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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2010

RESULTS HIGHLIGHTS

- Total revenue amounted to approximately RMB3,054.4 million, an increase of approximately 16.6% over Year 2009
- Profit attributable to equity holders of the Company was approximately RMB896.9 million, an increase of approximately 15.6% over Year 2009
- EBITDA was approximately RMB1,411.7 million, an increase of approximately 21.4% over Year 2009
- Earnings per share was RMB0.46
- The Board recommended the distribution of a final cash dividend of RMB0.157 per share for Year 2010

The board of directors (the "Board") of TravelSky Technology Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") which have been prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended December 31, 2010 ("Year 2010").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts expressed in thousands of Renminbi ("RMB"), except per share data)

	Note	Year ended December 31 2010	2009
Revenues			
Aviation information technology services		**2,082,670**	1,808,335
Accounting, settlement and clearing services		**296,317**	249,983
Data network and others		**675,416**	561,206
Total revenues	*2*	**3,054,403**	2,619,524
Operating expenses			
Business taxes and other surcharges		**(109,132)**	(92,170)
Depreciation and amortisation		**(400,202)**	(340,660)
Network usage fees		**(73,720)**	(81,114)
Personnel expenses		**(616,563)**	(487,304)
Operating lease payments		**(53,529)**	(73,172)
Technical support and maintenance fees		**(160,534)**	(153,528)
Commission and promotion expenses		**(354,807)**	(273,448)
Other operating expenses		**(294,776)**	(319,882)
Total operating expenses		**(2,063,263)**	(1,821,278)
Operating profit		**991,140**	798,246
Financial income, net		**34,612**	84,313
Share of results of associated companies		**24,390**	21,090
Profit before taxation		**1,050,142**	903,649
Taxation	*3*	**(130,830)**	(109,167)
Profit after taxation		**919,312**	794,482
Other comprehensive income			
Currency translation differences		**(1,104)**	342
Other comprehensive income, net of tax		**(1,104)**	342
Total comprehensive income		**918,208**	794,824
Profit after taxation attributable to			
Equity holders of the Company		**896,882**	775,900
Non-controlling interests		**22,430**	18,582
		919,312	794,482
Total comprehensive income attributable to			
Equity holders of the Company		**895,778**	776,242
Non-controlling interests		**22,430**	18,582
		918,208	794,824
Earnings per share for profit attributable to the equity holders of the Company			
Basic and diluted (RMB)	*4*	**0.46**	0.40
Cash Dividends	*5*	**306,277**	261,408

CONSOLIDATED BALANCE SHEET
(Amounts expressed in thousands of Renminbi)

		As at December 31	
	Note	**2010**	2009
ASSETS			
Non-current assets			
Property, plant and equipment, net		**1,058,531**	891,985
Lease prepayment for land use right, net		**2,032,855**	109,236
Intangible assets, net		**104,413**	82,559
Investments in associated companies		**130,855**	123,835
Deferred income tax assets		**11,085**	10,006
Other long-term assets		**4,570**	2,786
		3,342,309	1,220,407
Current assets			
Inventories		**7,948**	8,095
Accounts receivable, net	*6*	**226,757**	185,550
Due from related parties, net		**1,384,156**	1,362,615
Due from associated companies		**17,000**	13,010
Income tax receivable		**49,120**	35,212
Prepayments and other current assets		**216,089**	343,717
Short-term bank deposits		**1,738,834**	2,302,954
Cash and cash equivalents		**899,144**	1,555,723
		4,539,048	5,806,876
Total assets		**7,881,357**	7,027,283

