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

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

(Stock Code: 00696)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

BUSINESS SUMMARY

- The total revenue amounted to approximately RMB8,121.7 million, representing an increase of approximately 8.7% over Year 2018.
- Profit attributable to owners of the Company was approximately RMB2,542.9 million, representing an increase of approximately 9.4% over Year 2018.
- Earning per share was RMB0.87.
- The Board recommended the distribution of a final cash dividend of RMB0.289 per share for Year 2019.

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 for the year ended December 31, 2019 ("**Year 2019**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenues			
Aviation information technology services		**4,517,199**	4,160,144
Accounting, settlement and clearing services		**596,977**	579,343
System integration services		**1,168,024**	946,939
Data network services		**485,098**	512,283
Others		**1,354,375**	1,273,405
Total revenues	*4(b)*	**8,121,673**	7,472,114
Operating expenses			
Business taxes and other surcharges		**(84,499)**	(70,933)
Depreciation and amortisation		**(863,252)**	(696,289)
Network usage fees		**(96,990)**	(77,092)
Personnel expenses		**(1,861,541)**	(1,818,404)
Operating lease payments		**–**	(98,200)
Technical support and maintenance fees		**(902,681)**	(804,726)
Commission and promotion expenses		**(799,363)**	(723,201)
Cost of software and hardware sold		**(601,272)**	(367,042)
Other operating expenses		**(448,523)**	(496,834)
Total operating expenses		**(5,658,121)**	(5,152,721)
Operating profit		**2,463,552**	2,319,393
Finance income, net		**228,288**	220,159
Government grants		**59,752**	15,108
Share of results of associated companies		**62,937**	47,069
Gain on deemed disposal of a subsidiary		**5,147**	–
Fair value gains on financial assets		**–**	48,643
Profit before taxation	*5*	**2,819,676**	2,650,372
Taxation	*6*	**(217,309)**	(268,609)
Profit after taxation for the year		**2,602,367**	2,381,763
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**8,347**	11,029
Release of currency translation differences reserve upon deregistration of a subsidiary		**(6,187)**	–
Gain in fair value of equity instruments at fair value through other comprehensive income		**8,750**	–
Other comprehensive income for the year, net of tax		**10,910**	11,029
Total comprehensive income for the year		**2,613,277**	2,392,792

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Profit after taxation attributable to:			
Owners of the Company		**2,542,861**	2,325,129
Non-controlling interests		**59,506**	56,634
		2,602,367	2,381,763
Total comprehensive income attributable to:			
Owners of the Company		**2,553,771**	2,336,158
Non-controlling interests		**59,506**	56,634
		2,613,277	2,392,792
Earnings per share from profit attributable to owners of the Company			
Basic and diluted *(RMB)*	*7*	**0.87**	0.79
Cash dividends	*8*	**845,675**	787,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment, net		**4,472,546**	4,385,753
Investment properties, net		**118,541**	1,041
Right-of-use assets		**1,681,754**	–
Lease prepayment for land use right, net		**–**	1,650,377
Intangible assets, net		**527,459**	506,086
Goodwill		**156,250**	151,194
Investments in associated companies		**388,188**	316,840
Deferred income tax assets		**209,722**	177,627
Other long-term assets		**53,074**	104,148
Financial assets at amortised cost	*9*	**1,019,420**	1,189,940
Financial assets at fair value through other comprehensive income	*9*	**883,750**	875,000
Total non-current assets		**9,510,704**	9,358,006
Current assets			
Inventories		**48,232**	47,563
Trade and bills receivables, net	*10*	**1,378,241**	1,478,812
Contract assets, net	*11*	**9,739**	30,622
Due from related parties, net		**3,719,963**	3,173,992
Due from associated companies		**97,783**	79,919
Income tax recoverable		**18,297**	10,609
Prepayments and other current assets		**1,213,297**	947,792
Financial assets at amortised cost	*9*	**3,103,337**	2,477,567
Financial assets at fair value through profit or loss	*9*	**–**	161,944
Cash and cash equivalents		**4,546,791**	4,346,496
Total current assets		**14,135,680**	12,755,316
Total assets		**23,646,384**	22,113,322

	Notes	**2019** *RMB'000*	2018 *RMB'000*
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	*12*	**3,499,384**	3,990,794
Contract liabilities	*11*	**178,171**	193,210
Due to related parties and associated companies		**399,455**	272,037
Lease liabilities		**72,448**	–
Income tax payable		**51,155**	87,589
Total current liabilities		**4,200,613**	4,543,630
Non-current liabilities			
Deferred income tax liabilities		**39,960**	47,641
Deferred government grants		**91,886**	94,491
Lease liabilities		**80,409**	–
Total non-current liabilities		**212,255**	142,132
NET ASSETS		**19,233,516**	17,427,560
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,926,209**	2,926,209
Reserves		**5,209,049**	4,790,317
Retained earnings		**10,641,947**	9,294,058
		18,777,205	17,010,584
Non-controlling interests		**456,311**	416,976
TOTAL EQUITY		**19,233,516**	17,427,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

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

2. BASIS OF MEASUREMENT

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

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

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

(a) Adoption of new/revised IFRSs – effective January 1, 2019

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

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs

The impact of the adoption of IFRS 16 Leases and IFRIC-Int 23 Uncertainty over Income Tax Treatments have been summarised in below. The Directors of the Company consider, other new or amended IFRSs that are effective from January 1, 2019 did not have any material impact on the Group's accounting policies.

A. IFRS 16 – Lease

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("**IAS 17**"), IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases-Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (v) of this note.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on January 1, 2019.

The following tables summarised the impact of transition to IFRS 16 on consolidated statement of financial position as of December 31, 2018 to that of January 1, 2019 as follows (increase/(decrease)):

	RMB'000
Consolidated statement of financial position as at January 1, 2019	
Right-of-use assets	1,675,495
Lease prepayment for land use right, net	(1,650,377)
Lease liabilities (non-current)	(16,455)
Lease liabilities (current)	(8,663)

The recognised right-of-use assets relate to the following types of assets:

	RMB'000
Right-of-use assets as at January 1, 2019	
Lease prepayment for land use right, net	1,650,377
Properties	25,118
Total right-of-use assets	1,675,495

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of December 31, 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at January 1, 2019:

	RMB'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitments disclosed as at December 31, 2018	32,340
(Less): effect of discounting at the incremental borrowing rate as January 1, 2019	(2,267)
(Less): short-term leases recognised on a straight-line basis as expense	(4,955)
Lease liabilities recognised as at January 1, 2019	25,118
Of which are:	
Current lease liabilities	8,663
Non-current lease liabilities	16,455
	25,118

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was from 0.94% to 5.50%.

