of tax		**(2,073)**	126
Total comprehensive income for the year		**1,237,566**	1,162,719

	Note	2013 RMB'000	2012 RMB'000
Profit after taxation attributable to			
Owner of the Parent		**1,205,732**	1,132,881
Non-controlling interests		**33,907**	29,712
		1,239,639	1,162,593
Total comprehensive income attributable to			
Owner of the Parent		**1,203,659**	1,133,007
Non-controlling interests		**33,907**	29,712
		1,237,566	1,162,719
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	12	**0.41**	0.39
Cash Dividends	11	**409,669**	389,186

Details of the dividends payable to Owner of the Parent are disclosed in note 11 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, 2013
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	13	**1,458,073**	896,951
Lease prepayment for land use right, net	14	**1,914,040**	1,966,772
Intangible assets, net	15	**201,876**	62,613
Goodwill	17	**4,166**	4,166
Investments in associated companies	18	**156,980**	163,140
Deferred income tax assets	20	**33,622**	24,588
Due from an associated company	26	**15,000**	–
Other long-term assets	21	**184,571**	191,585
Restricted bank deposits	30	**126,080**	–
		4,094,408	3,309,815
Current assets			
Inventories	22	**8,748**	29,323
Trade receivables, net	23	**752,996**	590,791
Due from related parties, net	24, 41(3)	**1,852,547**	1,910,716
Due from associated companies	26	**36,243**	41,483
Income tax recoverable		**81,109**	74,491
Prepayments and other current assets	27	**397,957**	353,699
Held-to-maturity financial assets	28	**410,000**	800,000
Short-term bank deposits	29	**1,132,444**	1,031,362
Restricted bank deposits	30	**26,258**	–
Cash and cash equivalents	30	**2,348,825**	1,739,232
		7,047,127	6,571,097
Total assets		**11,141,535**	9,880,912
Equity			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital	33	**2,926,209**	2,926,209
Reserves	34	**3,090,477**	2,891,879
Retained earnings	35		
– Proposed final cash dividend	11	**409,669**	389,186
– Others		**2,651,336**	2,055,944
		9,077,691	8,263,218
Non-controlling interests		**222,788**	168,430
Total equity		**9,300,479**	8,431,648

	Note	2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities	20	**16,678**	16,961
Deferred revenue		**945**	–
		17,623	16,961
Current liabilities			
Trade payables and accrued liabilities	31	**1,578,891**	1,226,449
Due to related parties	32	**192,497**	181,607
Income tax payable		**18,843**	13,853
Deferred revenue		**33,202**	10,394
		1,823,433	1,432,303
Total liabilities		**1,841,056**	1,449,264
Total equity and liabilities		**11,141,535**	9,880,912
Net current assets		**5,223,694**	5,138,794
Total assets less current liabilities		**9,318,102**	8,448,609

Approved by the Board of Directors on March 24, 2014

Xu Qiang
Chairman

Xiao Yinhong
Director

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

STATEMENT OF FINANCIAL POSITION

as at December 31, 2013
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment, net	13	**1,007,127**	725,312
Lease prepayment for land use right, net	14	**1,859,937**	1,911,406
Intangible assets, net	15	**194,832**	58,817
Investments in subsidiaries	16	**1,106,104**	1,023,784
Investments in associated companies	18	**22,140**	26,540
Deferred income tax assets	20	**32,143**	23,758
Due from an associated company	26	**15,000**	–
Other long-term assets	21	**74,820**	164,934
Restricted bank deposits	30	**126,080**	–
		4,438,183	3,934,551
Current assets			
Inventories	22	**–**	14,319
Trade receivables, net	23	**495,608**	395,106
Due from related parties, net	24, 41(3)	**1,579,827**	1,634,160
Due from subsidiaries, net	25a	**90,610**	60,026
Due from associated companies	26	**24,225**	36,657
Income tax recoverable		**80,947**	74,161
Prepayments and other current assets	27	**68,102**	76,840
Held-to-maturity financial assets	28	**410,000**	800,000
Short-term bank deposits	29	**363,000**	309,000
Restricted bank deposits	30	**26,258**	–
Cash and cash equivalents	30	**1,262,780**	633,082
		4,401,357	4,033,351
Total assets		**8,839,540**	7,967,902
Equity			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital	33	**2,926,209**	2,926,209
Reserves	34	**2,662,358**	2,461,687
Retained earnings	35		
– Proposed final cash dividend	11	**409,669**	389,186
– Others		**1,604,339**	1,192,298
Total equity		**7,602,575**	6,969,380

	Note	2013 RMB'000	2012 RMB'000
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	31	**792,751**	742,330
Due to related parties	32	**184,470**	176,467
Due to subsidiaries	25b	**259,744**	79,725
		1,236,965	998,522
Total equity and liabilities		**8,839,540**	7,967,902
Net current assets		**3,164,392**	3,034,829
Total assets less current liabilities		**7,602,575**	6,969,380

Approved by the Board of Directors on March 24, 2014

Xu Qiang
Chairman

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, 2013
(Amounts expressed in thousands of Renminbi ("RMB"))

		Attributable to Owner of the Parent				
	Note	Paid-In capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Non – controlling interests RMB'000	Total RMB'000
Balance at January 1, 2012		2,926,209	2,705,429	1,849,718	145,486	7,626,842
Profit for the year		–	–	1,132,881	29,712	1,162,593
Other comprehensive income:						
Currency translation differences	34	–	126	–	–	126
Total comprehensive income		–	126	1,132,881	29,712	1,162,719
Acquisition of a subsidiary	42(ii)	–	–	–	450	450
Dividend relating to 2011	11	–	–	(351,145)	(7,218)	(358,363)
Appropriation to reserves	34, 35	–	186,324	(186,324)	–	–
Balance at December 31, 2012		2,926,209	2,891,879	2,445,130	168,430	8,431,648
Balance at January 1, 2013		**2,926,209**	**2,891,879**	**2,445,130**	**168,430**	**8,431,648**
Profit for the year		**–**	**–**	**1,205,732**	**33,907**	**1,239,639**
Other comprehensive income:						
Currency translation differences	34	**–**	**(2,073)**	**–**	**–**	**(2,073)**
Total comprehensive income		**–**	**(2,073)**	**1,205,732**	**33,907**	**1,237,566**
Obtained the control of Xinan Cares	42(i)	**–**	**–**	**–**	**22,626**	**22,626**
Capital injection from non-controlling interests		**–**	**–**	**–**	**6,650**	**6,650**
Dividend relating to 2012	11	**–**	**–**	**(389,186)**	**(8,825)**	**(398,011)**
Appropriation to reserves	34, 35	**–**	**200,671**	**(200,671)**	**–**	**–**
Balance at December 31, 2013		**2,926,209**	**3,090,477**	**3,061,005**	**222,788**	**9,300,479**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2013
(Amounts expressed in thousands of Renminbi ("RMB"))

	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	1,828,253	945,811
Refund of enterprise income tax		141,225	–
Enterprise income tax paid		(225,638)	(249,077)
Net cash generated from operating activities		1,743,840	696,734
Cash flows from investing activities			
Purchases of property, plant, equipment, intangible assets and land use right		(979,468)	(362,933)
Maturities of short-term bank deposits		1,088,857	2,457,224
Placement of short-term bank deposits		(1,189,939)	(1,395,512)
Interest received		90,823	112,739
Net cash received/(paid) from acquisition of a subsidiary	42	4,619	(4,089)
Dividends received from associated companies		1,630	6,018
Decrease/(increase) in held-to-maturity financial assets		390,000	(300,000)
Increase in restricted bank deposits		(152,338)	–
Proceeds from disposal of property, plant and equipment		1,077	551
Net cash (used in)/generated from investing activities		(744,739)	513,998
Cash flows from financing activities			
Dividend paid to the Group shareholders		(389,186)	(351,145)
Dividend paid to non-controlling shareholders of subsidiaries		(8,825)	(7,218)
Capital contributions from non-controlling equity shareholders of subsidiaries		6,650	–
Net cash used in financing activities		(391,361)	(358,363)
Net increase in cash and cash equivalents		607,740	852,369
Cash and cash equivalents at beginning of the year		1,739,232	890,174
Effect of foreign exchange rate changes on cash and cash equivalents		1,853	(3,311)
Cash and cash equivalents at end of the year	30	2,348,825	1,739,232

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, 2013, 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. and TravelSky Technology (Taiwan) Limited which are limited liability companies incorporated and operated in Hong Kong, Singapore, Korea, Japan, Europe, the United States and Taiwan respectively.

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2013		2012			
		Direct	Indirect	Direct	Indirect	RMB	
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
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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2013		2012			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
Cares Chongqing Information Technology Co., Ltd. ("**Chongqing Cares**")	December 1, 1998	51%	-	51%	–	9,800,000	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%	–	9,000,000	Computer hardware and software development and data network services
InfoSky Technology Co., Ltd. ("**InfoSky**")	September 20, 2000	90%	10%	90%	10%	92,835,701	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	Commercial services
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
Civil Aviation Cares of Qingdao Ltd. ("**Qingdao Cares**")	January 11, 2002	51%	-	51%	–	10,000,000	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2013		2012			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
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%	–	1,986,177	Computer hardware and software development and data network services
TravelSky Technology (Japan) Limited ("**TravelSky Japan**")	December 16, 2005	100%	-	100%	–	670,121	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
Accounting Center of China Aviation Limited Company ("**ACCA**")	October 26, 2007	100%	-	100%	–	759,785,000	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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2013		2012			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
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 ("**BTTSL**")	January 11, 2011	100%	-	100%	–	72,000,000	Provision of meetings and exhibition services, tour consulting services and technology promotion services
TravelSky Technology (Taiwan) Limited ("**TravelSky Taiwan**")	April 4, 2011	100%	-	100%	–	6,471,000	Technical services, support and customer service of computer reservation systems for air transport services
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2013		2012			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
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, aggregated application services and disaster recovery services
Shanghai Yeexing E-Business Limited ("**Shanghai Yeexing**")	January 22, 2007	60%	-	60%	–	8,800,000	Computer hardware and software development and provision of tour consulting 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	100%	-	100%	–	10,000,000	Electrical system project contracting; trading, repair and rental of computer software and hardware; and technical consulting services
Beijing TravelSky Technology Limited ("**TravelSky Beijing**")	December 5, 2012	100%	-	100%	–	50,010,000	Technical development services and transfer; trading of computer software, hardware and accessory equipments

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2013		2012			
		Direct	Indirect	Direct	Indirect	RMB	
Subsidiaries (continued)							
Beijing TravelSky HuaYi Software Technology Co.,Ltd ("**TravelSky HY-Software**")	October 16, 2009	60%	-	60%	–	1,000,000	Software and computer system services, conference and consulting services, trading of hardware and software
Beijing TravelSky Birun Technology Co., Ltd ("**TravelSky Birun Technology**")*	January 9, 2013	51%	-	–	–	8,000,000	Technical development, transfer and consulting services
Guangxi TravelSky Cloud Data Service Co., Ltd. ("**Travelsky Cloud Data**")*	February 7, 2013	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**")#	November 28, 1999	44%	-	–	–	10,000,000	Computer hardware and software development and data network services

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

* These companies are newly set up by the company during the year of 2013.

