中国航信 TravelSky

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

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

(Stock Code: 00696)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2020

BUSINESS SUMMARY

- The total revenue amounted to approximately RMB5,485.6 million, representing a decrease of approximately 32.5% over Year 2019.
- The net profit attributable to shareholders of the parent company amounted to approximately RMB362.8 million, representing a decrease of approximately 85.6% over Year 2019.
- Earning per share was RMB0.12.
- The Board recommended the distribution of a final cash dividend of RMB0.016 per share for Year 2020.

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 China Accounting Standards for Business Enterprise ("**CASBE**") for the year ended December 31, 2020 ("**Year 2020**").

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

(Amounts are expressed in RMB'000 unless otherwise stated)

Item	*Notes*	**Year 2020**	Year 2019
I. Total operating revenue	*5.g)*	**5,485,577**	8,121,673
Including: operating revenue	*5.g)*	**5,485,577**	8,121,673
II. Total operating costs		**4,817,394**	5,541,245
Including: operating cost	*5.g)*	**3,085,918**	3,625,753
Taxes and surcharges		**82,823**	84,499
Selling and distribution expenses		**117,350**	147,475
General and administrative expenses		**930,086**	1,036,181
Research and development expenses		**691,616**	757,733
Financial expenses		**(90,400)**	(110,397)
Including: interest expenses		**5,821**	7,441
Interest income		**117,450**	91,655
Plus: other income		**55,801**	59,752
Investment income ("-" for losses)	*5.h)*	**538,933**	201,082
Including: income from investment in associate and joint ventures		**34,385**	62,937
Income from derecognition of financial assets measured at amortized cost		**–**	–
Gains from foreign exchange ("-" for losses)		**–**	–
Income from net exposure hedging ("-" for losses)		**–**	–
Gains from changes in fair value ("-" for losses)		**(7,006)**	(9,668)
Losses from credit impairment ("-" for losses)	*5.i)*	**(696,010)**	(43,413)
Losses from asset impairment ("-" for losses)	*5.j)*	**(235,074)**	(1,248)
Gains from disposal of assets ("-" for losses)		**12**	331
III. Operating profits ("-" for losses)		**324,839**	2,787,263
Plus: non-operating revenue		**4,120**	33,266
Less: non-operating expenses		**14,797**	17,708
IV. Total profits ("-" for total losses)		**314,161**	2,802,821
Less: income tax expenses		**(97,775)**	217,309

Item	**Year 2020**	Year 2019
Ⅴ. Net profit (“-” for net loss)	**411,937**	2,585,512
⑴ Classification by the continuity of operation		
1. Net profit from continuing operation (“-” for net loss)	**411,937**	2,585,512
2. Net profits from discontinued operation (“-” for net loss)	**–**	–
⑵ Classification by the attribution of ownership		
1. Net profit attributable to shareholders of the parent company (“-” for net loss)	**362,800**	2,526,006
2. Minority interest income (“-” for net loss)	**49,137**	59,506
Ⅵ. Other comprehensive income, net of tax	**285**	10,910
Other comprehensive income, net of tax attributable to shareholders of the parent company	**285**	10,910
⑴ Other comprehensive income that cannot be reclassified into profit or loss	**9,453**	8,750
1. Changes in re-measurement of the defined benefit plan	**–**	–
2. Oher comprehensive income that cannot be transferred to profit or loss under the equity method	**–**	–
3. Changes in fair value of other equity instruments investment	**9,453**	8,750
4. Changes in the fair value of the company’s own credit risk	**–**	–

Item	**Year 2020**	Year 2019
(II) Other comprehensive income that may be reclassified into profit or loss	**(9,168)**	2,160
1. Other comprehensive income that can be transferred to profit or loss under the equity method	**–**	–
2. Changes in fair value of other creditor's right investment	**–**	–
3. Amount of financial assets reclassified into other comprehensive income	**–**	–
4. Provision for credit impairment of other creditor's rights investment	**–**	–
5. Cash flow hedging reserves	**–**	–
6. Differences arising from translation of foreign-currency financial statements	**(9,168)**	2,160
7. Others	**–**	–
Other comprehensive income, net of tax, attributable to minority shareholders	**–**	–
VII. Total comprehensive income	**412,221**	2,596,422
Total comprehensive income attributable to shareholders of the parent company	**363,084**	2,536,916
Total comprehensive income attributable to minority shareholders	**49,137**	59,506
VIII. Earnings per share:	**–**	–
(I) Basic earnings per share (RMB/share)	**0.12**	0.87
(II) Diluted earnings per share (RMB/share)	**–**	–

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

(Amounts are expressed in RMB'000 unless otherwise stated)

Assets	*Notes*	**Year 2020**	Year 2019
Current assets:			
Cash and cash equivalents		**4,457,256**	5,269,548
Balances with clearing companies		**–**	–
Loans to banks and other financial institutions		**–**	–
Financial assets held for trading		**800,028**	–
Derivative financial assets		**–**	–
Notes receivable		**108,669**	390,605
Accounts receivable	*5.a)*	**4,445,316**	4,231,887
Receivables financing		**–**	–
Advances to suppliers		**176,440**	182,562
Other receivables		**922,749**	1,560,927
Financial assets purchased under resale agreements		**–**	–
Inventories		**77,598**	48,232
Contract assets		**133,516**	9,947
Assets held for sale		**–**	–
Non-current assets maturing within one year		**922,750**	1,100,000
Other current assets		**1,646,770**	1,514,466
Total current assets		**13,691,091**	14,308,174
Non-current assets:			
Disbursement of loans and advances		**–**	–
Creditor's right investment		**–**	900,000
Other creditors' right investment		**–**	–
Long-term receivables		**–**	–
Long-term equity investments		**670,124**	388,188
Investment in other equity instruments	*5.b)*	**893,203**	883,750
Other non-current financial assets	*5.c)*	**82,315**	–
Investment properties		**110,003**	118,541
Fixed assets		**4,242,380**	4,417,427
Construction in progress		**23,734**	49,019
Productive biological assets		**–**	–
Oil and gas assets		**–**	–
Right-of-use assets		**100,661**	151,557
Intangible assets		**1,759,714**	1,922,180
Development expenditures		**310,093**	135,475
Goodwill	*5.d)*	**260**	156,250
Long-term deferred expenses		**3,957**	8,290
Deferred tax assets		**357,591**	209,722
Other non-current assets		**524,150**	–
Total non-current assets		**9,078,185**	9,340,400
Total assets		**22,769,276**	23,648,574