(ii) *The new definition of a lease*

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. For right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under IAS 40 and are carried at cost, less any accumulated depreciation and any impairment losses. The Group accounts for leasehold land and buildings which is held for own use under IAS 16 and are carried at cost, less any accumulated depreciation and any impairment losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(v) Transition

As mentioned above, the Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on January 1, 2019.

The Group has recognised the lease liabilities at the date of January 1, 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (January 1, 2019) and accounted for those leases as short-term leases; and (iii) exclude the initial direct costs from the measurement of the right-of-use asset at January 1, 2019.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int4.

B. IFRIC-Int 23 – Uncertainty over Income Tax Treatments

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

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

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

(b) New/revised IFRSs that have issued but are not yet effective

The following new or revised IFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective on January 1, 2019 and have not been early adopted by the Group.

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

3 The amendments were originally intended to be effective for periods beginning on or after January 1, 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

The Directors of the Company anticipate that the application of the new and revised IFRSs will have no material impact on the Group's consolidated financial statements in the future.

4. SEGMENT REPORTING

(a) Business segments

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

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the People's Republic of China ("PRC"). The Group's chief decision maker for operation is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the consolidated statement of profit or loss and other comprehensive income. No segment consolidated statement of profit or loss and other comprehensive income has been prepared by the Group for the years ended December 31, 2019 and 2018.

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

(b) Disaggregation of revenue

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

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
Transferred over time		
– Aviation information technology services	**4,517,199**	4,160,144
– Accounting, settlement and clearing services	**596,977**	579,343
– System integration services	**152,817**	59,942
– Data network services	**485,098**	512,283
– Others	**1,354,375**	1,273,405
	7,106,466	6,585,117
At a point in time		
– Sale of equipment	**1,015,207**	886,997
	8,121,673	7,472,114

Primary geographical markets

The Group's operations are mainly located in PRC.

All of the Group's revenue is mainly generated from related parties and external customers in PRC.

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

5. PROFIT BEFORE TAXATION

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	**4,774**	3,456
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**1,537,450**	1,517,200
Retirement benefits scheme contributions	**207,595**	195,055
Housing benefits	**111,722**	102,693
Total staff costs	**1,856,767**	1,814,948
Auditor's remuneration	**2,368**	2,305
Depreciation of property, plant and equipment	**441,863**	381,168
Depreciation of investment properties	**294**	295
Depreciation of right-of-use assets		
Properties	**75,845**	–
Equipment	**1,074**	–
Land use right	**52,732**	–
Amortisation of intangible assets	**291,444**	262,094
Amortisation of lease prepayment for land use right	**–**	52,732
Loss on disposal of property, plant and equipment	**5,547**	1,139
Impairment loss on trade receivables	**28,152**	99,004
Exchange gain, net	**(28,048)**	(6,997)
Research and development expenses	**757,733**	658,498
Interest income	**(207,675)**	(213,201)
Interest on lease liabilities	**7,435**	–
Short-term leases expenses	**13,416**	–
Low-value assets leases expenses	**5**	–

6. TAXATION

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax expenses	**391,388**	404,602
Over-provision in respect of prior years	**(146,128)**	(109,072)
Overseas income tax expenses	**11,730**	4,763
	256,990	300,293
Deferred income tax	**(39,681)**	(31,684)
	217,309	268,609

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

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

Under the Corporate Income Tax Law of the People's Republic of China ("**CIT Law**"), in general, the applicable income tax rate of enterprises in the PRC is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. The Company is also entitled to additional deduction of 75% on qualified research and development expense.

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

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

Uncertainty over income tax treatments

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

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC on May 4, 2016, the Company had made an application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2018. As at 16 September 2019, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% has been received, and reflected in the Company's consolidated financial statements in Year 2019. Details of the relevant information are set out in the Company's announcement dated 16 September 2019.

The Company will continue to apply for a preferential tax rate of 10% for Year 2019. The amount of tax refund of 5% for the year ended December 31, 2019 has not been recognised in these consolidated financial statements because the Company believes that the application is approved on a year-by-year basis with reference to the evaluation of the completion satisfaction or output for the research effort put by the Group and there are no conclusive evidence that the tax authority will approve such deduction for Year 2019. Therefore, the Company should accruals the corporate income tax expense at the preferential tax rate of 15% for the year ended December 31, 2019.

7. EARNINGS PER SHARE

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

	2019	2018
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**2,542,861**	2,325,129
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	**0.87**	0.79

There were no potential dilutive ordinary shares outstanding during the years ended December 31, 2019 and December 31, 2018.

8. DIVIDEND

The shareholders approved the distribution of a final dividend of RMB787.2 million (RMB0.269 per share) for Year 2018 in the annual general meeting of the Company held on June 27, 2019. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2019. On March 27, 2020, the Board recommended the distribution of a final cash dividend of RMB845.7 million for Year 2019 (RMB0.289 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 consolidated financial statements for the year ended December 31, 2020.

9. OTHER FINANCIAL ASSESTS

	2019	2018
	RMB'000	*RMB'000*
Non-current assets		
Financial assets at amortised cost		
Deposits with banks with original maturity date over three months *(note a)*	**100,000**	78,525
Restricted bank deposits	**19,420**	11,415
Certificate of deposits *(note b)*	**900,000**	–
Structural deposits *(note d)*	**–**	1,100,000
	1,019,420	1,189,940
Financial assets at fair value through other comprehensive income		
Unlisted equity investment *(note c)*	**883,750**	875,000
Current assets		
Financial assets at amortised cost		
Deposits with banks with original maturity date over three months *(note a)*	**580,139**	449,211
Restricted bank deposits	**23,198**	28,356
Managed funds, in PRC	**–**	300,000
Structural deposits *(note d)*	**1,100,000**	–
Certificate of deposits *(note b)*	**1,400,000**	1,700,000
	3,103,337	2,477,567
Financial assets at fair value through profit or loss		
Managed funds, in PRC *(note e)*	**–**	161,944

Note:

(a) As at December 31, 2019, deposits with banks with original maturity date over three months represent deposits with banks with an original maturity ranging from six months to three years. The annual interest rates range from 0.4% to 4.4% (2018: 0.4% to 4.3%).