\# On 1 July 2013, the Company obtained control over Xinan Cares (formerly an associated company of the Group) through entering into a virtue agreement with the other shareholders of Xinan Cares. Pursuant to the terms of the agreement in which the Group have secured more than 50% of the voting rights eligible to be casted in the shareholders and directors' meeting of Xinan Cares. Please refer to Note 42(i) for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2013		2012			
		Direct	Indirect	Direct	Indirect	RMB	
Associated Companies							
Shanghai Civil Aviation East China Cares System Integration Co., Ltd. ("**Huadong Cares**")	May 21, 1999	41%	-	41%	–	10,000,000	Computer hardware and software development and data network services
Shenyang Civil Aviation Cares of Northeast China, Ltd. ("**Dongbei Cares**")	November 2, 1999	46%	-	46%	–	20,000,000	Computer hardware and software development and data network services
Aviation Cares of Southwest Chengdu, Ltd. ("**Xinan Cares**")#	November 28, 1999	-	-	44%	–	10,000,000	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

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES (continued)

Name	Date of incorporation	Percentage of equity interest held				Issued and paid-up capital	Principal activities
		2013		2012			
		Direct	Indirect	Direct	Indirect	RMB	
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

\# On 1 July 2013, the Company obtained control over Xinan Cares through entering into a virtue agreement with the other shareholders of Xinan Cares. Xinan Cares then became a non-wholly owned subsidiary of the Group and included under list of subsidiaries above. Please refer to Note 42(i) for details.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with 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. 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 and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

- IFRS 10, "Consolidated financial statements"

- IFRS 12, "Disclosures of interests in other entities"

- IFRS 13, "Fair value measurement"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of these developments are discussed below:

- *Amendments to IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
  The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings).

- *IFRS 10, "Consolidated financial statements"*
  IFRS 10 builds on existing principles by identifying a new concept of control (e.g. "de facto" control) as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The accounting requirements in the existing IAS 27 on other consolidated related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions.

2. BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the group (continued)

- *IFRS 12, "Disclosures of interests in other entities"*
  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, subsidiaries, special purpose entities and other off the statement of financial position entities.

- *IFRS 13, "Fair value measurement"*
  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

These amendments do not have material impact on the Group's financial statements.

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

(b) New standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning January 1, 2013 and have not been early adopted

- IFRS 9 address the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued by the IASB in November 2009 and revised in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Merger accounting for common control combination

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

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

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

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

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

(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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(ii) Subsidiaries (continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iii) Transactions with non-controlling interests (continued)

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.

(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 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 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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 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.

(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 and TravelSky Taiwan, the functional currency of the Company's subsidiaries is also 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 statement of 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 statement of comprehensive income within "finance income or cost".

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)

(ii) Transactions and balances (continued)

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 security and other changes in the carrying amount of the security. 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 available for sale reserve in other comprehensive income.

(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 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 comprehensive income as part of the gain or loss on sale.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

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 residual values and useful lives 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 statement of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Lease prepayments for land use rights

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

(g) Research and development costs

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

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

Capitalised development costs are 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, 2013, no development costs were capitalised as they did not meet all the criteria listed above (2012: 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.

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 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 statement of 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 comprehensive income.

(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.

(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.

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.

(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 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 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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Revenue recognition (continued)

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 supports, 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) 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.

(t) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Share Capital (continued)

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.

(u) 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.

(v) Related parties

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

(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 the Group;

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

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

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

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

(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.

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 entity.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(v) Related parties (continued)

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 related party transactions and disclosure of 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 various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4. CRITICAL ACCOUNTING ESTIMATES AND ADJUSTMENTS (continued)

(c) Income taxes and deferred taxes

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

(e) 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 loss 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 and related data network services. A major portion of these revenues was generated from the shareholders of the Company.

6. PROFIT BEFORE TAXATION

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

	2013 RMB'000	2012 RMB'000
After charging:		
Depreciation	181,109	228,168
Amortisation of intangible assets	124,473	43,813
Amortisation of leasehold improvements	22,316	6,674
Amortisation of lease prepayment for land use right	52,732	52,732
Loss on disposal of property, plant and equipment	1,141	2,839
Provision for impairment of receivables	12,614	11,728
Cost of equipment sold	560,627	434,616
Retirement benefits	106,757	92,644
Auditors' remuneration	2,111	1,800
Contribution to housing benefits		
– current year provision	69,095	58,163
– over-provision in respect of prior years (Note 9)	(20,234)	–
Research and development expenses	681,511	586,148
Staff costs arising from share appreciation rights	17,992	3,954
After crediting:		
Interest income	(92,660)	(109,113)
Exchange gain, net	(684)	(9,421)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(i) Directors' and supervisors' emoluments

The emoluments of the directors and supervisors during the year ended December 31, 2013 (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) (iii)	-	-	309	508	71	888
Mr. Cui Zhixiong (iii)	-	-	309	508	71	888
Mr. Xiao Yinhong (iii)	-	-	309	508	71	888
Non-executive directors						
Mr. Wang Quanhua* (iii)	-	-	-	-	-	-
Mr. Xu Zhao* (i)(ii)	-	-	-	-	-	-
Mr. Sun Yude* (iii)	-	-	-	-	-	-
Mr. Cai Kevin Yang* (iv)	-	-	-	-	-	-
Independent non-executive directors						
Mr. Cheung Yuk Ming (iii)	93	-	26	-	-	119
Mr. Zhou Deqiang (ii)	55	-	-	-	-	55
Mr. Pan Chongyi (iii)	93	-	28	-	-	121
Mr. Zhang Hainan* (iv)	33	-	28	-	-	61
Supervisors						
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor) (iii)	-	-	277	442	67	786
Mr. Yu Yanbin* (ii)	-	-	-	-	-	-
Mr. Rao Geping (Independent Supervisor) (iii)	60	-	-	-	-	60
Mr. Zeng Yiwei* (iii)	-	-	-	-	-	-
Mr. Xiao Wei (Staff Representative Supervisor) (iii)	-	-	291	233	54	578
Mr. He Haiyan* (iv)	-	-	-	-	-	-
	334	-	1,577	2,199	334	4,444

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

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

The emoluments of the directors and supervisors during the year ended December 31, 2012 (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) (iii)	–	–	289	494	65	848
Mr. Cui Zhixiong (iii)	–	–	289	494	65	848
Mr. Xiao Yinhong (iii)	–	–	289	494	65	848
Non-executive directors						
Mr. Wang Quanhua* (iii)	–	–	–	–	–	–
Mr. Xu Zhao* (i)(ii)	–	–	–	–	–	–
Mr. Sun Yude* (iii)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Cheung Yuk Ming (iii)	120	–	–	–	–	120
Mr. Zhou Deqiang (ii)	120	–	–	–	–	120
Mr. Pan Chongyi (iii)	120	–	–	–	–	120
Supervisors						
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor) (iii)	–	–	256	430	28	714
Mr. Yu Yanbin* (ii)	–	–	–	–	–	–
Mr. Rao Geping (Independent Supervisor) (iii)	60	–	–	–	–	60
Mr. Zeng Yiwei* (iii)	–	–	–	–	–	–
Mr. Xiao Wei (Staff Representative Supervisor) (iii)	–	–	279	208	49	536
	420	–	1,402	2,120	272	4,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(i) Appointed on June 5, 2012
(ii) Resigned on June 18, 2013
(iii) Re-appointed on June 18, 2013
(iv) Appointed on June 18, 2013
(v) Apart from the above emoluments, on August 29, 2011, share appreciation rights were granted to certain directors, senior management and key technical and managerial personnel of the Company. The values of these share appreciation rights is measured according to the Group's accounting policy as set out in Note 3(p)(iii). At December 31, 2013, no grants of rights were exercised or expired. Details of this scheme are set out in Note 37. The number of outstanding share appreciation rights (settled in cash when they are exercised) granted to the directors and supervisors under the share appreciation rights scheme of the Company is set out below:

	2013 Share'000	2012 Share'000
Executive directors		
Mr. Xu Qiang (Chairman)	495	495
Mr. Cui Zhixiong	495	495
Mr. Xiao Yinhong	495	495
Supervisors		
Ms. Li Xiaojun (Chairman, Staff Representative Supervisor)	336	336
Mr. Xiao Wei (Staff Representative Supervisor)	213	213
	2,034	2,034

Based on the values of these share appreciation rights measured according to the Group's accounting policy as set out in Note 3(p)(iii), the amount recognised in the consolidated statement of comprehensive income of the above mentioned parties amounted to approximately RMB2.6 million for the year 2013 (2012: RMB0.6 million).

7. 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 three (2012: three) directors whose emoluments (excluding share appreciation rights) are reflected in the analysis presented above. The emoluments (excluding share appreciation rights) payable to the remaining two (2012: two) individuals during the year are as follows:

	2013 RMB'000	2012 RMB'000
Basic salaries and allowances	556	521
Bonuses	894	870
Retirement benefits	134	125
	1,584	1,516

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

	Number of the five highest paid individuals 2013	2012
Nil – HKD1,000,000 (equivalent to RMB798,500)	1	2
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,197,750)	4	3
	5	5

During the year ended December 31, 2013, no director and the five highest paid employees had waived or agreed to waive any emolument (2012: nil). No emolument was paid to any of the directors and the five highest paid employees as an inducement to join or upon joining the Company or as compensation for loss of office (2012: nil).

(iii) Emoluments of senior management

Other than the emoluments of directors and supervisors disclosed in Note 7(i), the emoluments (excluding share appreciation rights) of the senior management whose profiles are included in Biographies of Directors, Supervisors, Senior Management and Joint Company Secretaries section of this report fell within the following bands:

	Number of individuals 2013	2012
Emolument band		
Nil – HKD1,000,000 (equivalent to RMB798,500)	7	8
HKD1,000,001 – HKD1,500,000 (equivalent to RMB1,197,750)	1	–
	8	8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

8. 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, 2013 (2012: 20%). The contributions to the pension scheme made by the Group for the year ended December 31, 2013 amounted to approximately RMB69.7 million (2012: RMB62.6 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, 2013 amounted to approximately RMB37.1 million (2012: RMB30.0 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, 2013, no forfeited contributions were available to reduce its contributions to the defined contribution retirement schemes operated by the Group in future years (2012: nil).