	Note	As at December 31 2010	2009
EQUITY			
Attributable to equity holders of the Company			
Paid-In capital		**1,950,806**	1,950,806
Reserves		**2,577,213**	2,367,208
Retained earnings			
– Proposed final cash dividend	*5*	**306,277**	261,408
– Others		**1,849,077**	1,469,581
		6,683,373	6,049,003
Non-controlling interests		**124,472**	109,664
Total equity		**6,807,845**	6,158,667
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities		**49**	131
Current liabilities			
Accounts payable and accrual liabilities	*7*	**911,441**	768,529
Due to related parties		**121,065**	92,550
Income tax payable		**7,305**	4,419
Deferred revenue		**33,652**	2,987
		1,073,463	868,485
Total liabilities		**1,073,512**	868,616
Total equity and liabilities		**7,881,357**	7,027,283
Net current assets		**3,465,585**	4,938,391
Total assets less current liabilities		**6,807,894**	6,158,798

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention.

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

2. REVENUES

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.

3. INCOME TAX

	2010	2009
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax expenses	**131,808**	112,333
Overseas income tax expenses	**183**	80
Deferred tax	**(1,161)**	(3,246)
	130,830	109,167

Taxation of the Group except for Hong Kong Company, Singapore Company, Japan Company, Korea Company, Europe Company and USA Company is provided based on the tax laws and regulations applicable to PRC enterprises. The Group provides for 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.

Starting from January 1, 2008, the Corporate Income Tax Law of the People's Republic of China ("new CIT Law") unified the income tax rate of enterprises in China to 25%.

Enterprises recognised as "High and New Technology Enterprises" are entitled to a favorable statutory tax rate of 15% under the new CIT Law. In December 2008, the Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" under the new CIT Law, and was entitled to the preferential tax rate of 15% from 2008 to 2010.

In addition to the recognised "High and New Technology Enterprise" status, the Company being approved and certified by relevant authorities as an "Important Software Enterprise" could further enjoy a preferential income tax rate of 10%. According to the relevant regulations, the differences that resulted from the enterprise income tax paid at the rate of 15% over this preferential income tax rate of 10% should be paid to the Company subsequently.

The Company obtained its "Important Software Enterprise" approval for Year 2009 and Year 2010, and accordingly, the income tax rate was further reduced to 10% for 2009 and 2010.

The "Important Software Enterprise" status is subject to an annual assessment and approval.

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

4. 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:

	2010	2009
Earnings *(RMB'000)*		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**896,882**	775,900
Numbers of shares *('000)*		
Weighted average number of ordinary shares in issue (Note)	**1,950,806**	1,944,641
Earnings per share *(RMB)*		
Basic and dilutive	**0.46**	0.40

Note: As set out in the circular of the Company dated June 16, 2008, and the announcements dated May 26, 2008 and July 31, 2008, the Company acquired from China TravelSky Holding Company ("CTHC") the entire equity interest in Accounting Centre of China Aviation Limited Company ("ACCA") and a property located in Dongxing Li, Chaoyang District, Beijing, PRC ("Property"). ACCA is principally engaged in the provision of accounting, settlement and clearing services, and related information system development and support services to commercial airlines and other aviation companies. The acquisition was completed on March 3, 2009 and the consideration was satisfied by the issue and allotment of 174,491,393 new domestic shares of the Company to CTHC (137,499,218 shares for the acquisition of ACCA, and 36,992,175 shares for the acquisition of the Property).

As both the Company and ACCA are under common control of CTHC before and after the acquisition, the acquisition of ACCA is accounted for as a common control business combination. The Company adopts merger accounting for common control combination.

The number of shares in issue for the year ended December 31, 2009 has been adjusted for the 137,499,218 share issued to CTHC on March 3, 2009 for the acquisition of ACCA as if these shares were issued on January 1, 2009.

There were no potential dilutive ordinary shares outstanding during the year ended December 31, 2010 and 2009.

5. DIVIDENDS DISTRIBUTION

The equity holders approved the distribution of a final dividend of RMB261.4 million (RMB0.134 per share) for Year 2009 in the annual general meeting of the Company held on June 25, 2010. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2010.