(b) The annual interest rates on certificates of deposits held by the Group ranges from 3.4% to 4.1% (2018: 4.3% to 4.8%) and these deposits have a maturity period from 182 days to 397 days (2018: 183 days to 395 days) and are non-cancellable before maturity. The above carrying amounts of certificates of deposits held approximate to their fair values.

(c) The unlisted equity investment represents 17.5% (2018:17.5%) equity interest in China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**") at a fair value of RMB884 million (2018: RMB875 million). The Directors designated the investment as financial asset at fair value through other comprehensive income of approximately RMB884 million (2018: RMB875 million), since the Group has no intention to hold the investment for trading purpose. The directors of the Company have determined the fair value of this investment as at December 31, 2019 with reference to the valuation report issued by China Alliance Appraisal Co., ltd, ("**China Alliance**") an independent professional valuer who has professional qualifications and relevant experience. The fair value of the unlisted fund is determined by market approach, with references to comparable companies benchmark multiples. During the year, the Group recognised a fair value gain approximately to RMB9 million in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

During the year, all interest held of the managed fund was disposed of with no gain or loss recognised.

10. TRADE AND BILLS RECEIVABLES, NET

	2019	2018
	RMB'000	*RMB'000*
Trade receivables (i)	**1,595,642**	1,655,786
Less: provision for impairment of trade receivables	**(305,446)**	(284,415)
	1,290,196	1,371,371
Bills receivables (ii)	**88,045**	107,441
Trade and bill receivables, net	**1,378,241**	1,478,812

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

	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**857,935**	849,260
Over 6 months but within 1 year	**150,789**	300,398
Over 1 year but within 2 years	**207,405**	177,116
Over 2 years but within 3 years	**74,067**	44,597
	1,290,196	1,371,371

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

(ii) Bills receivables are mainly commercial acceptance bills with trade-related receivables, which are not yet due at the end of the reporting period and the management considers the default rate is low as the Group did not encounter any default on bills receivables based on the past experience. All bills received by the Group are with a maturity period of less than one year, which is within the credit term.

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

(i) Contract assets

	2019	2018
	RMB'000	*RMB'000*
Contract assets arising from performance under:		
System integration services contracts	**10,987**	34,304
Less: provision for impairment	**(1,248)**	(3,682)
	9,739	30,622

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

System integration services

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

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

After applying the ECL rate to gross amount of contract assets, a provision of impairment loss of contract assets of RMB1.2 million (2018: RMB3.7 million) was recognised in the consolidated financial statements.

(ii) Contract liabilities

	2019	2018
	RMB'000	*RMB'000*
Contract liabilities arising from:		
System integration services	**178,171**	193,210

Movements in contract liabilities:

	2019	2018
	RMB'000	*RMB'000*
Balance as at January 1	**193,210**	179,131
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(163,229)**	(126,680)
Increase in contract liabilities as a result of billing in advance of system integration services contracts	**148,190**	140,759
Balance as at December 31	**178,171**	193,210

12. TRADE PAYABLES AND ACCRUED LIABILITIES

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

	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**441,371**	844,443
Over 6 months but within 1 year	**141,590**	38,063
Over 1 year but within 2 years	**74,060**	93,379
Over 2 years but within 3 years	**21,341**	65,365
Over 3 years	**46,602**	122,500
Total trade payables	**724,964**	1,163,750
Accrued liabilities and other liabilities	**2,774,420**	2,827,044
Total	**3,499,384**	3,990,794

13. EVENT AFTER THE REPORTING PERIOD

(i) The Novel Coronavirus Pneumonia Epidemic (the "Epidemic")

Since the occurrence of the Epidemic, the PRC and foreign countries have adopted various strict measures to curb the spread of the Epidemic. Due to the significant decline in the number of passenger transportation in civil aviation industry, as disclosed in the announcement of the Company on March 20, 2020 about the influence of the Epidemic on business, the Epidemic is expected to have an adverse impact on the Group's operating performance for the first half of 2020 and the year of 2020.

Since the occurrence of the Epidemic, the Group has made continuous efforts in prevention and control, maintained a 7 × 24-hour real-time responses to the technical and commercial services. By virtue of its advantages in information systems, big data, and real-time computing technologies, the Company conducts close cooperation in research and development of products, accelerates the application of new technologies and provides technical support and service safeguard for scientific anti-epidemic. The Group will closely pay attention to exposure to the risks and uncertainties in connection with the Epidemic and make continuous assessment of the impact of the Epidemic on the Group's operating and financial performance in 2020.

(ii) The adoption of Phase II H Share appreciation rights scheme

As disclosed in the announcement of the Company dated November 26, 2019 in relation to the proposed adoption of Phase II H Share appreciation rights scheme (the "**Appreciation Rights Scheme**") and the relevant initial grant proposal (the "**Initial Grant Proposal**"), the circular of the Company dated December 2, 2019 in relation to the proposed adoption of Appreciation Rights Scheme, the voluntary announcement of the Company dated January 3, 2020 in relation to the approval of the Appreciation Rights Scheme by the State-owned Assets Supervision and Administration Commission of the State Council and the announcement of the Company dated January 16, 2020 in relation to the poll results of the resolution passed at the extraordinary general meeting, the Appreciation Rights Scheme has been approved by the extraordinary general meeting convened on January 16, 2020 and became effect on the same date.

As disclosed in the announcement of the Company dated January 16, 2020 in relation to the grant of the H share appreciation rights, the Initial Grant Proposal has taken effect on January 16, 2020 (the "**Initial Grant Date**"). On the Initial Grant Date, the Company granted 35,958,950 H share appreciation rights to 502 incentive recipients in total (including the key personnel having direct impacts on the operating results and sustainable development of the Company, which includes 3 members of senior management of the Company, excluding any current Director, supervisor and general manager of the Company as at the Initial Grant Date) and the corresponding number of H shares would amount to approximately 1.23% of the total issued share capital of the Company as at the Initial Grant Date.