9. HOUSING BENEFITS

All the full-time employees of the Group are entitled to participate in a state-sponsored housing fund. The fund can be used by the employees for housing purchases, or may be 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, 2013 amounted to approximately RMB53.8 million (2012: RMB42.7 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 statement of comprehensive income as when incurred.

9. HOUSING BENEFITS (continued)

During the year, 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 statement of comprehensive income for the year ended December 31, 2013.

As of December 31, 2013, the total number of employees of the Group was 5,939 (2012: 5,291).

10. TAXATION

Income tax

	2013	2012
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax expenses	**160,021**	155,707
Over-provision in respect of prior years	**(77,952)**	–
Overseas income tax expenses	**28**	13
Deferred tax	**(9,317)**	(14,105)
	72,780	141,615

Taxation of the Group except for TravelSky Hong Kong, TravelSky Singapore, TravelSky Japan, TravelSky Korea, TravelSky Europe, TravelSky USA and TravelSky Taiwan 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 ("**New 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 favorable statutory tax rate of 15% according to the New CIT Law. The Company has been 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 relevant taxation authority has confirmed in writing that, as a High and New Technology Enterprise, the Company may use a preferential tax rate of 15% in computing corporate income tax from 2011 to 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10. 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 income 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 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.

On January 2, 2014, the Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout for Year 2013 and Year 2014. Accordingly the Company has calculated the income tax expense at the tax rate of 10% for Year 2013. Meanwhile, in October 2013, relevant tax regulatory bodies approved and refunded of the 5% excess income tax paid for Year 2011 to the Company. Such impact was reflected in the corresponding financial statements for Year 2013 of the Company. Details of this have been made in the Company's announcement dated January 2, 2014.

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

In 2013 and 2012, 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:

	2013 RMB'000	2012 RMB'000
Profit before taxation	**1,312,419**	1,304,208
Weighted average statutory tax rate	**25%**	25%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**330,495**	330,219
Share of profits of associated companies	**(3,721)**	(7,126)
Effect of not taxable income	**(32,165)**	(5,350)
Effect of not deductible expenses	**19,410**	13,813
Effect of tax losses not recognised	**9,584**	5,721
Effect of tax losses utilised	**(51)**	–
Effect of preferential tax rates	**(172,820)**	(195,662)
Over-provision in respect of prior years	**(77,952)**	–
Actual tax charge	**72,780**	141,615

10. TAXATION (continued)

Business Tax

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

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

Pursuant to the notice of regarding the pilot programme for the transformation of transportation and certain modern service industries in 8 provinces including Beijing from Business Tax to Value Added Tax ("**VAT**") (Cai Shui Fa [2012] No. 71) issued by Ministry of Finance and the State Administration of Taxation, all of the Group's aviation information technology services and accounting and settlement and clearing services revenue generated in Beijing will be subjected to VAT levied at rates of 6% from September 1, 2012; while the other revenue generated in other locations of China will continue to be subject to business tax at rates of 3% or 5%, whichever is applicable. With effect from August 1, 2013, such tax reform was fully implemented throughout China.

Value-Added Tax

The Group's revenue from aviation information technology services, accounting, settlement and clearing services, and sales of equipment and software in the PRC 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.

11. DIVIDENDS DISTRIBUTION

The equity holders approved the distribution of a final dividend of RMB389.2 million (RMB0.133 per share) for Year 2012 in the annual general meeting of the Company held on June 18, 2013. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2013.

On March 24, 2014, the Board recommended the distribution of a final cash dividend of RMB409.7 million for Year 2013 (RMB0.14 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, 2014.

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12. 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:

	2013	2012
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	1,205,732	1,132,881
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	0.41	0.39

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2013 and 2012.

13. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, property, plant and equipment comprised:

The Group:

	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, 2012		459,710	2,681,130	64,402	129,003	24,450	43,768	3,402,463
Purchases		1,307	95,875	12,495	23,469	46,888	5,745	185,779
Disposals/write off		–	(108,411)	(4,902)	(4,937)	–	(130)	(118,380)
Transfer from assets under construction to intangible assets	15	–	–	–	–	(800)	–	(800)
Acquisition of a subsidiary through business combination	42(ii)	–	–	22	56	–	–	78
As at December 31, 2012		461,017	2,668,594	72,017	147,591	70,538	49,383	3,469,140
Purchases		68	119,402	6,014	21,797	568,998	35,959	752,238
Disposals/write off		–	(36,885)	(1,658)	(11,134)	–	–	(49,677)
Transfer from assets under construction to leasehold improvements		–	–	–	–	(24,683)	24,683	–
Transfer/reclassification		–	(116,824)	–	116,824	–	–	–
Obtained the control of Xinan Cares	42(i)	6,213	–	1,111	6,826	–	377	14,527
As at December 31, 2013		**467,298**	**2,634,287**	**77,484**	**281,904**	**614,853**	**110,402**	**4,186,228**
Accumulated depreciation								
As at January 1, 2012		(92,175)	(2,163,387)	(43,104)	(100,956)	–	(31,967)	(2,431,589)
Charge for the year		(23,690)	(187,557)	(6,795)	(10,126)	–	(6,674)	(234,842)
Disposals/write off		–	105,481	4,809	4,700	–	–	114,990
As at December 31, 2012		(115,865)	(2,245,463)	(45,090)	(106,382)	–	(38,641)	(2,551,441)
Charge for the year		(23,698)	(126,006)	(6,820)	(24,585)	–	(22,316)	(203,425)
Transfer/reclassification		–	91,661	–	(91,661)	–	–	–
Disposals/write off		–	35,789	1,234	10,436	–	–	47,459
As at December 31, 2013		**(139,563)**	**(2,244,019)**	**(50,676)**	**(212,192)**	**–**	**(60,957)**	**(2,707,407)**
Provision								
As at January 1, 2012, December 31, 2012 and December 31, 2013		**–**	**(20,748)**	**–**	**–**	**–**	**–**	**(20,748)**
Net book value								
As at December 31, 2012		345,152	402,383	26,927	41,209	70,538	10,742	896,951
As at December 31, 2013		**327,735**	**369,520**	**26,808**	**69,712**	**614,853**	**49,445**	**1,458,073**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

The Company:

	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, 2012	273,739	2,574,166	38,653	97,814	29,877	40,513	3,054,762
Purchases	–	84,480	6,862	15,585	52,668	4,268	163,863
Disposals/write off	–	(106,877)	(3,107)	(3,472)	–	–	(113,456)
As at December 31, 2012	273,739	2,551,769	42,408	109,927	82,545	44,781	3,105,169
Purchases	50	119,402	1,684	5,201	294,670	34,039	455,046
Disposals/write off	–	(36,884)	(210)	(8,431)	–	–	(45,525)
Transfer from assets under construction to leasehold improvements	–	–	–	–	(24,346)	24,346	–
As at December 31, 2013	**273,789**	**2,634,287**	**43,882**	**106,697**	**352,869**	**103,166**	**3,514,690**
Accumulated depreciation							
As at January 1, 2012	(43,951)	(2,086,655)	(26,574)	(81,457)	–	(29,759)	(2,268,396)
Charge for the year	(13,637)	(171,135)	(3,846)	(6,379)	–	(6,171)	(201,168)
Disposals/write off	–	103,988	3,018	3,449	–	–	110,455
As at December 31, 2012	(57,588)	(2,153,802)	(27,402)	(84,387)	–	(35,930)	(2,359,109)
Charge for the year	(13,652)	(126,006)	(4,115)	(6,817)	–	(21,270)	(171,860)
Disposals/write off	–	35,789	202	8,163	–	–	44,154
As at December 31, 2013	**(71,240)**	**(2,244,019)**	**(31,315)**	**(83,041)**	**-**	**(57,200)**	**(2,486,815)**
Provision							
As at January 1, 2012, December 31, 2012 and December 31, 2013	**-**	**(20,748)**	**-**	**-**	**-**	**-**	**(20,748)**
Net book value							
As at December 31, 2012	216,151	377,219	15,006	25,540	82,545	8,851	725,312
As at December 31, 2013	**202,549**	**369,520**	**12,567**	**23,656**	**352,869**	**45,966**	**1,007,127**

14. LEASE PREPAYMENT FOR LAND USE RIGHT, NET

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost				
As at January 1 and December 31	**2,121,934**	2,121,934	**2,059,727**	2,059,727
Accumulated amortisation				
As at January 1	**(155,162)**	(102,430)	**(148,321)**	(96,852)
Additions	**(52,732)**	(52,732)	**(51,469)**	(51,469)
As at December 31	**(207,894)**	(155,162)	**(199,790)**	(148,321)
Net Book Value				
As at December 31	**1,914,040**	1,966,772	**1,859,937**	1,911,406

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.

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

15. INTANGIBLE ASSETS, NET

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost				
As at January 1	**332,714**	277,226	**308,802**	255,923
Additions	**263,620**	54,688	**258,616**	52,879
Transfer from assets underconstruction (Note 13)	**–**	800	**–**	–
Obtained the control of Xinan Cares (Note 42(i))	**116**	–	**–**	–
As at December 31	**596,450**	332,714	**567,418**	308,802
Accumulated amortisation				
As at January 1	**(270,101)**	(226,288)	**(249,985)**	(208,683)
Charge for the year	**(124,473)**	(43,813)	**(122,601)**	(41,302)
As at December 31	**(394,574)**	(270,101)	**(372,586)**	(249,985)
Net book value				
As at December 31	**201,876**	62,613	**194,832**	58,817

The intangible assets of the Group and the Company represent purchased computer software.

16. INVESTMENTS IN SUBSIDIARIES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Investments, at cost	**–**	–	**1,106,104**	1,023,784

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

17. GOODWILL

	The Group	
	2013	2012
	RMB'000	RMB'000
Cost and carrying value		
At 1 January	**4,166**	–
Arising from acquisition of a subsidiary (Note 42(ii))	**–**	4,166
At 31 December	**4,166**	4,166

The carrying amount of goodwill primarily arises from the acquisition of a subsidiary, TravelSky HY-Software, in prior year.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units ("**CUGs**") 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 13% to 20%. Cash flows beyond the five-year period are extrapolated using zero growth rates. The discount rate is 16.1% per annum.

As at 31 December 2013, management of the Group was of the view that there was no impairment of goodwill.