As at March 29, 2011, the Board recommended the distribution of a final cash dividend of RMB 306.3 million for Year 2010 (RMB 0.157 per share). The proposed final dividend distribution is subject to shareholders' approval in their next general meeting and will be recorded in the Group's financial statements for the year ending December 31, 2011.

On December 21, 2010, the Board recommended a bonus issue of 975,403,196 new ordinary shares to its shareholders on the basis of one new ordinary share for every two ordinary shares held, by conversion of reserves and retained earnings into paid-in capital. This proposal is also subject to shareholders' approval and relevant regulatory approvals.

6. ACCOUNTS RECEIVABLE, NET

As of December 31, 2010 and 2009, the ageing analysis of the accounts receivable was as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 6 months	**206,499**	154,690
Over 6 months but within 1 year	**19,542**	33,947
Over 1 year but within 2 years	**11,666**	22,305
Over 2 years but within 3 years	**20,347**	9,469
Over 3 years	**4,658**	7,065
Accounts receivable	**262,712**	227,476
Provision for impairment of receivables	**(35,955)**	(41,926)
Accounts receivable, net	**226,757**	185,550

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The ageing analysis of accounts payable and accrued liabilities are as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 6 months	**42,156**	29,226
Over 6 months but within 1 year	**4,431**	2,823
Over 1 year but within 2 years	**2,474**	10,342
Over 2 years but within 3 years	**9,326**	24,649
Over 3 years	**19,097**	11,194
Total accounts payable	**77,484**	78,234
Accrued liabilities and other liabilities	**833,957**	690,295
Total	**911,411**	768,529

8. 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 statement of comprehensive income. No segment income statement has been prepared by the Group for the year ended December 31, 2010 and 2009. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

AVIATION INFORMATION TECHNOLOGY SERVICE

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") service (including Inventory Control System ("ICS") service and Computer Reservation System ("CRS") service) and Airport Passenger Processing ("APP") service, as well as other extended information technology solutions related to the above core businesses, including but not limited to, product service for supporting aviation alliances, solutions for developing commercial airlines' e-tickets and e-commerce, data service for supporting decision-making of commercial airlines as well as information management system for improvement of ground operational efficiency.

In 2010, amidst slow global economy recovery, the PRC economy turned into a stable and rapid growth following a lukewarm rebound at earlier stage. The gradual pick-up in foreign trade and the fast growth in residents' income, coupled with the successful events including Shanghai Expo and Guangzhou Asia Games and other favourable factors, greatly stimulated the residents' demand for air transportation. The Group's electronic travel distribution (ETD) system processed approximately 291.8 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 17.2% over the same period in 2009. Among which, the processed flight bookings on commercial airlines in China increased by approximately 16.8%, while those on foreign and regional commercial airlines increased by approximately 29.7%. In 2010, apart from the major domestic commercial airlines that already adopted our APP service, more foreign and regional commercial airlines were using the Company's APP system service, multi-host connecting program service and the self-developed ANGEL CUE platform connecting service, resulting in the number of such users increased to 59, with approximately 4.4 million of passenger departures processed in 42 airports. At the same time, with the Company's continuing efforts to upgrade the level of direct links with foreign and regional commercial airlines, the number of foreign and regional commercial airlines with direct links to the systems of the Company reached 90, with sales percentage through direct links exceeding 99%. By virtue of the foregoing, the Company's ability to tackle with market risk has been further strengthened.