Since the Appreciation Rights Scheme and the Initial Grant Proposal would not involve the grant of options in respect of new shares or other new securities in the Company or any of its subsidiaries, the Appreciation Rights Scheme and the Initial Grant Proposal are not subject to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company will disclose the information in relation to relevant fair value of the share appreciation rights and corresponding expense recognised in the interim report and annual report after the Initial Grant Date.

2019 BUSINESS REVIEW

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

AVIATION INFORMATION TECHNOLOGY SERVICES

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

In 2019, the Group's Electronic Travel Distribution (ETD) system processed approximately 689.3 million system capacity on domestic and overseas commercial airlines, representing an increase of approximately 7.1% over the same period in 2018. Among which, the processed system capacity on commercial airlines in China increased by approximately 6.9%, while those on foreign and regional commercial airlines increased by approximately 10%. The number of foreign and regional commercial airlines with direct links to the CRS systems of the Group reached 151, with sales percentage through direct links exceeding 99.8%. More foreign and regional commercial airlines were using the Group's APP system services, multi-host connecting program services and the self-developed Angel Cue platform connecting services, resulting in the increase of the number of such users to 155, with approximately 19.5 million of passenger departures processed in 100 airports.

In 2019, the Group continued to enhance its aviation information technology and its extended services, with an aim to fulfill the demand of commercial airlines for the information technology solutions on travel convenience, auxiliary services, e-commerce and international services. As a strategic partner of the "Fast Travel" project of IATA, the commonly used self-service check-in system (CUSS) has been launched in 184 major domestic and international airports, and the online check-in service has been applied in 318 domestic and international airports. Such products and services, together with the mobile check-in service and SMS check-in service, processed a total of approximately 352 million departing passengers. Our self-developed mobile application, "Umetrip", keeps updating the intelligent recommendation function and visual effect after launching the new vision, and the deployment of electronic boarding pass clearance that supports eID identity electronic certificate was completed for 82 airports, which realized the first industry-wide application of eID identity electronic certificate. The Group provided full-process convenient clearance technology solutions for China's commercial airlines, to help improving their passengers' experiences in various services, such as, security check and boarding. The completion of the construction of full-process baggage tracking platform for "Baggage Travel" realized the connection with the four large domestic commercial airlines and achieved baggage processing data access of various airports. The "Aviation Information Inquires" supported "paperless" for international flights and involved newly signed business agreements in relation to international "Aviation Information Inquires" with 23 domestic commercial airlines. Customers for e-commerce platform of airlines increased to 12 by adding Shandong Airlines Co., Ltd., Xiamen Air Co., Ltd., Air Guilin Co., Ltd., etc.. Responding to the "The Belt and Road Initiative", the Company has continued to expand overseas market. The core system of the Company increased 4 foreign and regional commercial airlines customers, such as Cambodia Airways. By capturing the opportunity of vigorously developing general aviation, the Group continued to maintain the full coverage over the general short-distance aviation market and proactively expand airport customers in general aviation.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

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

In 2019, the Group continued to consolidate and expand the market of accounting, settlement and clearing services, and the research and development and the operation of the relevant systems commenced as scheduled. By focusing on the construction of the third generation of settlement system products, the Group accelerated the research and development of operation and maintenance system construction, and by focusing on settlement business, it proactively promotes the completion of value-added product projects such as over-weight luggage protection. Cargo revenue accounting systems realized full coverage over the three main commercial airlines in China. The Group successfully signed with Guangzhou Baiyun International Airport for real time settlement of airport service charges and completed the implementation. The BSP Online Payment Platform (BOP) has added a new distribution capability (NDC) real-time settlement service, which has enabled the NDC technical standard to be applied to the payment channel for the first time, and the BOP daily settlement service has been promoted to 8 commercial airlines in China, such as Air China Co., Ltd., Shandong Airlines Co., Ltd. and LongJiang Airlines Co., Ltd.. There were approximately 1,071.9 million transactions processed with the Group's accounting, settlement and clearing system and approximately 432.8 million BSP tickets processed with our BSP data processing services. Passenger, cargo and mail revenue, miscellaneous fees as well as international and domestic clearing amount settled by agents exceeded USD11.55 billion, and the transaction amount of the electronic payment system was approximately RMB115.09 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

The Group's travel service distribution network comprises over 70,000 sales terminals owned by more than 8,000 travel agencies and travel service distributors, with direct links and high-level networking to all Global Distribution Systems ("**GDSs**") around the world and 151 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The Group rendered technology support and localized services to travel agencies and travel service distributors through more than 40 local distribution centres across China and nearly 10 overseas distribution centres across Asia, Europe, North America and Australia.