Liabilities and shareholders' equity	*Notes*	**Year 2020**	Year 2019
Current liabilities:			
Short-term borrowings		**–**	–
Borrowings from central bank		**–**	–
Loans from banks and other financial institutions		**–**	–
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable	*5.e)*	**1,799,529**	1,685,363
Advances from customers		**115**	–
Contract liability	*5.f)*	**155,713**	181,421
Financial assets sold under repurchase agreements		**–**	–
Absorption of deposits and interbank deposit		**–**	–
Receivings from vicariously traded securities		**–**	–
Receivings from vicariously sold securities		**–**	–
Employee compensation payable		**327,616**	268,365
Taxes and surcharges payable		**141,967**	88,511
Other payables		**1,349,011**	1,891,250
Handling charges and commission payable		**–**	–
Reinsurance accounts payable		**–**	–
Liabilities held for sale		**–**	–
Non-current liabilities maturing within one year		**76,146**	72,765
Other current liabilities		**8,675**	13,257
Total current liabilities		**3,858,773**	4,200,933
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: preferred stock		**–**	–
Perpetual bonds		**–**	–
Lease liabilities		**27,347**	80,091
Long-term payables		**420**	496
Long-term employee compensation payable		**–**	–
Estimated liabilities		**4**	–
Deferred income		**84,749**	91,390
Deferred tax liabilities		**29,824**	39,960
Other non-current liabilities		**–**	–
Total non-current liabilities		**142,345**	211,937
Total liabilities		**4,001,118**	4,412,869

Liabilities and shareholders' equity	**Year 2020**	Year 2019
Shareholders' equity:	**–**	–
Share Capital	**2,926,210**	2,926,210
Other equity instruments	**–**	–
Including: Preference shares	**–**	–
Perpetual debts	**–**	–
Capital reserves	**1,159,411**	1,159,411
Less: treasury stock	**–**	–
Other comprehensive income	**18,846**	18,561
Special reserves	**–**	–
Surplus reserves	**3,935,022**	3,711,752
General risk reserves	**6,985**	5,225
Undistributed profits	**10,249,329**	10,957,233
Total equity attributable to shareholders of the parent company	**18,295,801**	18,778,391
Minority interest	**472,357**	457,313
Total shareholders' equity	**18,768,158**	19,235,705
Total liabilities and shareholders' equity	**22,769,276**	23,648,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)

1. COMPANY PROFILE

TravelSky Technology Limited (hereinafter referred to as the "**Company**" or "**the Company**") incorporated in Beijing, the People's Republic of China (the "**PRC**") on October 18, 2000, as at December 31, 2020, the Company cumulatively issued 2,926,209,589 shares, with registered share capital of RMB2,926,209,589, the address of its registered office is 7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing, PRC.

The Company's main operation activities are: the Company provides a full range of services such as air passenger business processing, air travel electronic distribution, airport passenger processing, air cargo data processing, internet travel platform, international and domestic passenger and cargo revenue management system and application, and agency settlement and clearing services, etc. for airlines, airports, air ticket sales agents, tourism enterprises and civil aviation-related institutions and international organizations,

The parent company of the Company is China TravelSky Holding Company Limited, and the effective controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council of China.

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

2. BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

a) Basis of preparation

As per the Company's announcements dated December 29, 2020 and February 26, 2021, and the circular dated January 8, 2021, according to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Stock Exchange in December 2010, the board of directors of the Company and the general meeting of shareholders approved that start from 2020, the financial statements of the Company will not prepared in accordance with the International Financial Reporting Standards, the board of directors of the Company will prepare the annual financial report in accordance with the China Accounting Standards for Business Enterprises, in order to improve the efficiency and reduce the cost of disclosures.

The Company prepares financial statements in accordance with the "Accounting Standards for Business Enterprises – Basic Standards" and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the "A**ccounting Standards for Business Enterprises**"), as well as the disclosure provisions of the Rules for the Compilation and Submission of "Information Disclosure by Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reports" issued by the China Securities Regulatory Commission.

b) Going concern

The financial statements are prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

a) Accounting period

The accounting year is from January 1 to December 31 in calendar year.

b) Operating cycle

The Company's operating cycle is 12 months.

c) Functional currency

The Company adopts RMB as its functional currency.

d) Financial instruments

The Company recognizes a financial asset, a financial liability or equity instrument when it becomes a party to the financial instrument contract.

i. Classification of financial instruments

According to the business model of financial assets and contractual cash flow characteristics, the Company classified financial assets at initial recognition as: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

Financial assets not designated to be measured at fair value through profit or loss in line with the following conditions will be reclassified into the financial assets measured at amortized cost:

– held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– the contractual terms to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not designated to be measured at fair value through profit or loss in line with the following conditions will be reclassified into the financial assets (debt instruments) measured at fair value through other comprehensive income:

– held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– the contractual terms to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For non-trading equity investments, the Company could irrevocably designate them as financial assets (equity instruments) measured at fair value through other comprehensive income at initial recognition. The designation is made on an investment-by-investment basis, and the related investment meets the definition of an equity instrument from the issuer's perspective.

Except for the financial assets measured at amortized cost and the financial assets measured at fair value through other comprehensive income mentioned above, all the remaining financial assets are classified as financial assets measured at fair value through profit or loss.

At the initial recognition, in order to eliminate or obviously reduce accounting mismatch, the Company may irrevocably designate the financial assets that shall be classified to be measured at amortized cost or measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through profit or loss and financial liabilities measured at the amortized cost.

ii. Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and creditors' investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contract transaction price.

During the holding period, the interest calculated with the effective interest method should be included in the current profit or loss.

At recovery or disposal, the difference between the purchase price obtained and the book value of such financial assets is included in the current profit or loss.

(2) Financial assets (debt instruments) measured at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for the interest calculated by the effective interest method, impairment losses or reversal, and exchange gains or losses.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the current profit or loss.

(3) *Financial assets (equity instruments) measured at fair value through other comprehensive income*

Financial assets (equity instruments) measured at fair value through other comprehensive income, including the investment in other equity instruments, are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the retained earnings.

(4) *Financial assets measured at fair value through profit or loss*

Financial assets measured at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

(5) *Financial liabilities measured at fair value through profit or loss*

Financial liabilities measured at fair value through profit or loss include trading financial liabilities and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

At derecognition, the difference between the book value and the consideration paid of such financial liabilities is included in the current profit or loss.

(6) *Financial liabilities measured at amortized cost*

Financial liabilities measured at the amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognized amount.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At derecognition, the difference between the consideration paid and the book value of such financial liabilities is included in the current profit or loss.

iii. Derecognition and transfer of financial assets

Where one of the following conditions is met, the Company shall derecognize financial assets:

– The contractual right of collecting cash flows of financial assets is terminated;

– The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;

– The financial assets have been transferred, and the Company does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

At the transfer of financial assets, where nearly all of the risks and rewards related to the ownership of the financial assets have been retained, such financial assets shall not be derecognized.

In determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the principle of substance over form will be adopted.