In 2010, the Group continued to monitor the development of the industry. In addition to continuous provision to major commercial airlines in China of information technology products and services along the value chain of the aviation industry, ranging from bookings, ticketing, check-in, boarding and load planning, accounting, settlement and clearing to value-added services for travellers, the Group has also kept fulfilling the demand of commercial airlines for the information technology solutions on traveller services, e-commerce, revenue management, auxiliary services and overseas services. As a strategic partner of the Fast Travel project of International Air Transport Association (IATA), the Company has contributed its support to Air China Limited for realizing the package self-service that meets with international standards in Beijing Capital International Airport, thereby making the Company one of the leading suppliers for Fast Travel project of IATA. The common use self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 59 major domestic airports, and the online check-in service has been applied in 80 airports at home and abroad. Together with the mobile check-in service, the number of departing passengers processed with above check-in services amounted to approximately 22 million. In 2010, the Company provided overall solutions through E-Build (an e-commerce supporting platform) to 20 e-commerce websites owned by China's 10 commercial airlines. Newsky, the Company's self-developed auxiliary supporting system for inventory revenue has already been adopted by China's 11 domestic commercial airlines to assist them in optimizing and enhancing revenue. Sky Passenger, a diversified service system for travellers has also been put into operation in various commercial airlines, to assist them in identifying and seeking for high-end passengers. The Electronic Miscellaneous Document (EMD) has been applied by Air China Limited to support the management of revenue from its auxiliary services, which has not only made it becoming one of the first airlines launching EMD in Asia-pacific region, but also enabled the Company to be the first Global Distribution System (GDS) in the world passing the EMD implementation ability authentication of IATA. In 2010, the Company also endeavoured to develop the E-Solution overall sales platform and integrated the overseas bills settlement solutions of WebLink products, the international B2B products, the graphic Eterm products and the international B2C products, aiming to provide commercial airlines with a full range of low-cost resolutions for overseas markets. The Company has also launched the WebLink products and international B2B websites in 4 overseas regions for 3 commercial airlines.

AIRPORT INFORMATION TECHNOLOGY SERVICE

In 2010, the Group seized the opportunity emerged from the further renovation and expansion of the nation's airports, and responded by rapidly expanding the coverage of airport information technology services and products and proactively participating in airport informatization on one hand, while promoting new businesses through product innovation on the other hand. In respect of the new generation APP front-end system, it has undergone an upgrade in the renovation and expansion project of 6 airports ranking top 50 airports in terms of throughput in China, including Guangzhou Airport and Guiyang Airport. It also facilitated China's commercial airlines in the launch of passenger check-in, transit and connecting flight services in 90 overseas or regional airports, processing approximately 13.4 million passenger departures, accounting for approximately 80.3% of overseas arrivals of the China's commercial airlines. The service of Angel Lite, a passenger front-end processing system designed and developed for small airports ranking beyond the top 60 airports in terms of throughput in China, was extended to 6 airports, including Luoyang Airport and Lianyungang Airport. Airport information service products were put into operation in 5 airports, including Shanghai Hongqiao Airport, and Hefei Airport, while ground operational products were installed in 11 airports, including Beijing Capital International Airport. The number of domestic and overseas commercial airlines using Advance Passenger Information (API) services increased by 9, including Jetstar Airways. And Airport Message Broker (AMB) platform, which integrated airport passenger information and luggage information, has been promoted to Chongqing Airport and Nanchang Airport, etc.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICE

The Group's travel service distribution network comprises nearly 60,000 sales terminals owned by more than 6,000 travel agencies and travel service distributors, with high-level networking and direct links to all GDS around the world and 90 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localized services to travel agencies and travel service distributors through more than 30 local distribution centers across China and 6 overseas distribution centers across Asia, Europe and North America. The network processed over 215.9 million transactions during 2010 with transaction amount up to RMB260.7 billion.

In 2010, the Group further developed its core product lines for distribution information technology services, which was mainly represented by its TravelWeb front-end business system, LinkoSky comprehensive distribution platform, online distribution products, etc, and vigorously promoted its core travel product series called Bluesky, which mainly run on several platforms, namely the travel management consultant business platform (TMC), the online booking tool business platform (OBT) and the travel data business platform (DAL) and some other front-end products. The product series were promoted to top travel management corporations across the world, including American Express and Carlson Wagonlit Travel. Meanwhile, new products incorporated in Linkosky comprehensive distribution platform such as bus, insurance, ticket booking and vehicle renting services enriched the services provided by travel agencies and broadened the Company's source of income.