In 2019, the Group continued to develop overseas distribution channels while increasing R&D and production of, and expanding the market of, the key products of distribution of information technology services. FareSky, an international freight rates calculation system, has been put into operation for all users and won the second prize of civil aviation science and technology by China Air Transport Association. The Group strongly promoted the new distribution capability (NDC), initiated and established NDC community. The self-established "Aggregator (聚合)" platform based on NDC obtained NDC level4 certificate, the highest standard of International Air Transport Association (IATA) at present, and assisted four large commercial airlines in the PRC in obtaining such certificate. The Group took greater efforts in research and development and promotion of its distribution information technological service products, including the enterprise travel solutions "1etrip (行啊)", online agent solutions "Lingda (領達)", international airline ticket management system and international fare search engine "IntlStar (星際)", and entered into contracts with 18 new central enterprise groups in respect of travel business, with users reaching to 24.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2019, the Group continued to enhance research and development and promotion of airport information technology service and product, while secured the market share of the traditional departure front end service and product, and established a full coverage product mode from airport operation to full process passenger service by application of facial recognition, artificial intelligence and other advanced technologies and by leveraging the information integration platform with advanced intelligence, thus became the only provider of overall solutions for China smart airports in China's civil aviation industry, and helped the construction of airports with four characteristics of "safety", "green", "smart" and "humanity". The product has already applied in the 23 first batch of four characteristics airports such as Beijing Capital, Beijing Daxing, Guangzhou Baiyun, Shenzhen Bao'an and Changsha Huanghua. The airport coordination decision-making system (A-CDM) products have been promoted and put into operation in more than ten airports in Shenzhen, Urumchi, Changsha and others cities which have annual passengers with over ten million, with users reaching to 11. Products of "facial recognition & ID authentication" for security inspection have been promoted to 207 airports. Face boarding project launched in more than 10 airports such as Beijing Capital, Beijing Daxing, Shanghai Hongqiao, Guangzhou Baiyun and the users reached 27. We are the first service supplier to launch the manual/ self-service switchable luggage service in China. The departure system, security inspection information system and passenger operation and management system of Beijing Daxing International Airport have been successfully put into operation, which secured its departure and the transit of users of airlines. The departure front end system of the new-generation APP dominated China's large and medium-sized airports. Furthermore, the system assisted commercial airlines in providing various services for passengers, such as, boarding, transit and connection, in 172 overseas or regional airports. The number of departure passengers receiving such services reached approximately 47.9 million, accounting for approximately 92.9% of the number of passengers returning from overseas of such commercial airlines of China.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2019, the Group, as per the national "The Belt and Road Initiative" strategy and air transport safety policy, improved and promoted air cargo transport logistics information technology services and products. The Group has successfully researched and developed the first intelligent freight security inspection information system with independent intellectual property right in China, which has been put into operation in Beijing Daxing International Airport. The Group sped up the expansion of new business of air logistics and completed the development of a wholly new carrier marketing system, to support clients' business transformation and upgrading. By accelerating the promotion of electronic waybills business, the number of electronic freight waybills continously increased.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2019, the Group put more effort in research and development and promotion of public information technology service products. With an emphasis on state-owned enterprises, governmental authorities, financial and internet enterprises, the key projects of data centre service have all been put into operation at the new data centre in Shunyi, Beijing and the Group has successfully extended contracts with China Galaxy Securities Company Limited, the information centre under the Ministry of Civil Affairs and other long-term clients. The Group increased input in the construction of independent controllable cloud computing platform, researched and developed multi-level cloud computing solutions, and provided proprietary cloud and mixed cloud services for a domestic commercial airline and a financial company.

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, and strive to realize the safety, efficiency and low consumption of infrastructure by making full use of existing technologies, business and management instruments, so as to serve to achieve the sustainable development for its business.

In 2019, ICS, CRS, APP and the core open system of the Group operated smoothly. The relocation and operation of the new data centre have been smoothly completed. The Group commenced establishing a stable and prompt "double-mode" infrastructure cloud platform, and put into operation TravelSky Cloud Data computing application platform and other new business; continued to carry forward big data infrastructure platform to provide service on "TravelSky Cloud Data" platform officially; basically completed the information security construction work of the relevant ministries; carried out energy conservation measures in data center; defined the implementation scope, target and path of disaster recovery system construction; completed the construction and security work of Beijing Daxing International Airport departure front end system with high quality; carried out targeted security investigation and emergency drills, and effectively guaranteed the daily security tasks of civil aviation passenger information systems, as well as during the key periods, such as Chinese Spring Festival travel rush, the National People's Congress of the People's Republic of China and the Chinese People's Political Consultative Conference (CPPCC), "The Belt and Road Initiative" Summit Forum, Beijing International Horticultural Exhibition, Conference on Dialogue of Asian Civilization, the 7th CISM World Games and the second China International Import Expo, celebration of National Day's 70th anniversary and activities for the 20th anniversary of Macao's Return.

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

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

SUMMARY

The revenue and operating results of the Group mainly came from the Group's operations in China. For Year 2019, profit before taxation of the Group was approximately RMB2,819.7 million, representing an increase of approximately 6.4% over that in the year ended December 31, 2018 ("**Year 2018**"). Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately RMB3,475.3 million, representing an increase of approximately 10.9% over that in Year 2018. Profit attributable to owners of the Company was approximately RMB2,542.9 million, representing an increase of approximately 9.4% over that in Year 2018.

The basic and diluted earnings per share of the Group in Year 2019 were RMB0.87.

TOTAL REVENUE

The total revenue of the Group in Year 2019 amounted to approximately RMB8,121.7 million, representing an increase of approximately RMB649.6 million, or 8.7%, from approximately RMB7,472.1 million in Year 2018. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 55.6% of the Group's total revenue in Year 2019, as compared to 55.7% for Year 2018. Aviation information technology service revenue increased by 8.6% from RMB4,160.1 million in Year 2018 to RMB4,517.2 million in Year 2019. 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 increase in the number of air travelers.

- Accounting, settlement and clearing services revenue accounted for 7.4% of the Group's total revenue in Year 2019, as compared to 7.8% for Year 2018. Accounting, settlement and clearing services revenue increased by 3.0% from RMB579.3 million in Year 2018 to RMB597.0 million for Year 2019. The main source of the revenue was accounting, settlement and clearing service provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The increase of revenue was primarily due to the increase in business volume of accounting, settlement and clearing services.

- System integration service revenue accounted for 14.4% of the Group's total revenue in Year 2019, as compared to 12.7% for Year 2018. System integration service revenue increased by 23.3% from RMB946.9 million in Year 2018 to RMB1,168.0 million for Year 2019. The main source of the revenue was the hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The increase of revenue was primarily due to the increase in the number of contracted projects.

- Data network revenue accounted for 6.0% of the Group's total revenue in Year 2019, as compared to 6.8% for Year 2018. Data network revenue decreased by 5.3% from RMB512.3 million in Year 2018 to RMB485.1 million for Year 2019. The main sources of the revenue were distribution information technology service provided by the Group to agencies. The decrease of revenue was mainly due to the decrease in business volume of distribution information technology services.

- Other revenue accounted for 16.6% of the Group's total revenue in Year 2019, as compared to 17.0% for Year 2018. Other revenue increased by 6.4% from RMB1,273.4 million in Year 2018 to RMB1,354.4 million for Year 2019. The sources of the revenue were other technology services, payment business, room tenancy and other services provided by the Group. The increase of revenue was mainly due to the increase in room tenancy.