The Company divides the transfer of financial assets into overall transfer and partial transfer. Where the entire transfer of financial assets meets the derecognition conditions, the difference of the following two amounts is included in the current profit or loss:

(1) The book value of the transferred financial asset;

(2) The sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in shareholders' equity (the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value through other comprehensive income).

Where the partial transfer of a financial asset meets the derecognition criteria, the entire book value of the financial asset transferred shall be allocated between the derecognized part and the recognized part based on the relative fair value, and the difference between the following two amounts shall be included in the current profit or loss:

(1) The book value of derecognized part;

(2) The sum of the consideration for the derecognized part and the amount corresponding to the de-recognition part in the accumulated change amount of fair value originally and directly included in shareholders' equity (where the financial assets transferred are the financial assets (debt instruments) measured at fair value through other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

iv. Derecognition of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liabilities or any part thereof shall be derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognized, and at the same time, the new financial liabilities shall be recognized.

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities shall be derecognized in whole or in part, and the financial liabilities of which terms have been modified shall be recognized as the new financial liabilities.

Where financial liabilities are derecognized is whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in current profit or loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.

v. Recognition methods of the fair value of financial assets and financial liabilities

As for the financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the valuation techniques shall be adopted to determine its fair value. At the time of valuation, the Company shall adopt the valuation technique that is applicable to the current circumstance and is supported by sufficient available data and other information to select the input values consistent with the assets or liabilities characteristics that are taken into account by market participants in transactions of relevant assets and liabilities, and shall give priority in use of observable input values. And the unobservable input values may be used only when the observable input values are unable or unpractical to be obtained.

vi. Test method and accounting treatment of depreciation of financial assets

The Company estimates the expected credit loss of financial assets measured at the amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income individually or in portfolio.

The Company considers all reasonable and evidence-based information, including forward-looking information, and estimates the expected credit loss of financial assets measured at the amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income individually or in portfolio. The measurement of expected credit loss depends on whether there is obvious increase in credit risk following the initial recognition.

If there is obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss over the entire duration of such financial instrument; if there is no obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss within 12 months in the future of such financial instrument. Amount increased or reversed of loss provision arising therefrom will be included in the current profit or loss as impairment loss or reversal.

Generally, once the overdue period is more than 30 days, the Company may consider that there is obvious increase in credit risk of such financial instrument, unless there is unambiguous evidence that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If the credit risk of the financial instrument is low as at the balance sheet date, the Company will immediately consider that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If there is objective evidence that any financial asset has had credit impairment, the Company will make the provision for impairment for such financial asset individually.

For accounts receivable, whether or not they contain significant financing components, the Company always measures the loss provision according to the amount equivalent to the expected credit loss over the whole duration.

For lease receivables and long-term receivables formed by the Company through the sale of goods or the rendering of services, the Company chooses to always measure its loss allowance at an amount equivalent to the expected credit loss throughout the duration.

The Company combines the accounts receivable and contract assets according to similar credit risk characteristics and based on forward-looking information and all other reasonable and reliable information, estimates the proportion of provision for bad debts of accounts receivable as follows:

Determination basis of portfolio	Portfolio analysis method
Portfolio of receivables from related parties	For the receivables from related parties (including the open accounts with the shareholder company, the open accounts between the parent company and the subsidiaries or between subsidiaries), in principle, no provision for bad debts shall be made. However, if there is conclusive evidence that the debt unit of the related party has been revoked, bankrupt, insolvent, and the cash flow is seriously insufficient, and the receivables will not be recovered by debt restructuring or other means, the corresponding provision for bad debts shall be accrued according to the estimated possible losses from bad debts, and the provision for bad debts may also be accrued for all the receivables from related parties that are estimated to be unrecoverable.
Accounts receivable from third parties	Based on the experience of historical credit losses, the Group adopts a simplified method to calculate the expected credit losses by using the provision matrix for the expected credit losses of the whole duration.
Individual identification	The Group recognizes the provision for the losses of its accounts receivable based on the expected credit losses of individual customers with significant risks or customers with long aging but not individual risks.
Portfolio of margin, deposit and reserve fund loans	For portfolio of margin, deposit and reserve fund loans, no provision for bad debts shall be made in principle. However, if there is conclusive evidence that bad debts have been formed, the corresponding provision for bad debts shall be accrued according to the estimated possible bad debt losses.

Other receivables

The measurement of provision for impairment loss on other receivables is conducted in accordance with the measurement method of impairment loss on the aforesaid financial assets (excluding accounts receivable).

The balance of other receivables mainly includes: The payment by the Company's wholly-owned subsidiary, Accounting Center of China Aviation Limited Company, paid on behalf of airlines for the settlement and clearing services provided to them, and the principal of the factoring of accounts receivable collected by Antu Jinxin Commercial Factoring Limited a subsidiary of Accounting Center of China Aviation Limited Company. As these accounts are within the normal collection period, and from past experience observations, no credit risk has occurred or the borrower has strong financial support to repay the funds in the short term. Hence, they are treated as low credit risk and no expected credit loss is accrued.

e) Long-term equity investments

i) Judgment criteria for joint control and significant influence

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises common control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of the investee, but not the power to control or jointly control the formulation of such policies with other parties. Where the Company is able to exert significant influence over the investee, the investee is its associate.

ii) Determination of initial investment cost

(1) Long-term equity investment acquired from business combination

For the long-term equity investments in subsidiaries formed by the business combination under common control, the share of book value of its shareholders' equity in the combinee in the consolidated financial statements of the ultimate controller shall be recognized, on the combination date, as the initial cost of the long-term equity investment. If there is a difference between the initial investment cost of the long-term equity investment and the book values of the paid consideration, the difference shall be used to adjust the share premium in the capital reserve; and if the share premium in the capital reserve is insufficient to be offset, retained earnings shall be adjusted.

For the long-term equity investments in subsidiaries formed by the business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial investment cost of long-term equity investments.

(2) Long-term equity investment acquired by means other than business combination

For long-term equity investments acquired through making payments in cash, its initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, its initial investment cost is the fair value of the issued equity securities.

iii) Subsequent measurement and recognition of profits or losses

(1) Long-term equity investments accounted for under the cost method

Long-term equity investments of the Company in its subsidiaries are accounted for under the cost method unless such investments meet the conditions of holding for sale. Under the cost method, except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income.

(2) Long-term equity investments accounted for under equity method

Long-term equity investments in associates and joint ventures are accounted for under the equity method. If the initial investment cost is in excess of the share of fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the initial investment cost is in short of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit or loss, and will be adjusted to the initial cost of long-term equity investment.

The Company shall, based on its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income, and simultaneously adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to other changes in shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter referred to as "**Other Changes in Shareholders' Equity**"), the Company shall adjust the book value of the long-term equity investment and include such change in the shareholders' equity.