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18. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**163,140**	153,835	**26,540**	26,540
Share of profit	**14,884**	28,503	**–**	–
Disposal upon obtained the control of Xinan Cares (Note 42(i))	**(16,488)**	–	**(4,400)**	–
Dividend receivable from associated companies	**(4,556)**	(19,198)	**–**	–
End of the year	**156,980**	163,140	**22,140**	26,540

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

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

	Assets	Liabilities	Equity	Revenues	Profit/(loss)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2013					
100 per cent	**515,651**	**(139,401)**	**376,250**	**223,225**	**42,197**
Group's effective interest	**213,563**	**(56,583)**	**156,980**	**95,408**	**14,884**
2012					
100 per cent	540,270	(157,379)	382,891	756,718	68,144
Group's effective interest	229,511	(66,371)	163,140	340,692	28,503

19. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Assets as per financial position:				
Trade receivables, net (Note 23)	752,996	590,791	495,608	395,106
Due from related parties, net (Note 24)	1,852,547	1,910,716	1,579,827	1,634,160
Due from subsidiaries, net (Note 25a)	–	–	90,610	60,026
Due from associated companies (Note 26)	51,243	41,483	39,225	36,657
Interest receivable and other current assets (Note 27)	344,228	303,532	50,015	32,423
Held-to-maturity financial assets (Note 28)	410,000	800,000	410,000	800,000
Short-term bank deposits (Note 29)	1,132,444	1,031,362	363,000	309,000
Restricted bank deposits (Note 30)	152,338	–	152,338	–
Cash and cash equivalents (Note 30)	2,348,825	1,739,232	1,262,780	633,082
Total	7,044,621	6,417,116	4,443,403	3,900,454

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities as per financial position:				
Trade payables and other liabilities (Note 31)	1,564,376	1,200,958	782,441	722,677
Due to related parties (Note 32)	192,497	181,607	184,470	176,467
Due to subsidiaries (Note 25b)	–	–	259,744	79,725
Total	1,756,873	1,382,565	1,226,655	978,869

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20. DEFERRED INCOME TAX

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	**23,234**	14,049	**21,755**	14,011
Deferred tax assets to be recovered within 12 months	**10,388**	10,539	**10,388**	9,747
	33,622	24,588	**32,143**	23,758
Deferred tax liabilities:				
Deferred tax liabilities to be settled over 12 months	**(16,678)**	(16,961)	**–**	–
	(16,678)	(16,961)	**–**	–

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

The Group:

	Depreciation and Amortisation	Accrual, Provision and Others	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2012	(9,969)	3,491	(6,478)
Recognised in the consolidated statement of comprehensive income	7,057	7,048	14,105
As at December 31, 2012	(2,912)	10,539	7,627
Recognised in the consolidated statement of comprehensive income	8,676	641	9,317
As at December 31, 2013	**5,764**	**11,180**	**16,944**

20. DEFERRED INCOME TAX (continued)

The Company:

	Depreciation and Amortisation RMB'000	Accrual, Provision and Others RMB'000	Total RMB'000
As at January 1, 2012	8,250	2,699	10,949
Recognised in the statement of comprehensive income	5,761	7,048	12,809
As at December 31, 2012	14,011	9,747	23,758
Recognised in the statement of comprehensive income	7,744	641	8,385
As at December 31, 2013	**21,755**	**10,388**	**32,143**

At December 31, 2013, the Group has unused tax losses of approximately RMB67.1 million (2012: RMB27.0 million) available for offset against future profits. No deferred tax asset has recognised due to unpredictability of future profit streams. Included in the tax loss approximately RMB7.5 million (2012: RMB4.3 million) arising from Hong Kong and Singapore subsidiaries may be carried forward indefinitely. Included in the tax loss approximately RMB4.4 million (2012: RMB3.0 million) arising from Taiwan and Korea subsidiaries will expire in various date up to 2023 (2012: 2022). Included in the tax loss approximately RMB0.6 million (2012: Nil) arising from Japan subsidiary will expire up to 2020. The unrecognised tax losses arising from subsidiaries operated in the PRC will expire as follows:

	2013 RMB'000	2012 RMB'000
2015	**177**	177
2016	**112**	112
2017	**19,477**	19,477
2018	**34,938**	–
	54,704	19,766

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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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Equipment for sale	**8,843**	29,334	**–**	14,319
Spare parts	**11**	25	**–**	–
Others	**–**	70	**–**	–
Total	**8,854**	29,429	**–**	14,319
Provision for impairment of inventories (Equipment for sale)	**(106)**	(106)	**–**	–
	8,748	29,323	**–**	14,319

No inventories have been pledged as security for borrowings by the Group or the Company.

23. TRADE RECEIVABLES, NET

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**812,995**	638,176	**544,261**	429,793
Provision for impairment of receivables	**(59,999)**	(47,385)	**(48,653)**	(34,687)
Trade receivables, net	**752,996**	590,791	**495,608**	395,106

The carrying amounts of the Group's trade receivables approximated its fair value as at December 31, 2013 because of the short-term maturities of these receivables.

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

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

23. TRADE RECEIVABLES, NET (continued)

As of December 31, 2013 and 2012, the ageing analysis of the trade receivables was as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**671,501**	547,816	**439,122**	363,790
Over 6 months but within 1 year	**72,125**	34,632	**57,033**	27,888
Over 1 year but within 2 years	**38,202**	26,493	**27,422**	20,799
Over 2 years but within 3 years	**17,021**	8,960	**15,072**	3,736
Over 3 years	**14,146**	20,275	**5,612**	13,580
Trade receivables	**812,995**	638,176	**544,261**	429,793
Provision for impairment of receivables	**(59,999)**	(47,385)	**(48,653)**	(34,687)
Trade receivables, net	**752,996**	590,791	**495,608**	395,106

As of December 31, 2013, trade receivables of RMB20.0 million (2012: RMB8.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Over 6 months but within 1 year	**12,537**	3,976	**–**	–
Over 1 year but within 2 years	**4,499**	2,792	**–**	–
Over 2 years but within 3 years	**1,724**	644	**–**	–
Over 3 years	**1,220**	720	**–**	–
	19,980	8,132	**–**	–

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23. TRADE RECEIVABLES, NET (continued)

As of December 31, 2013, trade receivables of RMB121.5 million (2012: RMB82.2 million) were impaired. The amount of the provision was approximately RMB60.0 million as of December 31, 2013 (2012: approximately RMB47.4 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:

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Over 6 months but within 1 year	59,588	30,656	57,033	27,888
Over 1 year but within 2 years	33,703	23,701	27,422	20,799
Over 2 years but within 3 years	15,297	8,316	15,072	3,736
Over 3 years	12,926	19,555	5,612	13,580
	121,514	82,228	105,139	66,003

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

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year	47,385	36,198	34,687	26,727
Provision	12,614	11,728	13,966	8,389
Write-off	–	(541)	–	(429)
Balance at end of year	59,999	47,385	48,653	34,687

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

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	615,182	472,965	353,591	270,590
HKD denominated	43,388	47,800	38,268	44,944
USD denominated	103,317	85,796	102,585	84,560
Others	51,108	31,615	49,817	29,699
	812,995	638,176	544,261	429,793

24. DUE FROM RELATED PARTIES, NET

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	1,196,581	1,358,720	931,529	1,097,038
Over 6 months but within 1 year	373,950	466,756	369,161	463,634
Over 1 year but within 2 years	270,187	69,575	268,418	69,418
Over 2 years but within 3 years	7,533	14,817	6,881	3,368
Over 3 years	4,296	848	3,838	702
Due from related parties	1,852,547	1,910,716	1,579,827	1,634,160
Provision for impairment of receivables	–	–	–	–
Due from related parties, net	1,852,547	1,910,716	1,579,827	1,634,160

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

As of December 31, 2012, notes receivable of RMB110.0 million was included in the above balances. The notes have been collected in 2013.

As of December 31, 2013, notes receivable of RMB122.9 million was included in the above balances.

As of December 31, 2013, due from related parties of RMB656.0 million (2012: RMB552.0 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:

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Over 6 months but within 1 year	373,950	466,756	369,161	463,634
Over 1 year but within 2 years	270,187	69,575	268,418	69,418
Over 2 years but within 3 years	7,533	14,817	6,881	3,368
Over 3 years	4,296	848	3,838	702
	655,966	551,996	648,298	537,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. DUE FROM/(TO) SUBSIDIARIES, NET

(a) Due from subsidiaries

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Trade related balances, net (i)	–	–	90,610	54,026
Loan receivable (ii)	–	–	–	6,000
Total	–	–	90,610	60,026

(i) The ageing analysis of amounts due from subsidiaries is as follows:

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	–	–	39,617	18,619
Over 6 months but within 1 year	–	–	8,942	5,671
Over 1 year but within 2 years	–	–	14,194	11,493
Over 2 years but within 3 years	–	–	10,024	14,586
Over 3 years	–	–	25,644	11,468
Total	–	–	98,421	61,837
Provision for impairment of receivables	–	–	(7,811)	(7,811)
Due from subsidiaries, net	–	–	90,610	54,026

These balances are trade-related interest free, unsecured and generally repayable on demand.

(ii) At December 31, 2012, the loan receivable is unsecured, bears interest at 5.6% per annum, repayable within 6 months and is fully repaid in 2013.

25. DUE FROM/(TO) SUBSIDIARIES, NET (continued)

(b) Due to subsidiaries

The amounts due to subsidiaries in the Company are interest free, unsecured and generally repayable on demand.

26. DUE FROM ASSOCIATED COMPANIES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Trade related balances (i)	**36,243**	31,983	**24,225**	27,157
Loan receivable (ii)	**–**	9,500	**–**	9,500
Total	**36,243**	41,483	**24,225**	36,657
Non-current				
Loan receivable (iii)	**15,000**	–	**15,000**	–
Total	**51,243**	41,483	**39,225**	36,657

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

(ii) The loan receivable is unsecured, bears interest at 6% per annum and is repayable within 6 months.

(iii) The loan receivable is unsecured, bears interest at 6.15% per annum and is repayable within 2 years.

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27. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance payments	**53,729**	50,167	**18,087**	44,417
Interest receivable	**15,598**	13,761	**14,754**	13,472
Prepaid expenses	**11,268**	8,756	**11,268**	8,756
Other receivables (i)	**271,607**	245,705	**–**	–
Other current assets	**45,755**	35,310	**23,993**	10,195
Total	**397,957**	353,699	**68,102**	76,840

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

28. HELD-TO-MATURITY FINANCIAL ASSETS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
At amortised cost:				
Certificates of deposits held	**410,000**	800,000	**410,000**	800,000

The annual interest rate on certificates of deposit held by the Group and the Company ranges from 3.90% to 4.70% (2012: 3.99% to 4.60%) and these deposits have a maturity period of 6 months and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate their fair values.

29. SHORT-TERM BANK DEPOSITS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,125,505**	1,029,640	**363,000**	309,000
Others	**6,939**	1,722	**–**	–
Total	**1,132,444**	1,031,362	**363,000**	309,000

The annual interest rate on short-term bank deposits ranges from 2.85% to 3.30% (2012: 2.85% to 3.50%) and these deposits have a maturity period ranging from 6 to 12 months (2012: 6 to 12 months).