TRAVEL PRODUCT DISTRIBUTION SERVICE

In 2010, by enhancing hotel platform building, constructing diversified product structure, and integrating upstream and downstream channels to develop hotel resources, the Group successfully established direct link with various domestic and overseas leading hotels' GDS, extended its CRS hotel products coverage to 50 domestic cites, and incorporated various types of products provided by tourism service providers. The Group distributed 2,197,000 hotel's room-nights during the year, representing an increase of 103.7% as compared with the corresponding period in 2009.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICE

In 2010, the growth momentum of China's air freight market was significantly higher than global average, and there were new movements in integration and competition among domestic air freight enterprises. The Group seized the opportunity by upgrading the old freight systems used by existing airport and airline clients and enrich its product mix, while further enhanced its marketing effort, and won tenders to build an air freight system for the new cargo terminal in Chengdu Airport and provide an information system for the neutral cargo terminal in Guangdong Chaoshan Airport. The Group also promoted its air freight business system to cargo terminals of medium and small sized airports and recently expanded its services to 5 other airports including Shaanxi Hanzhong Airport and Zhejiang Zhoushan Airport. The Group processed approximately 6.8 million airway bills during the year, representing an increase of 38.8% over that in the corresponding period of 2009. In 2010, the Group also reinforced its collaboration with IATA, customs and logistic and storage equipment providers, researched and developed electronic air freight bill logistic information platform to assist commercial airlines and airports in China to implement electronic freight bill transportation, launched electronic customs declaration system for the European Union (EU), becoming the first enterprise to cooperate with various countries in the EU for electronic customs declaration, and entered into a letter of intent with Jiangsu Feida Baokai Electric Co., Ltd. in relation to strategic cooperation regarding logistic system service to enhance the integrating power of logistic information system.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICE

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 organizations and IATA. In 2010, there were approximately 433.9 million transactions and approximately 216.5 million BSP tickets processed with respect to the system service business of ACCA, while passenger and cargo postal revenues, miscellaneous fees as well as international and domestic clearing fees settled through our system amounted to approximately US$4.1 billion.

In 2010, apart from consolidating its existing market share of settlement and clearing services, the Group also endeavoured to explore overseas markets and enhanced awareness of its brand around the world by capitalizing on the successful transfer of its data treatment and software services for 42 BSP companies across Asia-Pacific and Europe and a time when its business operations remained stable. While accelerating the research and development of the new generation revenue management system relating to international passenger, the Group cooperated closely with IATA, the Settlement and Clearance Center of CAAC and the e-payment platforms, and became one of the first testers of IATA's Simplify Interline Settlement (SIS) project in respect of passenger, cargo and service fee businesses. Besides, the Group has signed agreements with IATA to settle booking receivables by sales amount of BSP.

CONSTRUCTION OF THE NEW GENERATION AVIATION PASSENGER SERVICE SYSTEM

The designing theme of the Group's new generation aviation passenger service system is passenger orientation. It adopts service-orientation architedium ("SOA") technical structure, which not only has advantages such as powerful mainframe handling capacity, flexible research and development on open platforms and technologies, and quicker response, but also achieves smooth transition of system functions and maintains low operation cost, so as to support the sustainable development of commercial airlines' businesses and tie in with the development trend of aviation and travel industry.

In 2010, the Group accelerated the construction of a new generation aviation passenger service system (the New Generation System). As the development direction and strategies had been clarified, it was time for action. Based on the historical demand of the users, the Group launched coordinated investigations with major commercial airlines to determine the development direction, the path, the strategies of joint construction and the business cooperation model. The Group also accelerated the basic configuration of the system. The technical framework of the New Generation System was basically completed, which consisted of several platforms, namely, Message Central Switching System (MCSS), TravelSky Unified Message Service (TUMS), TravelSky API (TAPI), TravelSky Data Integration Engine (TDIE) and TravelSky Application Management (TAM), and thus materialized a smooth transition from a stage of mainframe integration to a stage of service integration. In addition, due to better configuration of our service systems, remarkable results were obtained in the installation and upgrading of the core public service systems used by ICS, CRS and APP. The Group will also boost construction of its core systems, and promote research and development in core application systems, including a new generation flight control system, an airlines front-end system, etc.