The Company shall, based on the fair value of net identifiable assets of the investee when the investment is made, recognize its attributable share of the net profits or losses, other comprehensive income and other changes in shareholders' equity of the investee after the adjustment made to the net profit and other comprehensive income of the investee according to the accounting policies and accounting period adopted by the Company.

The Company calculates its attributable but not realized profit or loss from internal transactions between the Company and its associates or joint ventures based on its attributable percentage and offset such profit or loss, and recognizes the investment income on that basis; however, businesses formed by assets invested or sold are excluded. Unrealized losses from internal transactions between the Company and any investee shall be recognized in full if they belong to the losses from asset impairment.

For net losses on joint ventures or associates, apart from the obligation of assuming the extra loss, the Company shall write down such losses with the book value of long-term equity investments and the long-term equity where net investments in joint ventures or associates have been formed substantially; and the maximum of such losses shall be the sum of the book value and long-term equity mentioned above. Where any joint venture or associate realize net profit in the future, the Company shall recognize the income sharing amount when the unrecognized loss sharing amount is offset with the income sharing amount.

(3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current investment income.

For long-term equity investments with partial disposal accounting by the equity method, where the remaining equity is still accounted for by the equity method, other comprehensive income recognized originally upon the accounting by the equity method shall be carried forward at the corresponding proportion on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity shall be carried forward to the current profit or loss in proportion.

Where the Company loses the common control over or significant influence on the investee on account of the disposal of equity investment and any other reason, when the accounting by the equity method is terminated, other comprehensive income recognized upon the accounting by the equity method from the original equity investment shall be subject to the accounting treatment which is made on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity shall be transferred to the current profit or loss in full.

Where the Company loses the control over the investee on account of the disposal of partial equity and any other reason, at the preparation of any single financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting shall be made by the equity method, and an adjustment shall be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognized before the control over the investee is obtained shall be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity recognized on account of the accounting by the equity method shall be carried forward to the current profit or loss in proportion; if the remaining equity has no common control over or significant influence on the investee, relevant financial assets shall be recognized, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same shall be included in the current profit or loss, and other comprehensive income and other changes in shareholders' equity which have been recognized before the control over the investee is obtained shall be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment shall be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed shall be firstly recognized as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment shall be made respectively for each transaction.

f) Long-term assets impairment

Where there are indicators of impairment on long-term assets, such as long-term equity investments, investment properties measured with cost model, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives, on the balance sheet date, the impairment test should be made. Where the result of the impairment test shows that the recoverable amount of the asset is lower than book value, the provision for impairment should be made and included in impairment loss. The recoverable amount of the asset is the higher of the net amount of its fair value less disposal expenses or the present value of its estimated future cash flows. Provision for asset impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company will estimate the recoverable amount of the asset portfolio where the individual asset belongs. Asset portfolio is the smallest one that can independently generate cash inflows.

Goodwill from business combination, intangible assets with indefinite useful lives and intangible assets that have not reached the usable condition should be subject to the impairment test at least once at the end of each year, no matter whether they have any impairment indication.

The Company has conducted an impairment test of goodwill, the book value of goodwill arising from business combination is amortized to related asset groups by the reasonable method as of the purchase date; if it is difficult do so, and such value will be amortized to the relevant portfolio of asset groups. Relevant asset group or portfolio of asset groups refers to the asset group or portfolio of asset groups which is able to benefit from the synergistic effect of business combination.

At the time of making an impairment test on the relevant asset groups or portfolios of asset groups containing goodwill, if any indication shows that the goodwill-related asset group or portfolio of asset groups may have been impaired, the Company will firstly conduct an impairment test on the asset groups or portfolios of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value, to recognize the corresponding impairment loss. Thereafter, the Company make the impairment test on the asset group or portfolio of asset groups where the goodwill is included, and compare the book value of such group or portfolio with the recoverable amount of the same, if the recoverable amount is less than the book value, the amount of impairment loss should firstly be used to reduce the book value of the goodwill allotted to such group or portfolio, and then reduce book values of other assets than the goodwill in such group or portfolio based on proportions of these book values. The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognized.

g) Revenue

i) Accounting policies adopted for revenue recognition and measurement

If the Company fulfills its performance obligations in a contract, it will recognize revenue when relevant customer obtains right of control over relevant goods. If two or more performance obligations are covered in the contract, on the contract commencement date, the transaction price will be allocated to individual performance obligation based on the relative proportion of the individual selling price of goods involved in the individual performance obligation, and the revenue will be measured at the transaction price to each individual performance obligation.

The transaction price refers to the amount of consideration that the Company is expected to have the right to take on account of the transfer of goods the customer. At the determination of transaction price, if the consideration is variable, the Company will determine the best estimate of the variable consideration based on the expected value or the amount which is most likely to occur, and include such estimate in the transaction price at the amount not exceeding the amount of accumulatively recognized revenue that is highly unlikely to have a major reversal when relevant uncertainty is eliminated. In case the significant financing component is contained in the contract, the Company will adjust the transaction price according to the financial component in the contract; if the interval between the time when the control is transferred and the time when the customer pays the contract price is less than one year, the Company will not consider the financing component in such contract.

If the Company meets one of the following conditions, its obligation performance will be fulfilled over time, otherwise, it will be fulfilled at a point of time:

(1) The customer obtains and consumes the economic benefits brought by the performance of the Company while the Company is performing the obligation.

(2) Customers are able to control the goods under construction in the course of performing obligations by the Company.

(3) The goods produced in the course of performing obligations by the Company have irreplaceable uses, and over the entire contract period, the Company has the right to receive payments for the portion of the performance that has been completed to date.

If the obligation performance will be fulfilled over time, the Company will recognize revenue based on the performance progress. Otherwise, the revenue will be recognized at a point of time when the customer obtains the right of control over relevant goods.

The revenue from obligation performance will be fulfilled at a point of time, it will be recognized by the Company when the customer has acquired the right of control over relevant goods or services. The Company will consider the following indicators when judging whether the customer has acquired the right of control over relevant goods or services:

- The customer has the current payment obligation for such goods or service, i.e., the Company enjoys the current right to collect the payment for such goods or service.

- The Company has transferred the legal ownership of such goods to the customer, i.e., the customer possesses the legal ownership of such goods.

- The Company has transferred goods to the customer in kind, i.e., the customer has possessed such goods in kind.

- The substantial risks and rewards of the ownership of such goods have been transferred by the Company to the customer, i.e., the customer has acquired the substantial risks and rewards of the ownership of such goods.

- The customer has accepted such goods or services.