30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash				
RMB	**420**	314	**81**	214
Others	**37**	45	**–**	–
Total	**457**	359	**81**	214
Demand deposits				
RMB	**2,398,840**	1,702,225	**1,398,323**	632,124
USD denominated	**88,742**	21,456	**16,680**	709
HKD denominated	**3,870**	3,410	**34**	35
Others	**9,254**	11,782	**–**	–
Total	**2,500,706**	1,738,873	**1,415,037**	632,868
Less: Restricted bank deposits (i)				
Non-current	**(126,080)**	–	**(126,080)**	–
Current	**(26,258)**	–	**(26,258)**	–
Total	**(152,338)**	–	**(152,338)**	–
Total cash and cash equivalents	**2,348,825**	1,739,232	**1,262,780**	633,082

(i) As at December 31, 2013, 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.

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31. TRADE PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**371,667**	174,778	**127,790**	56,852
Accrued departure technology support fees	**343,096**	375,207	**343,096**	375,207
Accrued technical support fees	**28,864**	50,629	**28,864**	50,629
Accrued network usage fees	**15,187**	12,416	**15,187**	12,416
Accrued bonuses and staff cost	**264,064**	213,642	**221,009**	195,160
Other taxes payable (i)	**14,515**	25,491	**10,310**	19,653
Other payables (ii)	**475,229**	306,714	**–**	–
Other liabilities	**66,269**	67,572	**46,495**	32,413
Total	**1,578,891**	1,226,449	**792,751**	742,330

At December 31, 2013, approximately RMB61.2 million of the above balances was denominated in US dollars (2012: RMB34.1 million).

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**333,749**	127,826	**104,478**	30,087
Over 6 months but within 1 year	**4,819**	14,300	**2,711**	5,141
Over 1 year but within 2 years	**15,958**	11,447	**8,307**	3,640
Over 2 years but within 3 years	**4,637**	12,325	**2,099**	9,188
Over 3 years	**12,504**	8,880	**10,195**	8,796
Total trade payables	**371,667**	174,778	**127,790**	56,852
Accrued liabilities and other liabilities	**1,207,224**	1,051,671	**664,961**	685,478
Total	**1,578,891**	1,226,449	**792,751**	742,330

31. TRADE PAYABLES AND ACCRUED LIABILITIES (continued)

(i) Other taxes payables

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Business tax payable	800	1,020	–	–
VAT payable	564	14,436	–	11,855
Other	13,151	10,035	10,310	7,798
Total	14,515	25,491	10,310	19,653

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

32. DUE TO RELATED PARTIES

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	29,099	24,749	22,143	20,125
Over 6 months but within 1 year	120,226	113,128	120,176	113,128
Over 1 year but within 2 years	2,297	79	1,766	53
Over 2 years but within 3 years	53	6,619	53	6,619
Over 3 years	40,822	37,032	40,332	36,542
Total	192,497	181,607	184,470	176,467

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

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

33. PAID-IN CAPITAL

As of December 31, 2013, all issued shares are registered and fully paid, divided into 2,926,209,589 shares (2012: 2,926,209,589 shares) of RMB1.00 each, comprised of 1,993,647,589 Domestic Shares and 932,562,000 H Shares (2012: 1,993,647,589 Domestic Shares and 932,562,000 H Shares).

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Registered:					
Registered shares of RMB1.0 each					
As at December 31, 2012, January 1, 2013, and December 31, 2013	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

	Domestic Shares		H Shares		
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Total amount RMB'000
Issued and fully paid:					
Registered shares of RMB1.0 each					
As at December 31, 2012, January 1, 2013, and December 31, 2013	**1,993,647**	**1,993,647**	**932,562**	**932,562**	**2,926,209**

34. RESERVES

The Group:

	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, 2012	658,842	812,662	369,313	420,959	451,675	(8,022)	2,705,429
Currency translation differences	–	–	–	–	–	126	126
Appropriation to reserves	–	99,411	–	86,913	–	–	186,324
Balance as at December 31, 2012	658,842	912,073	369,313	507,872	451,675	(7,896)	2,891,879
Balance as at January 1, 2013	**658,842**	**912,073**	**369,313**	**507,872**	**451,675**	**(7,896)**	**2,891,879**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(2,073)**	**(2,073)**
Appropriation to reserves	**–**	**103,271**	**–**	**97,400**	**–**	**–**	**200,671**
Balance as at December 31, 2013	**658,842**	**1,015,344**	**369,313**	**605,272**	**451,675**	**(9,969)**	**3,090,477**

(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 right 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

34. RESERVES (continued)

The Company:

	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, 2012	661,932	806,462	419,879	387,090	2,275,363
Transfer from retained earnings	–	98,331	87,993	–	186,324
Balance as at December 31, 2012	661,932	904,793	507,872	387,090	2,461,687
Balance as at January 1, 2013	**661,932**	**904,793**	**507,872**	**387,090**	**2,461,687**
Transfer from retained earnings	**–**	**103,271**	**97,400**	**–**	**200,671**
Balance as at December 31, 2013	**661,932**	**1,008,064**	**605,272**	**387,090**	**2,662,358**

35. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In the year ended December 31, 2013, 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.

35. APPROPRIATIONS AND DISTRIBUTION OF PROFIT (continued)

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 RMB97.4 million to the discretionary surplus reserve fund for the year ended December 31, 2012 was approved in the annual general meeting held on June 18, 2013. The amount was accounted for in shareholder's equity as a distribution of retained earnings in the year ended December 31, 2013.

The proposed appropriation of 10% of its net profit amounted to RMB102.2 million to the discretionary surplus reserve fund for the year ended December 31, 2013 is subject to shareholders' approval at the forthcoming annual general meeting in 2014. Therefore, the amount upon approval will be recorded in the Group's financial statements for year ending December 31, 2014.

After the appropriations mentioned above, the retained earnings available for dividend distribution as at December 31, 2013 was approximately RMB2,378.6 million (2012: RMB1,940.6 million).

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,022.4 million (2012: RMB974.0 million) for the year ended December 31, 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

36. CASH GENERATED FROM OPERATING ACTIVITIES

	2013 RMB'000	2012 RMB'000
Profit before taxation	1,312,419	1,304,208
Adjustments for:		
Depreciation and amortisation	380,630	331,387
Loss on disposal of property, plant and equipment	1,141	2,839
Interest income	(92,660)	(109,113)
Provision for impairment of receivables	12,614	11,728
Staff costs arising from share appreciation rights	17,992	3,954
Share of results from associated companies	(14,884)	(28,503)
Foreign exchange gain	(6,521)	(490)
Decrease/(increase) in current and non-current assets:		
Trade receivables	(157,298)	(170,731)
Inventories	20,633	(25,775)
Prepayments and other current assets	(33,880)	(131,883)
Due from related parties/associated companies	56,483	(311,536)
Other long term assets	(5,483)	–
Increase in current liabilities and non-current liabilities:		
Trade payables and accrued liabilities	303,678	36,666
Deferred revenue	22,499	4,211
Due to related parties	10,890	28,849
Cash generated from operations	1,828,253	945,811

37. SHARE APPRECIATION RIGHTS SCHEMES

The Group implemented a share appreciation rights scheme for its executive directors, senior management, and key technical and managerial personnel to provide incentives to them. Under this plan, share appreciation rights are granted in units with each unit representing one H share.

Under the terms of this plan, 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. As at each of the second, third and fourth anniversary of the date of each grant, one-third, two-third and all of the rights will become exercisable respectively, of the rights granted to such person.

Upon the exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of the 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 the exercise. The Company recognises staff compensation expense of the share appreciation rights over the applicable vesting period.

Under the share appreciation rights scheme, the share appreciation rights are not transferable, nor are there any voting rights attached. The operation of the share appreciation rights 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.

The share appreciation rights scheme 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.

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 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. 14,004,000 units of share appreciation rights were outstanding as at December 31, 2013, and no rights granted was exercised or expired during the year.

For the year ended December 31, 2013 and 2012, the Group has recorded liabilities and expenses of approximately RMB18.0 million and approximately RMB4.0 million respectively in relation to the share appreciation rights. The share appreciation rights liability was recorded in accrued bonus and staff cost in accrued liabilities and personnel expenses in operating expenses.

The fair value of share appreciation rights as at December 31, 2013 determined using the Binomial Model was HKD2.4 per each right. The significant inputs into the model were fair value per share price of HKD7.65 at December 31, 2013, exercise price shown above, volatility of 41.17%, dividend yield of 0%, share appreciation rights life of 4.7 years, and an annual risk-free interest rate of 1.41%. 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 five years.

Pursuant to stipulated requirement of SASAC, the amount received or receivable by the directors, supervisors and other employees should not exceed certain percentages of their total individual emoluments for two consecutive years when the rights were granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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, short-term bank deposits, cash and cash equivalents and trade payables denominated in foreign currencies. Analysis of these assets and liabilities by currency are disclosed in Notes 23, 29, 30, and 31 respectively.

As at December 31, 2013, 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 RMB11.5 million lower/higher, mainly as a result of foreign exchange differences on translation of balances of denominated in USD and HKD trade receivables, cash and cash equivalents, short-term bank deposits and trade payables.

(ii) Interest rate risk

The Group's interest-bearing assets are mainly represented by short-term bank deposits, cash and cash equivalents and held-to-maturity financial assets. Interest income is approximately RMB92.7 million (2012: RMB109.1 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 short-term bank deposits are disclosed in Notes 28 and 29 respectively.

The Group has no significant borrowings or non-current liabilities at December 31, 2013 and therefore do not have significant exposure to changes in interest rates.

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, short-term bank deposits, 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 68% (2012: 66%) 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 65% (2012: 54%) of the total bank balances were concentrated with 4 state-owned banks as at December 31, 2013.

(iv) Liquidity risk

The Group maintains cash and bank deposits to hedge its liquidity risks. At December 31, 2013, approximately 31% of the Group's total assets are in cash and cash equivalents and short-term bank deposits (2012: 28%). 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:

2013	The Group and the Company			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Share appreciation rights	**–**	**23,460**	**–**	**23,460**

2012	The Group and the Company			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Share appreciation rights	–	5,468	–	5,468

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.

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, short-term bank deposits, restricted bank deposits, held-to-maturity financial assets, trade receivable, 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, 2013 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 comprehensive income. No segment consolidated income statement has been prepared by the Group for the year ended December 31, 2013 and 2012. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are broadly 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

40. COMMITMENTS

(a) Capital commitments

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

	2013 RMB'000	2012 RMB'000
Authorised and contracted for		
– Computer System	**31,901**	10,538
– Building	**–**	9,428
– Assets under constructions	**842,092**	–
– Furniture, fixtures and other equipment	**968**	–
– Leasehold improvement	**1,490**	–
Authorised but not contracted for		
– Computer System and others	**662,631**	651,765
– Land use right and building	**919,576**	1,088,483
Total	**2,458,658**	1,760,214

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.