INFRASTRUCTURE

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

In 2010, adhering to the principle of "putting equal emphasis on stability and development, and treasuring both safety and efficiency", the Group strived to improve safety in production, enhance safety supervision, exploit system potential and accelerate technological transformation. The Group also established the safety production assessment system, implemented the potential safety hazard tracking system, promoted the construction of standardized systems, developed the operation automation platform and conducted the optimization scheme that was intended to incorporate the long-term and short-term mainframe systems. In addition, the Group completed the upgrading of the passenger departure system hot backup for some extra large airports, such as Beijing Capital International Airport, Guangzhou Airport and Shanghai Hongqiao Airport, reinforced the monitoring of core systems and the system disaster recovery rehearsal, and perfectly completed the mission of ensuring security for the civil aviation travellers information systems during the Shanghai World Expo and Guangzhou Asian Games. In 2010, the utilization ratios of the Group's ICS, CRS, APP, the core open system and the settlement and clearing mainframe systems were around 100%, 100%, 100%, 99.99% and 99.93% respectively.

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 annual results announcement. The financial statements have been prepared in accordance with International Financial Reporting Standards. The following discussions on the synopsis of historical results do not represent a prediction as to the future business operations of the Group.

For Year 2010, profit before taxation of the Group was approximately RMB1,050.1 million, representing an increase of approximately 16.2% over that in the year ended December 31, 2009 ("Year 2009"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB1,411.7 million, representing an increase of approximately 21.4% over that in Year 2009. Profit attributable to equity holders of the Company was approximately RMB896.9 million, representing an increase of approximately 15.6% over that in Year 2009 mainly due to the strict cost control amid a growth in revenue.

The basic and diluted earnings per share of the Group in Year 2010 were RMB0.46.

Net Cash Flows and Liquidity

The Group's working capital for Year 2010 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,303.4 million.

In Year 2010, the Group had no short-term and long-term bank loans, and the Group did not use any financial instruments for hedging purposes.

As at December 31, 2010, cash and cash equivalents of the Group amounted to RMB899.1 million, of which approximately 96.5%, 1.9% and 0.5% were denominated in Renminbi, U.S. dollars and Hong Kong dollars, respectively.

Held-to-maturity Financial Assets

The Company did not hold any treasury bonds of China or any held-to-maturity financial assets as at December 31, 2010.

Charge on Assets

As at December 31, 2010, the Group had no charge on its assets.

Capital Expenditure

The capital expenditure of the Group amounted to approximately RMB2,513.3 million in Year 2010, representing an increase of approximately RMB2,108.1 million as compared to that of approximately RMB405.2 million in Year 2009. The capital expenditure of the Group in Year 2010 consisted principally of construction of the new operating centre in Beijing (inclusive of the related expenses of land acquisition detailed in the paragraph below), development of the new generation aviation passenger service system and promotion of other new businesses.

As set out in the announcements dated January 26, 2010 and February 26, 2010, and the circular dated March 2, 2010, the Company made a successful bid for the land use right of 08, 09, 19 and 21 blocks at Xincheng 19 Street, Shunyi District, Beijing at a transfer price of RMB1,910 million at an open auction to construct a new operating centre of the Group. The Company had fully paid the land transfer price on March 12, 2010.

The Board estimates that the Group's planned capital expenditure for the financial year ending 2011 will amount to approximately RMB1,049.5 million, which is mainly for construction of the new operating centre in Beijing and 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 operations. The Board estimates that the sources of funding of the Group in 2011 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

Exchange Risks

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

Gearing Ratio

As at December 31, 2010, the gearing ratio of the Group was approximately 13.6% (2009: 12.4%), which was computed by dividing the total amount of liabilities by the total assets of the Group as at December 31, 2010.