Operating revenues of the Group mainly come from information technology services for civil aviation, settlement and clearing service, data network service and system integration service. In which, revenues from rendering information technology services for civil aviation, settlement and clearing service and data network service are recognized monthly in the course of rendering these services; the revenue from system integration service is recognized upon the acceptance inspection by the customer as the project work time is generally short; for the system integration project, if the commitment that the installation service will be rendered after the equipment delivery is given to the customer, and the installation service does not have significant impact on the equipment, the revenue recognition will be made by stages based on two obligation performance, i.e., sales of equipment and rendering of installation service. The revenue recognition for sales of equipment is made after the equipment delivery and acceptance inspection, and that for installation service is made after the customer fully completes the acceptance inspection.

4. TAXATION

a) Major tax types and tax rates

Tax type	Basis of tax assessment	Applicable tax rate
VAT	Levied based on the difference between the output tax (calculated based on the revenue from sales of goods and rendering of services according to tax law) and the deductible input tax for the period	3%-23% (Including VAT rate of the overseas company)
Urban maintenance and construction tax	Levied based on the VAT and consumption tax actually paid	7%, 5%
Enterprise income tax	Levied based on taxable income	10%-30% (Including the income tax rate of the foreign company to which it belongs)

b) Tax preference:

i) Additional deduction of input tax

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform [2019] No. 39, from April 1, 2019 to December 31, 2021, taxpayers of manufacturing and living service industries shall be allowed to add an extra 10% based on the deductible input tax for the current period for deduction of the tax payable. The policy of additional deduction of input tax applies to the Company.

ii) High and New Technology Enterprise

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 recognized 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.

iii) Key software enterprises

Except that enterprises that have been assessed as "high-tech enterprises" may enjoy the preferential income tax rate of 15%, enterprises assessed as "key software enterprises" within the national planning layout by relevant authorities under the government of China may further enjoy the preferential tax rate of 10%. According to relevant provisions, the difference between the tax paid at the tax rate of 15% and that paid at tax rate of 10% will be refunded to relevant enterprises subsequently, and such tax refund will be reflected in the income statement for the period when it occurs.

As the Company will apply for the preferential tax rate of 10% for 2020 "key software enterprises" in 2021, it should calculate the enterprise income tax for 2020 at the preferential tax rate of 15%. As at December 31, 2020, the Company was applying for the preferential tax rate of 10% for "key software enterprises" in 2020 to relevant authority.

5. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

a) Accounts receivable

i) Disclosure of accounts receivable by aging (based on invoice dates)

Aging	**Balance as at December 31, 2020**	Balance as at December 31, 2019
Within 6 months	**2,031,667**	2,342,332
7 – 12 months	**825,811**	942,802
1 – 2 years	**1,872,245**	994,699
2 – 3 years	**511,268**	125,407
3 – 4 years	**90,609**	42,044
4 – 5 years	**35,016**	55,128
Over 5 years	**75,185**	44,476
Subtotal	**5,441,801**	4,546,888
Less: provision for bad debts	**996,485**	315,001
Total	**4,445,316**	4,231,887

ii) Disclosure under the methods of provision for bad debts by category

Type	Balance as at December 31, 2020					Balance as at December 31, 2019				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts accrued on an individual basis	**816,251**	**15.00**	**624,918**	**76.56**	**191,333**	146,938	3.23	67,420	45.88	79,517
Provision for bad debts accrued on a portfolio basis	**4,625,550**	**85.00**	**371,567**	**8.03**	**4,253,983**	4,399,950	96.77	247,580	5.63	4,152,370
Total:	**5,441,801**	**100.00**	**996,485**	**-**	**4,445,316**	4,546,888	100.00	315,001	–	4,231,887

Provision for bad debts accrued on an individual basis:

Name	Balance as at December 31, 2020		
	Book balance	**Provision for bad debts**	**Proportion of provision (%)**
Total	**816,251**	**624,918**	**76.56**

Item accrued on a portfolio basis:

Name	Balance as at December 31, 2020		
	Accounts receivable	**Provision for bad debts**	**Proportion of provision (%)**
Total	**4,625,550**	**371,567**	**8.03**

b) Other equity instrument investments

i. Details of other equity instrument investment

Items	**Balance as at December 31, 2020**	Balance as at December 31, 2019
China Merchants RenHe Life Insurance Company Limited	**893,203**	883,750
Total	**893,203**	883,750

The Company holds 13.26% (Year 2019: 17.5%) of all the equity of an unlisted company China Merchants RenHe Life Insurance Company Limited, at a fair value of RMB893,202,600.00 (Year 2019: RMB883,750,000.00) as at December 31, 2020. As the Company does not intend to hold the investment for trading purposes, the Company designated the investment as financial assets measured at fair value through other comprehensive income, and the Company has determined the fair value of the investment as at December 31, 2020 by reference to the valuation report issued by an independent professional valuer with China Alliance Appraisal Co., Ltd. professional qualifications and relevant experience. The change in fair value of RMB9,452,600.00 (Year 2019: RMB8,750,000) in 2020 is included in other comprehensive income of the Company.

c) Other non-current financial assets

Item	**Balance as at December 31, 2020**	Balance as at December 31, 2019
Financial assets measured at fair value through profit or loss	**82,315**	–
Including: Debt instrument investments	**–**	–
Equity instrument investments	**82,315**	–
Derivative financial assets	**–**	–
Financial asset designated to be measured by fair value through profit or loss	**–**	–
Including: Debt instrument investments	**–**	–
Others	**–**	–
Total	**82,315**	–

The above-mentioned other non-current financial assets of the Company are the fund investment held by the Company – China Mobile Equity Fund

As stated in the Company's announcement on April 16, 2020, the Company has entered into a limited partnership agreement (the "Agreement") with China Mobile Capital Holding Co., Ltd., other investors (together with the Company and China Mobile Capital Holding Co., Ltd., as limited partners) and China Mobile Equity Fund Management Co., Ltd. (as general partner) for the establishment of China Mobile Equity Fund (Hebei Xiongan) Partnership (Limited Partnership) (the "China Mobile Equity Fund"), pursuant to which the Company agreed to contribute a total of RMB1 billion in cash to the China Mobile Equity Fund during the term of the Agreement. China Mobile Equity Fund primarily invests in companies related to the 5G and information and communications industry chain, ecosystem and enabling industries.