At December 31, 2013, approximately RMB52.7 million was denominated in US dollars (2012: RMB5.9 million).

(b) Operating lease commitments

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

	2013 RMB'000	2012 RMB'000
Within one year	**115,646**	53,995
Later than one year but not later than five years	**109,021**	65,788
Total	**224,667**	119,783

(c) Equipment maintenance fee commitments

As at December 31, 2013, the Group had equipment maintenance fee commitments of approximately RMB54.7 million (2012: RMB74.3 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 2009), "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

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

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	2013 RMB'000	2012 RMB'000
China Southern Airlines Company Limited	(a)	**510,603**	508,502
China Eastern Airlines Corporation Limited	(a)	**598,248**	574,487
Air China Limited	(a)	**579,871**	585,883
Hainan Airlines Company Limited	(a)	**210,477**	202,727

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, 2013, operating lease rentals for lease of properties from CTHC amounted to RMB42.4 million (2012: RMB31.3 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

41. RELATED PARTY TRANSACTIONS (continued)

(3) Balances with related parties

Balances due from the related parties mainly comprised:

		The Group		The Company	
		2013	2012	2013	2012
Name	Note	RMB'000	RMB'000	RMB'000	RMB'000
Trade related balances (i)					
China Southern Airlines Company Limited	(a)	297,606	439,090	290,798	432,028
China Eastern Airlines Corporation Limited	(b)	750,367	368,255	745,643	364,037
Air China Limited	(c)	207,483	452,547	200,812	448,475
Hainan Airlines Company Limited		272,931	259,023	262,440	250,863
Other balances (ii)					
China Southern Airlines Company Limited	(a)	31,803	59,582	–	–
China Eastern Airlines Corporation Limited	(b)	54,365	51,180	–	–
Air China Limited	(c)	151,983	129,682	–	–

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) Amounts due from other major state-owned enterprises

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank balances	**2,261,427**	1,497,130	**1,061,294**	259,203

The Group is a state-owned enterprise. In accordance with the IAS 24 (revised 2009), "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. BUSINESS COMBINATIONS

(i) Obtained the control of Xinan Cares in the current year

As at December 31, 2012, the Group had significant influence, accompanying 44% equity interest in its associate, in Xinan Cares. On July 1, 2013, the Company has obtained control in Xinan Cares upon entering into a virtue agreement with the other shareholders at RMBnil consideration. Pursuant to the terms of the agreement in which the Group secured more than 50% of the voting rights eligible to be casted in the shareholders and directors' meeting of Xinan Cares. Xinan Cares then became a non-wholly owned subsidiary of the Company. Xinan Cares is principally engaged in computer hardware and software development and data network services. The obtain control of Xinan Cares is aimed at strengthening the development of the existing business of the Group.

The obtain control of Xinan Cares was treated as acquisition and was accounted for using the purchase method. Net assets acquired in the transaction are as follows:

	Note	At the date of acquisition Fair value RMB'000
Net assets acquired:		
Property, plant and equipment	13	**14,527**
Intangible assets	15	**116**
Inventories		**58**
Trade receivables		**17,521**
Due from related parties, net		**3,097**
Due from a shareholder		**16,713**
Prepayments and other current assets		**8,541**
Cash and cash equivalents		**4,619**
Trade payables and accrued liabilities		**(9,474)**
Due to related parties		**(185)**
Due to a shareholder		**(13,186)**
Income tax payable		**(688)**
Deferred revenue		**(1,254)**
Net assets		**40,405**
Non-controlling interests		**(22,626)**
Net assets attributable to the equity interest acquired by the Group		**17,779**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

42. BUSINESS COMBINATIONS (continued)

(i) Obtained the control of Xinan Cares in the current year (continued)

	2013 RMB'000
Net cash inflow arising on step acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	4,619
Net cash inflow	4,619

Included in the revenue and profit for the year are approximately RMB49.8 million and RMB8.0 million respectively attributable to the additional business generated by the acquired subsidiary for the period between the date of acquisition and December 31, 2013.

Had this business combination been effected on January 1, 2013, the revenue of the Group would be approximately RMB4,540.5 million and profit for the year of the Group would be approximately RMB1,244.6 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.

(ii) Acquisition of a subsidiary in the previous year

On September 28, 2012, the Company has acquired 60% equity interest in TravelSky HY-Software for a consideration of RMB4.8 million from independent third parties. TravelSky HY-Software is principally engaged in the computer hardware and software development and provision of tour consulting services. Acquisition is aimed at strengthening the development of the existing business of the Group.

The acquisition was accounted for using the purchase method.

42. BUSINESS COMBINATIONS (continued)

(ii) Acquisition of a subsidiary in the previous year (continued)

Net assets acquired in the transaction are as follows:

	Note	2012 Fair value RMB'000
Net assets acquired:		
Property, plant and equipment	13	78
Prepayments and other current assets		662
Cash and cash equivalents		753
Other payables and accrued liabilities		(367)
Net assets		1,126
Non-controlling interests		(450)
Net assets attributable to the equity interest acquired by the Group		676

Goodwill arising on acquisition

	2012 RMB'000
Total consideration satisfied by:	
Cash	4,842
Net assets attributable to the equity interest acquired by the Group	(676)
Goodwill	4,166
Net cash outflow arising on acquisition:	
Cash consideration paid	(4,842)
Cash and cash equivalents acquired	753
Net cash outflow	(4,089)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

42. BUSINESS COMBINATIONS (continued)

(ii) Acquisition of a subsidiary in the previous year (continued)

The goodwill arose from a number of factors. Most significant amongst these is the synergies expected to arise after the acquisition of TravelSky HY-Software on 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 year are approximately RMB3.1 million and approximately RMB1.2 million respectively attributable to the additional business generated by the acquired subsidiary for the period between the date of acquisition and December 31, 2012.

Had this business combination been effected on January 1, 2012, the revenue of the Group would be approximately RMB4,068 million and profit for the year of the Group would be approximately RMB1,164 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.

43. NON-ADJUSTMENT EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, Beijing Shunyi District Houshayu Town People's Government granted a subsidy of RMB500 million as a development funds for business development to the Company on February 20, 2014. Such funds could not be treated as a distribution of dividends.

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 FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on March 24, 2014.

SUPPLEMENTARY INFORMATION FROM THE MANAGEMENT

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2013

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

	Year ended December 31,				
	2009 RMB'000 (restated)	2010 RMB'000 (restated)	2011 RMB'000	2012 RMB'000	**2013 RMB'000**
Revenues	2,619,524	3,054,403	3,672,064	4,060,518	**4,509,311**
Profit before taxation	901,458	1,047,062	1,283,017	1,304,208	**1,312,419**
Profit attributable to owner of the parent	774,951	894,263	1,047,226	1,132,881	**1,205,732**
Earnings before interests, tax, depreciation and amortisation	1,163,121	1,412,455	1,624,942	1,586,946	**1,629,781**
Earnings per share (Basic and diluted) (RMB)	0.26	0.31	0.36	0.39	**0.41**

	As at December 31,				
	2009 RMB'000 (restated)	2010 RMB'000 (restated)	2011 RMB'000	2012 RMB'000	**2013 RMB'000**
Total assets	7,109,068	7,960,055	9,006,688	9,880,912	**11,141,535**
Total liabilities	888,201	1,092,629	1,379,846	1,449,264	**1,841,056**
Total equity	6,220,867	6,867,426	7,626,842	8,431,648	**9,300,479**

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, 2013.

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:

Xu Qiang	*Chairman* (appointed on June 18, 2013), *Executive Director*
Cui Zhixiong	*Executive Director*
Xiao Yinhong	*Executive Director, General Manager* (appointed on June 18, 2013)
Wang Quanhua	*Non-executive Director*
Sun Yude	*Non-executive Director*
Cai, Kevin Yang	*Non-executive Director*
Cheung Yuk Ming	*Independent Non-executive Director*
Pan Chongyi	*Independent Non-executive Director*
Zhang Hainan	*Independent Non-executive Director*

AUDIT COMMITTEE

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

Cheung Yuk Ming	*Chief Member (Chairman)*
Pan Chongyi	*Member*
Zhang Hainan	*Member*

REMUNERATION AND EVALUATION COMMITTEE

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

Pan Chongyi	*Chief Member (Chairman)*
Cheung Yuk Ming	*Member*
Zhang Hainan	*Member*
Wang Quanhua	*Member*

NOMINATION COMMITTEE

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

Xu Qiang	*Chief Member (Chairman)*
Pan Chongyi	*Member*
Zhang Hainan	*Member*

STRATEGIC COMMITTEE

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

Xu Qiang	*Chief Member (Chairman)*
Cui Zhixiong	*Member*
Xiao Yinhong	*Member*
Wang Quanhua	*Member*
Sun Yude	*Member*
Cai, Kevin Yang	*Member*

EXECUTIVE COMMITTEE

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

Xu Qiang	*Chief Member (Chairman)*
Cui Zhixiong	*Member*
Xiao Yinhong	*Member*

Directors resigned on June 18, 2013 (including their respective duties in the relevant committee):

Xu Zhao	*Non-executive Director, member of the Strategic Committee* (appointed on June 5, 2012 and August 29, 2012, respectively)
Zhou Deqiang	*Independent Non-executive Director, member of the Audit Committee, chief member of the Remuneration and Evaluation Committee and member of the Nomination Committee* (all appointed on March 16, 2010)

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:

Li Xiaojun	*Chairperson of the Supervisory Committee* (appointed on June 18, 2013), *Staff Representative Supervisor* (appointed by the staff representative committee of the Company on March 16, 2010 and re-elected on January 10, 2014)
Xiao Wei	*Staff Representative Supervisor* (appointed by the staff representative committee of the Company on March 16, 2010 and re-elected on January 10, 2014)
Zeng Yiwei	*Supervisor*
He Haiyan	*Supervisor*
Rao Geping	*Independent Supervisor*

CORPORATE INFORMATION

(as of the issue date of this report)

Supervisor resigned on June 18, 2013:

Yu Yanbing	*Supervisor* (appointed on March 16, 2010)

SENIOR MANAGEMENT

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

Rong Gang	*Vice General Manager*
Wang Wei	*Vice General Manager*
Sun Yongtao	*Vice General Manager, Chief Financial Officer (Chief Accountant)*
Zhu Xiaoxing	*Vice General Manager*
Huang Yuanchang	*Vice General Manager*
Li Jinsong	*General Counsel* (resigned on March 27, 2014)
Yu Xiaochun	*Company Secretary (Secretary to the Board)*

Company Secretary who resigned on March 15, 2013:

Liu Pui Yee	(appointed on March 16, 2010)

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
23rd Floor, One Pacific Place, 88 Queensway, Central, Hong Kong

as to the PRC law:
Guantao Law Firm
17/F, Tower 2, Yingtai Center
No. 28, Finance Street, Xicheng District, Beijing 100140, PRC

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
2402, Admiralty Centre I, 18 Harcourt Road, Hong Kong

CONTACT DETAILS FOR INVESTORS

Postal address:	No.157 Dongsi West Street, Dongcheng District, Beijing 100010, PRC
Telephone:	(8610) 5765 0696 Secretarial Office to the Board
Facsimile:	(8610) 5765 0695
E-mail:	ir@travelsky.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

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York
Shareholder
P.O. Box 11258
Church Street Station
New York, NY 10286–1258, U.S.A.