OPERATING EXPENSES

Operating expenses for Year 2019 amounted to RMB5,658.1 million, representing an increase of RMB505.4 million or 9.8%, as compared to RMB5,152.7 million for Year 2018. The changes in operating expenses are reflected as follows:

- Depreciation and amortization increased by 24.0%, mainly due to the collection of the original operating lease expenses in the depreciation and amortization cost after the implementation of IFRS16 Leases, as well as the increase in various assets;

- Staff costs increased by 2.4%, mainly due to the increase in costs as a result of the adjustment of the Group's social insurance and staff remuneration;

- Commission and promotion expenses increased by 10.5%, mainly due to the increase in business promotion of the Group;

- Selling costs of software and hardware increased by 63.8%, mainly due to the increase in equipment sales involved in the Group's system integration projects; and

- Technical support and maintenance fees increased by 12.2%, mainly due to the increase in technical outsourcing services of the Group according to the business schedule.

As a result of the above changes in revenue and operating expenses, the operating profit of the Group increased by approximately RMB144.2 million, or approximately 6.2%, from approximately RMB2,319.4 million in Year 2018 to approximately RMB2,463.6 million in Year 2019.

CORPORATE INCOME TAX

Under the Corporate Income Tax Law of the People's Republic of China ("**CIT Law**"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. The latest review was conducted in October 2017, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as one of the "High and New Technology Enterprises", and was entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019 as a "High and New Technology Enterprise".

In addition to the recognised identification of "High and New Technology Enterprise" and entitlement of a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded. The Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout since Year 2006 to Year 2018.

Pursuant to the Notice on Issues Concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (Cai Shui [2016] No. 49) (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》(財稅[2016]49號)) issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Industry and Information Technology of the People's Republic of China on May 4, 2016, the Company had made an application to the relevant authorities for a preferential corporate income tax rate of 10% for the financial year 2018. The excess income tax rate of 5% paid in Year 2018 has been refunded in September 2019 as approved by the relevant tax authorities (please refer to the announcement of the Company dated September 16, 2019), which has been reflected in the consolidated financial statements of the Company for the Year 2019. The application for a preferential tax rate of 10% for the Year 2019 will commence in the year 2020, hence the Company has calculated the expenses on corporate income tax for the Year 2019 using the preferential tax rate of 15%.

The Company's subsidiaries in the PRC are entitled to different corporate income tax rates, ranging from 15% to 25% under the CIT Law. Under the relevant provisions, with effect from September 1, 2012, all of the revenue from the Group's provision of aviation information technology services and accounting, settlement and clearing services in Beijing shall be subject to value-added tax instead of business tax, and with effect from August 1, 2013, such tax reform was implemented throughout China.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company increased by approximately 9.4% from approximately RMB2,325.1 million in Year 2018 to approximately RMB2,542.9 million in Year 2019.

DISTRIBUTION OF PROFIT

According to the Company Law of the People's Republic of China, relevant laws and regulations, and the articles of association of the Company (the "**Articles**"), the profit after taxation (at lower of the generally accepted accounting principles of the PRC ("**PRC GAAP**") Financial Statements and IAS Financial Statements) of the Company each year is distributed in the following order: (i) making up cumulative prior years' losses, if any; (ii) appropriation to the statutory surplus reserve fund; (iii) appropriation to the discretionary surplus reserve fund; (iv) appropriation to the distribution of dividends for ordinary shares.

DISCRETIONARY SURPLUS RESERVE FUND

In Year 2019, the discretionary surplus reserve fund for Year 2018 approved to appropriate at the annual general meeting held on June 27, 2019 and the statutory surplus reserve fund for Year 2019 that should be appropriated have been accounted for in the consolidated financial statements of the Group for Year 2019.

The proposed appropriation of 10% of profit after taxation at PRC GAAP Financial Statements of the Company with an amount of RMB211.3 million to the discretionary surplus reserve fund for Year 2019 is subject to shareholders' approval at the forthcoming annual general meeting ("**AGM**") . Therefore, the amount will be recorded in the Group's consolidated financial statements for the year ended December 31, 2020.

DISTRIBUTION PROPOSAL OF FINAL CASH DIVIDEND FOR YEAR 2019

On March 27, 2020, the Board of the Company proposed the distribution of a final cash dividend of RMB845.7 million, which representing RMB0.289 per share (tax inclusive) for Year 2019 ("**Final Dividend**") as calculated based on the total number of shares in issue of the Company of 2,926,209,589 shares as at the date of this results announcement. Upon distribution of the above Final Dividend, the distributable profit as at December 31, 2019 of the Group is approximately RMB6,965.3 million (as at December 31, 2018: RMB6,098.0 million).

The Company will submit the above Final Dividend distribution proposal to the forthcoming AGM. If such proposal is approved at the AGM, the Final Dividend for Year 2019 is expected to be paid on or before September 30, 2020. The date of the AGM has not been fixed, and detailed arrangements in relation to the AGM (including the date and book closure period) will be disclosed by the Company in due course. Further, upon conclusion of the AGM, the Company will publish an announcement on the matters related to the Final Dividend, including, among other things, the amount of Final Dividend per share in Hong Kong dollar, book closure period, ex-date, dividend payment date and dividend tax.

PROFIT DISTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit available for dividend distribution as at December 31, 2019 amounted to RMB7,811.0 million (as at December 31, 2018: RMB6,885.2 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	
	2019	2018
	RMB'million	*RMB'million*
Net cash flow generated from operating activities	**2,227.6**	2,140.7
Net cash flow used in investing activities	**1,079.0**	598.7
Net cash flow used in financing activities	**952.6**	763.8
Net increase in cash and cash equivalents	**196.1**	778.2
Effect of foreign exchange rate changes on cash and cash equivalents	**4.2**	10.0

The Group's working capital for Year 2019 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB2,227.6 million. As at December 31, 2019, the Group did not have any short-term and long-term bank borrowings, nor use any financial instruments for hedging purpose. As at December 31, 2019, cash and cash equivalents of the Group amounted to RMB4,546.8 million, of which 92.8%, 5.8% and 0.5% were denominated in Renminbi, U.S. dollar and Hong Kong dollar, respectively.