As of December 31, 2020, the Company has made actual contributions (including fund management fees) of RMB89.4 million under the agreement, which is measured at fair value with a book value of RMB82.3 million.

d) Goodwill

i. Changes in goodwill

Name of the investee or matters forming goodwill	Balance as at December 31, 2019	Increase in 2020: Formed from the business combination	Increase in 2020: other	Decrease in 2020: Disposal	Decrease in 2020: other	**Balance as at December 31, 2020**
Original book value						
Skyecho	260	–	–	–	–	**260**
OpenJaw Technologies Limited	155,990	–	–	–	3,656	**152,334**
Subtotal:	156,250	–	–	–	3,656	**152,594**
Provision for impairment						
OpenJaw Technologies Limited	–	–	152,334	–	–	**152,334**
Subtotal:	–	–	152,334	–	–	**152,334**
Book value	156,250	–	–	–	–	**260**

Other explanation: The goodwill of OpenJaw Technologies Limited ("OpenJaw") decreased by RMB3.66 million for the period, the decrease was the exchange translation differences between the beginning and ending exchange rate changes.

ii. Relevant information of asset group or combination of asset groups related to the goodwill:

The Company's goodwill was primarily formed from the business combination of the acquisition of OpenJaw and its subsidiaries in 2016. OpenJaw is a company incorporated under the laws of Ireland, and it is mainly engaged in the provision of services in relation to the travel technologies and products, whose principal business is related to the principal business of the Company.

The Group's goodwill of Guangzhou Skyecho Information Technology Limited ("Skyecho") is mainly derived from the acquisition of 51% equity of Skyecho in 2014 at premium. Skyecho is located in Guangzhou City, its main business including: software development; network technology research and development; computer technology development and technical services; information system integration services; computer wholesale; software wholesale; computer accessories wholesale; commodity wholesale, etc.

iii. Test process and key parameters for goodwill impairment as well as the confirmation method of goodwill impairment loss

The Company's goodwill impairment test, related to OpenJaw, is determined on the basis of the recoverable amount of the cash generating units based on the use value, which is calculated based on cash flow predicted from the approved five-year budget. Cash flows over the five-year period are extrapolated at an estimated average growth rate of 2.6% (2019: 2%).

Item	**Year 2020**	Year 2019
Growth rate	**-5.37% to 26.31%**	7% to 24%
Discount rate	**14.86%**	14.84%

The discount rate used is a pre-tax rate and reflects the specific risks associated with OpenJaw. The budgeted gross profit is determined based on the entity's historical performance and the Management's expectations of market developments.

e) Accounts payable

Presentation of account payable (based on invoice dates)

Aging	**Balance as at December 31, 2020**	Balance as at December 31, 2019
Within 1 year (including 1 year)	**958,438**	1,357,534
1 – 2 years (including 2 years)	**598,298**	152,913
2 – 3 years (including 3 years)	**132,522**	60,000
Over 3 years	**110,271**	114,916
Total	**1,799,529**	1,685,363

f) Contract liabilities

Details of contract liabilities

Item	**Year 2020**	Year 2019
System integration service contract	**155,713**	181,421
Total	**155,713**	181,421

g) Operating revenue and operating costs

i. Details of operating revenue and operating costs

Item	**Year 2020**		Year 2019	
	Revenue	**Cost**	Revenue	Cost
Main business	**5,439,484**	**3,072,278**	8,093,394	3,616,176
Other businesses	**46,093**	**13,640**	28,279	9,577
Total	**5,485,577**	**3,085,918**	8,121,673	3,625,753

ii. Details of operating revenue:

Item	**Year 2020**	Year 2019
Aviation information technology service	**2,495,513**	4,517,199
Settlement and clearing service	**359,598**	596,977
System integration service	**1,178,003**	1,168,024
Data network service	**489,353**	485,098
Other revenue	**963,110**	1,354,375
Total	**5,485,577**	8,121,673

h) Investment income

Item	**Year 2020**	Year 2019
Income from long-term equity investments calculated under equity method	**34,385**	62,937
Investment income from disposal of long-term equity investments	**–**	12,457
Investment income from trading financial assets during the holding period	**695**	–
Investment income from disposal of trading financial assets	**–**	9,868
Interest revenue from creditor's right investment during the holding period	**53,209**	51,794
Investment income obtained from disposal of creditor's right investment	**–**	64,026
Dividend revenue from other equity instrument investment during the holding period	**–**	–
Investment income from the disposal of other creditor's right investment	**–**	–
Investment income from other equity instrument investment during the holding period	**–**	–
Investment income from other non-current financial assets during the holding period	**–**	–
Investment income from disposal of other non-current financial assets	**–**	–
Gains from the remeasurement of the remaining equity at fair value after the loss of control	**450,644**	–
Total	**538,933**	201,082

i) Losses from credit impairment ("-" for losses)

Item	**Year 2020**	Year 2019
Impairment loss on bills receivable	**(12,654)**	–
Impairment loss on accounts receivable	**(682,896)**	(43,413)
Impairment loss on other receivable	**(460)**	–
Total	**(696,010)**	(43,413)

j) Impairment loss on assets ("-" for losses)

Item	**Year 2020**	Year 2019
Impairment loss on contract assets	**(12,976)**	(1,248)
Impairment loss on intangible asset	**(20,823)**	–
Impairment loss on construction in progress	**(48,941)**	–
Impairment loss on goodwill	**(152,334)**	–
Total	**(235,074)**	(1,248)

k) Earnings per share

Item	**Year 2020**	Year 2019
Earning (earning for the purpose of calculating the basic and dilutive)	**362,800**	2,526,006
Numbers of shares (weighted average number of ordinary shares in issue)	**2,926,210**	2,926,210
Basic earnings per share (Basic and dilutive)	**0.12**	0.87

There were no potential dilutive ordinary shares outstanding during the years ended December 31, 2020 and December 31, 2019.

l) Dividend

The shareholders approved the "distribution of a final cash dividend for year 2019" of RMB845.7 million (RMB0.289 per share) in the annual general meeting of the Company held on June 18, 2020. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the year ended December 31, 2020.

On March 31, 2021, the Board recommended the distribution of a final cash dividend of RMB46.8 million for Year 2020 (RMB0.016 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, 2021.

m) Disposal on fixed assets

During the year there were no disposal on property and plant by the Group.

n) Supplementary information to the income statement where expenses are classified by nature

The operating costs, selling and distribution expenses, general and administrative expenses, research and development expenditures, in the income statement are classified by nature as follows:

Item	**Year 2020**	Year 2019
Staff costs	**1,775,239**	1,861,541
Depreciation and amortization	**925,883**	863,252
Cost of software and hardware sold	**601,171**	601,272
Technical support and maintenance fees	**604,471**	902,681
Commission and promotion expense	**478,081**	799,363
Network usage fees	**72,836**	96,990
Other operating expenses	**367,290**	442,043
Total	**4,824,971**	5,567,142

6. CHANGES IN THE CONSOLIDATION SCOPE

Disposal of subsidiaries

Loss of control due to single disposal of investment in subsidiaries:

Name of subsidiary	Price of equity disposal	Proportion of equity disposed (%)	Method of equity disposal	Timing of control loss	Basis to determine the timing of control loss	Difference between the disposal price and the share in net assets of the subsidiary in consolidated financial statements corresponding to the investment disposed	Proportion of the residual equity on the date of losing the control right	Book value of the residual equity on the date of losing the control right	Fair value of the residual equity on the date of losing the control right	Gains or losses arising from the re-measurement of residual equity at fair value	Methods to determine and major assumptions of the fair value of residual equity on the date of losing the control	Amount of other comprehensive income related to the original subsidiary's equity investment transferred to investment gains or losses
TravelSky Mobile Tech	0	68.39	Equity dilution	2020/9/30	Change of industrial and commercial registration	450,644	31.61	195,488	255,156	450,644	Income approach	–

Other description:

In June 2020, with the approval of the State-owned Assets Supervision and Administration Commission of the State Council, the Company's wholly-owned subsidiary – TravelSky Mobile Technology Limited. (hereinafter referred to as "**TravelSky Mobile Tech**") increased its capital through a non-disclosure agreement and introduced TravelSky Capital Management Limited, China Southern Airlines Group Capital Holding Limited, Eastern Airlines Industry Investment Company Limited, Air Traffic Management Investment Corporation and Tianjin Yicheng Technology Partnership (Limited Partnership)as the shareholders of such company. As of September 30, 2020, TravelSky Mobile Tech has received the capital contributions paid by all investors in accordance with the capital increase agreement and has gone through the procedures for industrial and commercial changes. After the capital increase, the registered capital of TravelSky Mobile Tech has increased from the original RMB60 million to RMB189.81 million. The Company's shareholding ratio has been reduced to 31.61% from the original 100%. According to the capital increase agreement signed by the parties and the new "Articles of Association" of TravelSky Mobile Tech, the Company no longer controls TravelSky Mobile Tech and no longer included it into the scope of consolidation.

7 SHARE-BASED PAYMENT

Overall situation of share-based payment

Pursuant to the announcement in relation to the approval of the proposed initial terms of H share appreciation rights scheme by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC on January 3, 2020 and the resolution passed at the extraordinary general meeting dated January 16, 2020, the proposed adoption of the H share appreciation rights scheme and the proposed initial grant have been approved at the extraordinary general meeting.

According to the H share appreciation rights scheme, the initial grant date is on January 16, 2020.

According to the Company's H Share appreciation rights scheme, the Company granted 35,958,950 units of cash settled H share appreciation rights to a total of 502 incentive recipients on January 16, 2020. The H Share appreciation rights are valid for 7 years from the date of grant. Subject to a lock-up period of two years following the date of grant, H share appreciation rights should be exercised from the second anniversary of the date of grant in 3 years on equal proportion.

At December 31, 2020, the Company has recorded accumulated liabilities arising from cash settled share based payment of RMB55,688,000, which RMB55,688,000 was included in 2020 staff costs.

2020 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 service providers, travel agencies, travel service distributors or agents, corporate clients, travelers and cargo shippers, as well as major international organisations such as International Air Transport Association ("**IATA**") and government bodies, with the scope of services covering the provision of critical information systems on flight control, air ticket distribution, check-in, boarding and load planning, accounting, settlement and clearing 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 business, improve service quality, minimise operational costs and enhance operational efficiency, and ultimately bring benefits to travelers.

In 2020, the novel coronavirus pneumonia epidemic (the "**Epidemic**") broke out and continued to spread globally, which caused a serious impact on the civil aviation industry. As shown in the report on global air passenger demand released by the IATA in February 2021, the passenger demand in 2020 plummeted by 65.9% compared to that of 2019 year-on-year, by far the sharpest passenger transportation decline in aviation history. The core business of the Group also suffered unprecedented impact. As stated in the Company's announcements dated January 20, 2021 and March 12, 2021, as affected by the Epidemic, the PRC and foreign countries had adopted various strict measures to curb the spread of the Epidemic. In the second half of 2020, with the prevention and control of the Epidemic in China being further stabilised and normalized, the recovery of transportation in civil aviation industry had gradually accelerated. However, there was a significant decline in passenger transportation of the civil aviation industry throughout the year, and accordingly, the operation data of the Company's main business dropped significantly year-on-year.

AVIATION INFORMATION TECHNOLOGY SERVICES

The Company's aviation information technology ("**AIT**") services, which consist of a 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 and 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 business, 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 2020, the processed system capacity of the Group's electronic travel distribution (ETD) system on domestic and overseas commercial airlines was approximately 411.9 million, representing a decrease of approximately 40.2% over the same period in 2019, among which, the processed system capacity on commercial airlines in China decreased by approximately 38.2%, while those on foreign and regional commercial airlines decreased by approximately 93.2%. The number of foreign and regional commercial airlines with direct links to the CRS system of the Group reached 152, with sales percentage through direct links exceeding 99.8%. The number of foreign and regional commercial airlines using the Group's APP system services, multi-host connecting program services and self-developed Angel Cue platform connecting services also increased to 160, with approximately 2 million of passenger departures processed in 59 airports.

In 2020, the Group continued to enhance the 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) of the Group was launched in 182 major domestic and international airports, and the online check-in service was applied in 331 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 237 million passenger departures. During the Epidemic, "Umetrip", a mobile application, quickly launched multiple Epidemic prevention and control systems to promote the integration of multiple codes. Among which, the "Civil Aviation Passenger Health Declaration Filling System" has been used by 33 airlines and more than 100 airports and industry regulatory authorities; the self-developed "NLP Intelligent Customer Service System for Civil Aviation Passengers" has been applied in more than 10 airports in Xinjiang, Shanxi, Shandong, Shaanxi, Sichuan and other provinces and cities, so as to effectively reduce the pressure of customer service seat guarantee.

In 2020, the Group continued to improve the function of the passenger service system. Steady progress was made to promote airline retail solutions and upgrades, and the number of e-commerce retail platform (TRP) customers increased to 15. Officially certified by China Aviation Administration of China ("**CAAC**") as the "Public Information Platform of Full-process Baggage Tracking System for China's Civil Aviation (中國民航行李全流程跟蹤系統公共信息平台)", the "Baggage Travel" platform realised interconnection with more than 20 commercial airlines including four large domestic commercial airlines and 11 airports including Beijing Daxing, Shanghai Hongqiao, Guangzhou, Wuhan, Chongqing, etc. The "Aviation Information Inquires" business successfully supported Shenzhen Airlines Company Limited in releasing the "Smart Flight Changing Plan in Quarantine Zone for China's Civil Aviation (中國民航隔離區內智慧改簽方案)" in the first place in China to further explore the application of seat resources.

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 ("**ACCA**"), a wholly-owned subsidiary of the Group. As the downstream business of the Group's principal activities in air travel service distribution and sales, the above business strongly strengthened the 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, ACCA is also the largest provider of outsourced services and system products in settlement and clearing in the air transportation industry in China. Its major customers include domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organisations and IATA.