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

Shareholders can obtain a copy of this report through the website of the Company at www.travelskyir.com.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

DIRECTORS

Mr. Xu Qiang, aged 52, the Chairman and an executive director of the Company. Mr. Xu graduated from First Research Institute of Ministry of Aviation and Aerospace Industry (航空航天部第一研究院) and got Ph.D. Degree. From November 1990 to May 1999, Mr. Xu served at the Ministry of Aero-Space Industry (航空航天部), China Aerospace Industry Corporation (中國航天工業總公司) as engineer, vice-director and director of research office as well as vice director and director of 13th Institute in succession. From May 1999 to May 2007, Mr. Xu served at China Aerospace Science and Technology Corporation (中國航天科技集團公司), held the position of assistant to president and vice president of First Research Institute (第一研究院), president of 10th Research Institute (第十研究院) and general engineer of China Aerospace Science and Technology Corporation. Mr. Xu served as general manager and deputy party secretary of China TravelSky Holding Company since May 2007. Mr. Xu served as an executive director and Chairman of the third session of the Board of the Company since May 2008. From August 2008, Mr. Xu served as the deputy secretary of the Communist Party Committee of the Company. Since March 2010, Mr. Xu has served as an executive director and the Chairman of the fourth session of the Board of the Company. Since June 2013, Mr. Xu has served as an executive director and the Chairman of the fifth session of the Board of the Company, and the Chief Member (Chairman) of the Nomination Committee, and has been re-appointed as the Chief Member (Chairman) of the Strategic Committee and the Executive Committee. Mr. Xu is holding positions as the chairman of TravelSky Technology (Hong Kong) Limited, a subsidiary of the Company. China TravelSky 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, and Mr. Xu was an employee of China TravelSky Holding Company.

Mr. Cui Zhixiong, aged 53, an executive director of the Company. Mr. Cui, a postgraduate, graduated 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 had held positions as an deputy supervisor, deputy secretary and secretary of the State Organs of the CPC. From February 1993 to April 2004, he worked in the Communist Youth League Work Committee of the State Organs of the CPC (共青團中央國家機關工作委員會) and had served as deputy secretary and secretary. In June 2000, he served as the Chairman of the State Organs Youth Federation of the CPC (中央國家機關青年聯合會). Meanwhile, from November 2001 to October 2003, he served as Deputy Secretary-General of Gansu Provincial Committee and Deputy Secretary of Municipal Committee of Jiayuguan, Gansu Province. Since April 2004, he has served as the party secretary of China TravelSky Holding Company and 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 has 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.

Mr. Xiao Yinhong, aged 51, an executive director and the General Manager of the Company. Mr. Xiao was awarded a master's degree of Beihang University (北京航空航天大學) and was a professor-level senior engineer with over 20 years of management experience in the aviation industry of the PRC. From July 1984 to October 2000, Mr. Xiao had 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). 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 had served as a deputy 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 the executive director of the third session of the Board of the Company. Since March 2010, Mr. Xiao has 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. Mr. Xiao is also the chairman of InfoSky Technology Co., Ltd. and the director of TravelSky Technology (Hong Kong) Limited, all of which are subsidiaries of the Company.

Mr. Wang Quanhua, aged 59, a non-executive director of the Company. Mr. Wang is a university graduate and has about 30 years of management experience in China's civil aviation industry. He joined China Southern Airlines Company (中國南方航空公司) in June 1991. Since June 1998, he had served as the General Manager of the Strategic Planning and Development Department, and then as the Assistant to the President and the Vice President of Southern Air (Holding) Company (南方航空（集團）公司), a promoter of the Company. He has been the Deputy General Manager of China Southern Air Holding Company since October 2002 and a director of China Southern Airlines Company Limited (a company listed on the Main Board of the Stock Exchange and a subsidiary of China Southern Air Holding Company) since March 2003. Since December 2003, Mr. Wang served as a non-executive director and a Vice Chairman of the second session of the Board of the Company. In March 2004, Mr. Wang was appointed by the Board as a member of the Strategic Committee and the Remuneration and Evaluation Committee of the second session of the Board. Since January 2007, Mr. Wang has been re-appointed as a non-executive director of the Company's third session of the Board and a member of the Strategic Committee and the Remuneration and Evaluation Committee. From January 2007 to March 2009, Mr. Wang served as the Vice Chairman of the third session of the Board of the Company. Since March 2010, Mr. Wang has served as a non-executive director of the fourth session of the Board of the Company, and a member of the Remuneration and Evaluation Committee and the Strategic Committee. Since June 2013, Mr. Wang has served as a non-executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Remuneration and Evaluation Committee and the Strategic Committee. China Southern Air 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, and Mr. Wang was an employee of China Southern Air Holding Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

Mr. Sun Yude, aged 60, a non-executive director of the Company, graduated from Civil Aviation Institute of China (中國民航學院) (currently known as Civil Aviation University of China (中國民航大學)) majoring in economic management. He started his career in China's civil aviation industry in 1972 and served as the Deputy Head of CAAC Taiyuan Terminal (民航太原航站) and Head of Ningbo Terminal (寧波航站), as well as General Manager of CNAC Zhejiang Airlines (中航浙江航空公司). In October 2002, Mr. Sun joined Air China International Corporation (中國國際航空公司) as Vice President and General Manager of Zhejiang branch, and has been serving as Vice President of Air China Limited (a company listed on the Main Board of the Stock Exchange and a subsidiary of China National Aviation Holding Company (a promoter and a substantial shareholder of the Company); stock code: 0753 (Stock Exchange); 601111 (Shanghai Stock Exchange); AIRC (London Stock Exchange)) since September 2004. Mr. Sun has been serving as Chairman of Shandong Aviation Group (山東航空集團有限公司) since November 2004, as well as President and the deputy party secretary since December 2005. Mr. Sun served as a director, president and party secretary of China National Aviation Corporation (Group) Limited since March 2007. He was appointed as deputy general manager and a party constitution member of China National Aviation Holding Company, a director and the president of China National Aviation Corporation (Group) Limited in May 2009 and served as the chairperson of the supervisory committee of Air China Limited during the period from October 2007 to October 2010. Mr. Sun served as a director of Air China Limited since October 2010. Since March 2010, Mr. Sun has served as a non-executive director of the fourth session of the Board of the Company, and a member of the Strategic Committee. Since June 2013, Mr. Sun has served as a non-executive director of the fifth session of the Board of the Company, and has been re-appointed as a member of the Strategic Committee. 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, and Mr. Sun was an employee of China National Aviation Holding Company.

Mr. Cai, Kevin Yang, aged 45, Australian nationality. Mr. Cai graduated from Monash University in Australia with a master degree in information management and then obtained Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院). Mr. Cai has profound expertise and experience in the aviation industry. From November 1992 to November 1997, Mr. Cai served as a senior analyst programmer of IBM Global Service Australia Company. From November 1997 to December 1998, Mr. Cai served as a senior consultant of Cable & Wireless Hong Kong Telecommunications Limited. From December 1998 to April 2001, Mr. Cai served as a software development manager of Airport Authority Hong Kong. From April 2001 to March 2003, Mr. Cai served as the vice president of technology development of Global China Technology Group. From March 2003 to September 2006, Mr. Cai served as the manager of system delivery of Hong Kong Dragon Airlines Limited. From September 2006 to October 2009, Mr. Cai served as the IT planning manager of Cathay Pacific Airways Ltd.. Since October 2009, Mr. Cai has served as the chief information officer of China Eastern Airlines Corporation Limited (中國東方航空股份有限公司) (a company listed on the Main Board of the Stock Exchange, a promoter of the Company and a subsidiary of China Eastern Air Holding Company, which is a substantial shareholder of the Company, stock code: 0670 (Stock Exchange); 600115 (Shanghai Stock Exchange); CEA (New York Stock Exchange)). Since September 2011, Mr. Cai has served on IBM Board of Advisors. Since June 2013, Mr. Cai has served as a non-executive director of the fifth session of the Board of the Company and a member of the Strategic Committee.

Mr. Cheung Yuk Ming, aged 61, an independent non-executive director of the Company, is a certified public accountant registered in Hong Kong and a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Bankers, the Institute of Internal Auditors of the United States, the Alliance of Merger and Acquisition Advisors (Chicago, the United States), the Institute of Chartered Accountants in England and Wales, the Chartered Institute of Arbitrators (UK), the Hong Kong Securities Institute, the Construction Management Association of America and the Canadian Institute of Mining, Metallurgy and Petroleum. He obtained a master's degree in business administration from the University of East Asia, Macau (澳門東亞大學) in 1987 and completed courses on construction management, development and financing of mining industry, petroleum economies and petroleum risk management conducted by the China University of Geosciences, the Institution of Civil Engineering Surveyors and other associations. Prior to June 2009, Mr. Cheung had worked at PriceWaterhouse, Lau, Cheung, Fung & Chan, the Hong Kong Government and other organisations. Since January 2005, Mr. Cheung acts as an executive director of Lawrence CPA Limited. Mr. Cheung was appointed as an independent non-executive director of Metallurgical Corporation of China Ltd. (Stock Exchange stock code: 1618) in June 2009. From March 2011 to July 2013, Mr. Cheung is an independent non-executive director of EPI (Holdings) Limited (Stock Exchange stock code: 0689). Since March 2010, Mr. Cheung serves as an independent non-executive director of the fourth session of the Board of the Company, the Chief Member (Chairman) of the Audit Committee and a member of the Remuneration and Evaluation Committee. Since June 2013, Mr. Cheung serves as an independent non-executive director of the fifth session of the Board of the Company, the Chief Member (Chairman) of the Audit Committee and a member of the Remuneration and Evaluation Committee.