Contingent Liabilities

As at December 31, 2010, the Group had no material contingent liabilities.

Employees

As at December 31, 2010, the total number of employees of the Group was 4,324. Staff costs amounted to approximately RMB616.6 million for Year 2010, representing approximately 29.9% of the total operating cost of the Group for Year 2010.

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 2008, the Group established a corporate annuity scheme (or "supplementary pension plan") in accordance with relevant policies of the PRC. According to the corporate annuity scheme which had been approved and come into effect in 2008, the Group is required to make provision for monthly corporate annuity fees with reference to the total actual salary each month during 2008 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 2010, the annual corporate annuity of the Group amounted to approximately RMB24.2 million (2009: RMB19.1 million).

Currently, none of the Non-executive Directors of the Company receive any remuneration. Nevertheless, any reasonable fees and expenses incurred by the Non-executive Directors during their tenure of service will be borne by the Company. Independent Non-executive Directors of the Company do receive director's fee, which is determined by reference to the prevailing market price, their duties and personal qualifications, and that any reasonable fees and expenses incurred by Independent Non-executive Directors during their tenure of service will be borne by the Company. All directors of the Company (the "Directors") are entitled to liability insurance taken out by the Company for Directors.

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.

As disclosed in the announcement of the Company dated December 21, 2010, the Board proposed the adoption of the H Share Appreciation Rights Scheme (the "Scheme") for certain Directors, senior management and employees of the Company. The Scheme shall first be approved by the State-owned Assets Supervision and Administration Commission of the PRC ("SASAC") before adoption by the Company. If SASAC approves the Scheme, the Scheme will further be submitted to the shareholders for approval at a general meeting. Further details of the general meeting for the purpose of considering and approving the Scheme by the shareholders and a circular setting out further details of the Scheme will be dispatched to the shareholders as soon as practicable after obtaining approval of the Scheme from SASAC.

Appropriations and Distribution of Profit

In Year 2010, 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.

The appropriation of 20% of its net profit to the discretionary surplus reserve fund for the year ended December 31, 2009 was approved in the annual general meeting held on June 25, 2010. The amount was accounted for in shareholder's equity as a distribution of retained earnings for Year 2010.

The proposed appropriation of 10% of its net profit amount to RMB76.4 million to the discretionary surplus reserve fund for the year ended December 31, 2010 is subject to shareholders' approval at the forthcoming annual general meeting. Therefore, the amount will be recorded in the Group's financial statements for year ending December 31, 2011.

PROPOSED BONUS ISSUE AND DISTRIBUTION OF A FINAL CASH DIVIDEND FOR 2010

As disclosed in the announcement of the Company dated December 21, 2010, the Board proposed a bonus issue of one new share for every two existing shares held by the shareholders of the Company. Such proposals are subject to approval by the shareholders at the annual general meeting and respective class meetings and by the relevant regulatory authorities (if any) and compliance with relevant laws and regulations. Further details of the proposed bonus issue will be contained in the circular issued to the shareholders, which will be despatched to the shareholders by the Company as soon as possible.

On March 29, 2011, the Board proposed the distribution of a final cash dividend of RMB306.3 million, which represented RMB0.157 per share for Year 2010. The total number of shares in issue which entitles the receipt of those dividends is 1,950,806,393 shares. Upon distribution of the above final dividend, the distributable profit as at December 31, 2010 is approximately RMB778.8 million (2009: RMB958.7 million).

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

The 2010 annual general meeting (the "AGM") and the H/domestic shareholder class meetings of the Company will be held at an appropriate time in Beijing, the PRC. The register of members of the Company will be closed within 30 days prior to the convening of the AGM. A notice of AGM and H/domestic shareholder class meetings specifying the book close date and the last registration date will be published accordingly. Holders of the H shares and domestic shares whose names appear on the register of members of the Company on or before the last registration date are entitled to attend the AGM and the H/domestic shareholder class meetings and the proposed final cash dividend for Year 2010 as approved at the AGM.