RESTRICTED BANK DEPOSITS

As at December 31, 2019, restricted bank deposits in the amount of RMB42.6 million (as at December 31, 2018: RMB39.8 million) mainly refers to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, procurement and installation work in relation to departure system of airports.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2019, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited in commercial banks and in accordance with applicable laws and regulations.

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.

FINANCIAL ASSETS INVESTED

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

In Year 2019, the Group had the following financial assets:

- **Financial Assets at Amortised Cost**

  As at December 31, 2019, the Group held structural deposits issued by Bank of Jiangsu, ICBC, Bank of Beijing, China CITIC Bank, Ping An Bank and China Minsheng Bank of RMB500 million, RMB300 million, RMB600 million, RMB200 million, RMB900 million and RMB900 million, respectively, with total structural deposits of RMB3.40 billion. The annual interest rate of such structural deposits varied from 3.4% to 4.1%. Such structural deposits have a maturity period ranging from 182 days to 397 days and are non-cancellable before maturity.

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

Name of investment	Business nature	**Percentage of shareholding as at December 31, 2019**	Percentage of shareholding as at December 31, 2018	**Fair value as at December 31, 2019**	Fair value as at December 31, 2018	**Gain for the year ended December 31, 2019**	Gain for the year ended December 31, 2018
		%	%	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity (measured at fair value)							
– CMRH Life	Life insurance	**17.5**	17.5	**883,750**	875,000	**8,750**	–

The performance and prospects of the financial assets "CMRH Life" during the period were as follows:

a. **Name of the company:** China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**")

b. **Business scope:** general insurance (including life insurance and annuity insurance), health insurance, accident injury insurance, bonus insurance, omnipotent insurance, reinsurance of all of the above insurance businesses, the application of the insurance funds allowed by the state laws and regulations, and other businesses approved by the China Insurance Regulatory Commission.

c. **Investment cost of the Company:** RMB875 million.

d. **The percentage of the shareholding held by the Company:** 17.5%.

Note: As stated in the announcement of the Company dated October 17, 2019, the Company decided not to participate in the capital increase of CMRH Life and the capital increase have not completed as of December 31, 2019. Upon the completion of the capital increase, the shareholding of the Company in CMRH Life will be diluted from 17.5% to 13.26%.

e. **The fair value and the scale relative to the total assets of the Group:**

As at December 31, 2019, the Group invested a fair value of approximately RMB884 million in CMRH Life, accounting for 3.7% of the total assets of the Group.

f. **The performance in Year 2019:**

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB510 million in Year 2019, mainly because up-front costs are required for branch establishment and channel expansion and other aspects during the period of rapid business expansion for insurance company. Therefore, loss incurred by CMRH Life in the early stage of the development of business is in compliance with general operating rules in life insurance industry.

g. **Strategies of future investments and the prospects of such investments:**

According to the information provided by CMRH Life to the Company, the insurance penetration and insurance density in the PRC life insurance industry remain relatively low when compared with that in overseas developed countries and regions. With GDP per capita exceeded US$10,000, there is great potential in the PRC life insurance market. CMRH Life will continue to further synergize resources from shareholders, explore innovation and cooperation in medical and endowment, big data and Internet, and continue to drive the expansion of scale and rising of value under the operating guidance of "value leading, innovation driving, technology enabling, compliance assurance".

CHARGE ON ASSETS

As at December 31, 2019, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at December 31, 2019, the Group had no material contingent liabilities.

GEARING RATIO

As at December 31, 2019, the gearing ratio of the Group was approximately 18.7% (as at December 31, 2018: 21.2%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2019.

MAJOR INVESTMENT OR FINANCING PLAN

For the year ended December 31, 2019, the Group did not have any major investment or plan to acquire major capital assets. The Board estimates that the sources of funding of the Group in 2020 will be sufficient for the capital requirement of daily operations and the Group did not have any financing plan.

The total capital expenditure paid by the Group amounted to RMB962.1 million for Year 2019 (Year 2018: RMB1,096.9 million), among which the capital expenditure of the new operating centre in Beijing for Phase I project amounted to approximately RMB240 million. Other expenditure was mainly used in the Company's daily operation.

As at December 31, 2019, the Group's capital expenditure commitment amounted to approximately RMB502.8 million, which will be mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, and the capital expenditure commitment of the new operating centre in Beijing for the construction of Phase I project amounted to approximately RMB400 million. The sources of funding for such commitments will include existing cash on hand and internal cash flow generated from operating activities.

EMPLOYEES

The Group has different rates of remuneration for different employees (including executive directors and staff supervisors), according to their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations, as amended from time to time. The remuneration of the employees of the Group includes salaries, bonuses and fringe benefits provided in compliance with relevant regulations of the PRC, as amended from time to time, such as medical insurance, pension, unemployment insurance, maternity insurance and housing funds. The Group also provides its employees with opportunities to acquire skills in areas such as the aviation and travel industry, computer information technology and business administration, and provides training on the latest development in areas such as computer information technology, personal qualities, laws, regulations and economics. In 2007, the Group implemented a corporate annuity scheme (or "supplementary pension plan") in accordance with relevant policies of the PRC. According to the corporate annuity scheme, the Group is required to make provision for monthly corporate annuity fees with reference to the total actual salary each month in the previous year and the ratio approved by the relevant authorities of the PRC. It also needs to deposit the annuities in the custody account of corporate annuity fund opened by its custodian.

Staff costs of the Group amounted to approximately RMB1,861.5 million for Year 2019 (Year 2018: RMB1,818.4 million), representing approximately 32.9% of the total operating expenses of the Group for Year 2019. Among which, the aggregate corporate annuity expenses of the Group amounted to approximately RMB52.4 million for Year 2019 (Year 2018: RMB44.0 million).

As at December 31, 2019, the total number of employees of the Group was 7,476.