Mr. Pan Chongyi, aged 68, an independent non-executive director of the Company, is a professor-level senior engineer. Mr. Pan graduated from University of Shanghai for Science and Technology (上海理工大學). Mr. Pan served as vice factory director of Harbin Turbine Company (哈爾濱汽輪機廠), Director of the Light Industry Bureau of Harbin (哈爾濱市輕工業局) and deputy general manager of HPEGC (哈爾濱電站設備集團公司) from December 1968 to October 1994. He served as vice chairman and general manager of Harbin Power Equipment Company Limited (哈爾濱動力設備股份有限公司) (Stock Exchange stock code:1133) from October 1994 to April 1997. Mr. Pan served as deputy general manager of China National Machinery Industry Corporation (中國機械工業集團公司) and general manager of China National Electric Equipment Corporation (中國電工設備總公司) from April 1997 to August 2005. From 2005 to October 2010, Mr. Pan has taken the positions as the Chairman of China Perfect Machinery Industry Corp., Ltd. (中國浦發機械工業股份有限公司), an external director of China Railway Communication Co. Ltd. (中國鐵通集團公司) and an external director of China National Real Estate Group Corporation (中國房地產集團公司) in chronological order. Since March 2010, Mr. Pan has served as an external director of China Coal Technology & Engineering Group Corporation. Since January 2011, he has served as an external director of China Machinery Engineering Corporation. Since March 2010, Mr. Pan has been an independent non-executive director of the fourth session of the Board of the Company, a member of the Audit Committee and the Remuneration and Evaluation Committee. Since June 2013, Mr. Pan has been an independent non-executive director of the fifth session of the Board of the Company, a member of the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

Mr. Zhang Hainan, aged 69, a senior engineer, graduated from North-western Polytechnical University (西北工業大學), majoring in aeronautical engineering computer science. From October 1984 to October 1989, Mr. Zhang served as deputy head of 782 factory and 762 factory of the former Ministry of Electronics Industry. From November 1989 to January 1996, Mr. Zhang served as director of the Electronic Industry Bureau of Shaanxi Province and executive deputy director of Shaanxi Economic and Trade Commission. From February 1996 to October 2001, Mr. Zhang served as a member of the communist party committee of the government of Shaanxi Province, the assistant to the Governor of Shaanxi Provincial and concurrently the director of Shaanxi Economic and Trade Commission. From November 2001 to June 2006, Mr. Zhang served as the president and the secretary to the communist party committee of China Satellite Communication Corporation (中國衛星通信集團公司). From 2002 to 2006, Mr. Zhang served as a non-executive director of APT Satellite Holdings Limited (香港亞太衛星控股有限公司) and the vice chairman of China Users Association for Satellite Communications, Broadcasting & Television (中國衛星通信廣播用戶協會). From February 2007 to December 2010, Mr. Zhang successively served as an external director of Yunnan Airport Group Co., Ltd. (雲南機場集團有限公司) and an external director of China TieTong Telecommunications Corporation (中國鐵通集團有限公司). Since April 2009, Mr. Zhang has served as an external director, the chairman of the Remuneration and Evaluation Committee and a member of Nomination Committee of China Iron & Steel Research Institute Group (中國鋼研科技集團有限公司). Since June 2013, Mr. Zhang 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 Remuneration and Evaluation Committee and the Nomination Committee.

SUPERVISORS

Ms. Li Xiaojun, aged 58, Chairperson of the Supervisory Committee of the Company, is a senior economist who graduated from People's University of China (中國人民大學) and has over 20 years of management experience in China's civil aviation industry. From March 1983 to May 1988, Ms. Li worked in the Planning Department of the Beijing Bureau of General Administration of Civil Aviation of China (中國民用航空總局北京管理局計劃處). From May 1988 to December 1997, she held the positions of the Deputy Head and then the Head of the Planning Department of Air China International Corporation. Ms. Li was the Head of Enterprise & Institute Personnel Division of Personnel and Education Department of General Administration of Civil Aviation of China (中國民用航空總局人事教育司企事業人事處) from December 1997 to August 2000. From October 2000 to August 2004, she had been a director, deputy general manager and Deputy Party Secretary of the Company. She has also been the Deputy Party Secretary and Secretary of the Disciplinary Committee of China TravelSky Holding Company, a promoter of the Company, since September 2002. Since August 2008, she has served as the Deputy Party Secretary of the Company and Secretary of the Disciplinary Committee. She was an executive director of the first session of the Board. Since December 2003, Ms. Li has served as a supervisor and the Chairperson of the second session of the Supervisory Committee, and was re-appointed as a supervisor and the Chairperson of the third session of the Supervisory Committee in January 2007. Since March 2010, she has been re-appointed as a staff representative supervisor and the Chairperson of the fourth session of the Supervisory Committee of the Company. Since June 2013, she has been re-appointed as a staff representative supervisor and the Chairperson of the fifth session of the Supervisory Committee of the Company.

Mr. Xiao Wei, aged 44, a staff representative supervisor of the Company, graduated from Beihang University (北京航空航天大學) with a master's degree in engineering. Mr. Xiao joined China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company, a promoter of the Company, in April 1995. From October 2000 (when the Company was established) to October 2008, Mr. Xiao served as an engineer of the Networking Department and Deputy Director and Director of the Community Union Working Department of the Company, and general manager of Shenyang Civil Aviation Cares of Northeast China Ltd., a subsidiary of the Company. Mr. Xiao has been working as Office Manager to Discipline Committee of the Company since October 2008. Since March 2010, Mr. Xiao has 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. Mr. Xiao is also a supervisor of TravelSky Technology Huadong Data Center Limited and Beijing TravelSky Birun Technology Co., Ltd., both subsidiaries of the Company.

Ms. Zeng Yiwei, aged 42, 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, manager and deputy general manager of the Finance Division of the Finance and Accounting Department of Xiamen Airlines (廈門航空有限公司), and she was promoted to be the general manager of the Finance and Accounting Department of Xiamen Airlines since September 2010. Since March 2010, Ms. Zeng has served as a supervisor of the fourth session of the Supervisory Committee of the Company. Since June 2013, Ms. Zeng has been reappointed as a supervisor of the fifth session of the Supervisory Committee of the Company.

Mr. He Haiyan, aged 51. Mr. He graduated from Lanzhou University, majoring in nuclear physics. Mr. He has profound technology research and development experience and extensive 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 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 Airlines Company of Hainan Province (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 in HNA Group Company Limited (海航集團), 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 NHA Airlines Holding Co., Ltd. (海航航空控股有限公司) since November 2012. Mr. He has served as an supervisor of the fifth session of the Supervisory Committee of the Company since June 2013.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

Mr. Rao Geping, aged 66, 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, etc. Mr. Rao serves as an independent director of CITIC Securities Co., Ltd., which is listed on the Shanghai Stock Exchange and the Stock Exchange. He has also served as an independent director of China National Biotec Group since August 2012. Since December 2003, Mr. Rao has served as an independent supervisor of the second session of the Supervisory Committee, and was re-appointed as an independent supervisor of the third session of the Supervisory Committee in January 2007. Since March 2010, Mr. Rao has been 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.

SENIOR MANAGEMENT

Mr. Rong Gang, aged 51, a deputy general manager of the Company, is a professor-grade senior engineer. He holds a master's degree in business administration from Guanghua School of Management, Peking University. He has over 20 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). 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 of Civil Aviation Computer Information Centre (currently known as China TravelSky Holding Company). He has been the Deputy General Manager of China TravelSky Holding Company, a promoter and shareholder 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 deputy general manager of the Company since December 2008.

Mr. Wang Wei, aged 53, a deputy general manager of the Company, is a senior engineer. He holds a master's degree in business administration from the China Europe International Business School. From July 1993 to April 2002, he served as the 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 the 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 the deputy general manager of China TravelSky Holding Company, a promoter of the Company. Mr. Wang has been a deputy general manager of the Company since December 2008.

Mr. Sun Yongtao, aged 56, a deputy general manager and the Financial Controller of the Company, holds a master's degree in economics and is a senior accountant. From May 1988 to July 1990, Mr. Sun served as manager of Finance Department of Shenzhen Huamei Steel and Iron Company Limited (深圳華美鋼鐵公司). From July 1990 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), a company listed on the Shenzhen Stock Exchange. 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 March 2001, 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). From March 2001 to February 2002, Mr. Sun served as the Deputy General Manager and the Financial Controller of Guiming Investment Limited (香港貴明投資有限公司). 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 has been 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 deputy general manager of the Company since December 2008 and the Financial Controller of the Company since March 2010.

Mr. Zhu Xiaoxing, aged 49, a deputy general manager of the Company, graduated from Jilin University majoring in computer software and graduated from Tsinghua University with a master's degree in business administration. Mr. Zhu has nearly 20 years of experience in management and technological support in China's civil aviation industry. Mr. Zhu held positions including the Head of the Operation Department and the Customer Service Department of China Civil Aviation Computer Information Center from August 1987 to October 2000. Since the establishment of the Company in October 2000, Mr. Zhu had been 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 deputy general manager of the Company since August 2008.

Mr. Huang Yuanchang, aged 51, a deputy general manager of the Company, graduated from Nanjing Institute of Technology (南京工業學院), and holds a master's degree of administration from Beijing University of Aeronautics and Astronautics. Mr. Huang is currently a senior engineer and has more than 20 years of management and technical support experience in China's aviation industry. From May 1989 to October 2000, Mr. Huang served as the Deputy Head and the Head of Operation Room, the Head of Production Management Department, assistant to the General Manager and Deputy General Manager of the Production Management Department of China Civil Aviation Computer Center (中國民航計算機中心). Mr. Huang served as the executive director of the first session of the Board of the Company from October 2000 to December 2003. Mr. Huang served as a deputy 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. Mr. Huang has been a deputy general manager of the Company since September 2008. Currently, Mr. Huang also serves as the chairman of each of Cares Hubei Co., Ltd., Civil Aviation Cares Technology of Xi'an Ltd. and Shanghai TravelSky Information Technology Limited, all of which are subsidiaries of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

(as of the issue date of this report)

COMPANY SECRETARY

Mr. Yu Xiaochun, aged 46, the company secretary of the Company (Secretary to the Board), graduated from the Department of Systems Engineering of Beihang University in July 1989, majoring in Management Engineering. He obtained a master's degree in management from Beihang University in March 2002. Since joining China Civil Aviation Computer Information Center, the predecessor of China TravelSky Holding Company, a promoter of the Company, in July 1989, Mr. Yu has worked in China's civil aviation information industry (in which the Company carries its activities) for more than 20 years and has extensive management experience. 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 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. From July 2009 to March 2013, he is the head of the Planning and Development Department of the Company. Mr. Yu has served as the 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. Mr. Yu is also currently a director of subsidiaries of the Company, namely InfoSky Technology Co., Ltd., Guangzhou TravelSky Information Technology Limited, Civil Aviation Cares Technology of Xi'an Ltd. and a supervisor of Aviation Cares of Southwest Chengdu, Ltd., a subsidiary of the Company.