The Company will make further announcement(s) on the specific arrangements in relation with bonus issue and cash dividend payment after the AGM and the H/domestic shareholder class meetings, including the date of payment of cash dividends and mechanism of withholding the income tax payable by non-resident enterprise shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2010, the Company and any of its subsidiaries did not purchase, sell or redeem any of its securities.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting policy and practice 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 2010.

CORPORATE GOVERNANCE PRACTICE

In compliance with the PRC Company Law and the Articles, the Company has regulated its operations and provided information of the Company to all market participants and regulatory authorities on a timely, accurate, complete and true basis, aiming to enhance its transparency. The Board has adopted the code provisions as stipulated in the "Code on Corporate Governance Practices" (the "Code") 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 2010, the Company has fully complied with the Code except the code provisions D.1.1 and D.1.2. In 2010, the Company has set out the respective duties of the Board and the General Manager in the Articles. However, the Company has not formulated specific written guidelines in respect of other duties and authority delegated to the management, which deviates from code provisions D.1.1 and D.1.2 of the Code. Currently, the Board grants special authority to the management for approval or execution of certain type of matters or events based on actual requirements and the Board is of the opinion that the current arrangement does not prejudice the interests of the Company.

2011 OUTLOOK

2011 is the first year of the 12th Five-Year Plan period for the Group. It is also a year that is crucial to leveraging on our past experience and preparing for future development. The favourable policies promulgated by the Chinese government and designated to build the nation into a civil aviation power, to accelerate the development of the tourism industry, to revitalize the logistics industry and to promote the development of information technology will underpin the growth of market demand and promote the sustained development of the industry, thus presenting a rare historic opportunity for the Group to achieve leapfrog development. On the other hand, the Group's development may be exposed to notable external challenges due to (among others) the further restructuring of the commercial airlines and their urgent needs to reach out to the world, the impact of high-speed railway system and other means of transport on air transport market, the liberalization trend of the Global Distribution System (GDS) market and the free boundary problem of the IT industry as a result of technological advancements.

To this end, based on the achievements accomplished during the 11th Five-Year Plan period, the Group will continue to implement its strategy of "growing stronger and larger to go global" in 2011, while riding on the emerging opportunities and avoiding relevant risks, guided by the scientific perspective on development, and endeavouring to become one of the world's first class comprehensive information service enterprises. The Group will improve its capability of sustainable development and technology level in respect of safety by constructing the new operating centre in Shunyi, Beijing, which holds a leading position in China and meets the international standards. The Group will research and develop a new generation of the air passenger information service system and endeavour to achieve technology breakthroughs so as to strengthen its main business. In addition, the Group will expand its emerging businesses and overseas market by building and capitalizing on the electronic payment services platform, the integrated IT platform for airports, the air cargo logistics information platform, the hotel distribution platform and the shared information service platform as well as developing innovative service models. Furthermore, the Group will strive to activate the internal vitality and enthusiasm of all employees by talent and team building, corporate culture construction and innovating its internal systems and mechanisms. With these practices, the Group aims to achieve leapfrog development in the new period.

PUBLICATION OF ANNUAL RESULTS ON THE INTERNET WEBSITES

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://travelsky.todayir.com) established in accordance with Rule 2.07C(6)(a) of the Listing Rules.

By the order of the Board
TravelSky Technology Limited
Xu Qiang
Chairman

Beijing, PRC, March 29, 2011

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

Executive Directors:	Mr Xu Qiang *(Chairman)*, Mr Cui Zhixiong and Mr Xiao Yinhong;
Non-executive Directors:	Mr Wang Quanhua, Mr Luo Chaogeng and Mr Sun Yude;
Independent Non-executive Directors:	Mr Cheung Yuk Ming, Mr Zhou Deqiang and Mr Pan Chongyi.