ADOPTION OF PHASE II H SHARE APPRECIATION RIGHTS SCHEME

As disclosed in the announcement of the Company dated November 26, 2019 in relation to the proposed adoption of Phase II H Share appreciation rights scheme (the "**Appreciation Rights Scheme**") and the relevant initial grant proposal (the "**Initial Grant Proposal**"), the circular of the Company dated December 2, 2019 in relation to the proposed adoption of Appreciation Rights Scheme, the voluntary announcement of the Company dated January 3, 2020 in relation to the approval of the Appreciation Rights Scheme by the State-owned Assets Supervision and Administration Commission of the State Council and the announcement of the Company dated January 16, 2020 in relation to the poll results of the resolution passed at the extraordinary general meeting, the Appreciation Rights Scheme has been approved by the extraordinary general meeting convened on January 16, 2020 and became effect on the same date.

As disclosed in the announcement of the Company dated January 16, 2020 in relation to the grant of the H share appreciation rights, the Initial Grant Proposal has taken effect on January 16, 2020 (the "**Initial Grant Date**"). On the Initial Grant Date, the Company granted 35,958,950 H share appreciation rights to 502 incentive recipients in total (including the key personnel having direct impacts on the operating results and sustainable development of the Company, which includes three members of senior management of the Company, excluding any current director, supervisor and general manager of the Company as at the Initial Grant Date) and the corresponding number of H shares would amount to approximately 1.23% of the total issued share capital of the Company as at the Initial Grant Date.

Since the Appreciation Rights Scheme and the Initial Grant Proposal would not involve the grant of options in respect of new shares or other new securities in the Company or any of its subsidiaries, the Appreciation Rights Scheme and the Initial Grant Proposal are not subject to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company will disclose the information in relation to relevant fair value of the share appreciation rights and corresponding expense recognised in the interim report and annual report after the Initial Grant Date.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

CORPORATE GOVERNANCE REPORT

The Board has adopted the code provisions as stipulated in the Corporate Governance Code (the "**Code Provision(s)**") in Appendix 14 to the Listing Rules and its latest amendments from time to time, as the Company's code of corporate governance practices. In compliance with the principles set out in the Corporate Governance Code, the Board is committed to implementing effective corporate governance policies to ensure that all decisions are made in good faith and in accordance with the principles of transparency, fairness and integrity. With necessary and effective counterbalance, the Group continues to improve its corporate governance structure, so as to raise the quality of supervision and management, and to meet the expectation of its shareholders and the relevant parties.

In Year 2019, the Company fully complied with the Code Provisions.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has reviewed the accounting policies and practices adopted by the Group and has also discussed certain other matters relating to audit and risk management, internal control and financial reporting, including the review of the audited consolidated financial statements for Year 2019.

AUDITORS

Pursuant to the resolutions passed at the annual general meeting held on June 27, 2019, BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP were engaged as the Company's international and PRC auditors respectively for Year 2019. The Board proposed to re-appoint them as the Company's international and PRC auditors for the year 2020 and such engagement proposal will be submitted for consideration at the forthcoming AGM.

2020 OUTLOOK

The year 2020 marks the end of building a well-off society in an all-round way and the 13th Five-Year Plan. It is the key year to achieve the first centennial goal and lay a solid foundation for the development of the 14th Five-Year Plan and the realization of the second centennial goal. Standing at the historical intersection of the two centenary goals, the Group also faces more complex domestic and international environment, with challenges and opportunities: the world economic growth slows down, the domestic economic downward pressure increases, the new virus epidemic spreads, which drag down the development of the global civil aviation market, but the general trend of the continuous improvement of China's civil aviation industry has not changed. The country continues to make efforts in building smart transportation, smart civil aviation, smart airport, etc., focusing on the deployment of cloud computing, big data, artificial intelligence, 5G and other new technologies in the field of civil aviation. The demand for digital transformation of airlines is urgent, and the investment in airport informatization is increasing year by year, which provides the Group with precious historical development opportunities. However, the risk of opening the domestic distribution market, the construction of new distribution capacity of air companies and the launching of airport products by the domestic and foreign competitors, all pose great challenges to the Group in terms of the technology, commerce, products, services and other aspects.

Since the occurrence of the Novel Coronavirus Pneumonia Epidemic (the "**Epidemic**"), the PRC and foreign countries have adopted various strict measures to curb the spread of the Epidemic. As disclosed in the announcement of the Company dated March 20, 2020 in relation to (among other things) the influence of the Epidemic on business, due to the significant decline in the number of passenger transportation in civil aviation industry, the Epidemic is expected to have an adverse impact on the Group's operating performance for the first half of 2020 and the year of 2020. Since the occurrence of the Epidemic, the Group has made continuous efforts in prevention and control, maintained a 7 × 24-hour real-time responses to the technical and commercial services. By virtue of its advantages in information systems, big data, and real-time computing technologies, the Company conducts close cooperation in research and development of products, accelerates the application of new technologies and provides technical support and service safeguard for scientific anti-epidemic. The Group will closely pay attention to exposure to the risks and uncertainties in connection with the Epidemic and make continuous assessment of the impact of the Epidemic on the Group's operating and financial performance in 2020.

The Group will firmly focus on the development strategy with the new development concept under the new situation, strive to promote high-quality development, ensure safe operation, strengthen scientific and technological support, optimize enterprise management, and improve service quality. It will focus on the following six aspects: first, focus on safety and stability, strengthen safety management system and guarantee passenger information system for civil aviation; second, focus on efficiency and steady growth, adhere to the goal guidance, put the responsibility in place, adhere to increase income and reduce expenditure, reduce costs and increase efficiency, and adhere to cooperation mutual benefit and win-win result; third, focus on reform and development, promote the reform of mixed ownership, and reform the organizational system; fourth, focus on innovation and increase momentum, start to draw up a medium-term and long-term plan for system construction, enhance the layout in the new technology field, and continuously increase investment in research and development; fifth, focus on management and promotion, improve management level, reform talent system, improve subsidiary governance system and strengthen risk management and control; sixth, focus on service and image building, solve customer's problem, improve the service system, and upgrade service capabilities.

ONLINE PUBLICATION OF ANNUAL RESULTS

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

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

Beijing, PRC
March 27, 2020

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

Executive Directors:	*Mr. Cui Zhixiong (Chairman) and Mr. Xiao Yinhong;*
Non-executive Directors:	*Mr. Zhao Xiaohang, Mr. Xi Sheng and Mr. Luo Laijun;*
Independent Non-executive Directors:	*Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun.*