In 2020, business of accounting, settlement and clearing services of the Group was also adversely affected by the Epidemic. In this regard, the Group actively adjusted business strategies to respond to market changes. It expedited new product construction, with a focus on the research and development of the third-generation accounting management platform to continuously consolidate the market of accounting, settlement and clearing services, develop settlement business and data middle-office capabilities in the process of airline digital transformation and support the development need for new distribution capability ("**NDC**"). The international passenger settlement system (IPRA) provided Singapore Airlines with settlement solutions of ONE Order ("**ONE Order**") and NDC accounting and settlement solutions. The Group successfully signed with Shanghai Pudong International Airport for real-time settlement of airports' service charges and worked on the implementation. With the emergency response mechanism being activated, products and services related to refund were launched for airlines and agent customers during the Epidemic, which helped solve the problem of a large number of refunds during the Epidemic. The Group continued to expand overseas customers, and successfully signed contracts with Cambodian Airways and Royal Air Philippines for passenger settlement services. In 2020, there were approximately 790.2 million transactions processed with the Group's accounting, settlement and clearing system, and approximately 254.67 million BSP tickets processed with our Billing and Settlement Plan (BSP) Data Processing services. The total amount of all kinds of business processed by the Group's accounting, settlement and clearing system reached USD4.912 billion, and the transaction amount processed by the electronic payment system was approximately RMB60.384 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

In 2020, the Group continued to improve the information technology of the travel distribution network and enriched sales content, with direct links and high-level networking to all Global Distribution Systems ("**GDSs**") around the world and 152 foreign and regional commercial airlines through SITA networks, covering over 400 domestic and overseas cities. The distribution network has reached 25 overseas countries and regions.

In 2020, the Group quickened the construction of NDC, built and completed the NDC aggregation platform that supports the full-process sales of upstream and downstream NDC products. It achieved access to 8 commercial airlines in total. The travel business was connected to the corporate financial system so as to achieve a closed loop of the whole process and facilitate to realise full-process paperless. The branded fare product function of foreign airlines was developed, which enabled 3 foreign commercial airlines to display and sell through the WeChat channel. To accelerate the expansion of overseas sales network, the Group joined the neutral Billing and Settlement Plan (BSP) of 14 countries including France and Italy.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2020, in practicing the concept of caring service, the Group continued to enhance research and development and promotion of airport information technology services and products, while securing the market share of the traditional departure front-end services and products, and established a full coverage product mode from airport operation to full-process passenger services, and thus became the major provider of overall solutions for smart airports in China's civil aviation industry. The Group actively participated in the formulation of industry standards and helped the construction of airports with four characteristics of "safety", "green", "smart" and "humanity". The airport coordination decision-making system (A-CDM) products continuously increased the market share in airports with over ten million of annual passengers, with the users reaching 12. All the airports with the A-CDM products put into operation reached the A-class standard of civil aviation. Products of "facial recognition & ID authentication" for security inspection were promoted to 213 airports. Face boarding projects were launched in 21 airports and the users reached 32. The One ID passenger service platform was built with full-process biological recognition, and deployed in Guangzhou, Shenzhen and other airports. "Baggage Travel" has actively responded to the needs of airport users, and completed the construction of baggage tracking system at large hub airport terminals such as Shanghai Hongqiao, Shenzhen, Kunming, Zhengzhou, etc. The departure front-end system of the new-generation APP dominated China's large and medium-sized airports and assisted commercial airlines in providing various services for passengers, such as boarding, transiting and connecting, in 161 overseas or regional airports. The number of departure passengers receiving such services reached approximately 6 million, accounting for approximately 89% of the number of passengers returning from overseas of such commercial airlines in China.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2020, the Group continued to consolidate its leading position in the logistics information service market of cargo terminals among domestic airports, and comprehensively promoted products such as cargo terminal production system, cargo security inspection system, cargo ground operation service management system and airport ground logistics platform. The Group successfully signed contracts with 20 cargo terminals, and accelerated the promotion of electronic waybill business of civil aviation logistics, with a steady growth on electronic waybills achieved.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2020, with an emphasis on governmental authorities, central state-owned enterprises, financial and internet enterprises, the Group continued to advance the research and development and promotion of public information technology service products, extended contracts with China Galaxy Securities Company Limited, China United Network Communications Corporation Limited and other long-term clients, and successfully undertook the top national nodes for the industrial Internet identification analysis (工業互聯網標識解析國家頂級節點) (Beijing). The Group provided proprietary cloud and mixed cloud services for enterprises and public institutions. The Group expanded data intelligent services in cultural tourism, insurance and finance, and landed the project of visualised integration of cultural and tourism content of destinations in Henan and Ningxia. The Group continued to make efforts to expand the information technology services market for general aviation. The number of general aviation companies and airports using the general aviation system has exceeded 80. The Group opened the anti-Epidemic rescue service platform for general aviation and assisted in scientific anti-Epidemic.

INFRASTRUCTURE

The Group's infrastructure serves the sustainable development of its business, the objectives of which 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, and commercial and management instruments, so as to achieve the sustainable development of business.

In 2020, the Group actively fulfilled social responsibilities, gave full play to its own advantages, and worked hard to improve quality and efficiency, as a way to provide strong technical support and service guarantee for scientific and technological anti-Epidemic and resumption of work and production. On the one hand, the Group made every effort to ensure the stability of ICS, CRS, APP, and core open systems, and realised 7×24-hour timely response of technology and commercial services to escort the peak of passenger refund due to the Epidemic, as a way to assist in joint prevention and control of the Epidemic. The Group successfully completed the safe operation of the civil aviation passenger information system during the Chinese Spring Festival travel rush, the National People's Congress and Chinese People's Political Consultative Conference sessions, the National Day Golden Week and the China International Import Expo. On the other hand, the Group increased its efforts in basic platforms and core systems to further consolidate the safety foundation. The construction of the dual-mode infrastructure cloud platform steadily advanced, and the scope of its application was gradually expanded. The construction of disaster recovery system was continuously promoted, with commencement of the data-level disaster backup and synchronisation of core business. Both of the full-link monitoring capability and the safety level of the departure system were enhanced. Energy-saving and consumption-reducing transformation was promoted to build a green data centre and reduce operating costs.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strictly implements national policies and regulations on green development and environmental protection. The Group actively builds a green development model, and is committed to effectively integrating into all aspects of the Company’s operations, thereby minimizing the impact of the operation process on the environment. In 2020, the Group’s own business and products and services have a relatively small impact on the environment and natural resources. In order to deeply implement the concept of green development, the Group strengthened its own emissions management system and measures for greenhouse gases, hazardous and non-hazardous waste and domestic sewage, and the Group’s energy consumption, resource use and sewage waste were subject to key supervision, measurement and management, thereby enhancing the ability to respond to environmental risks and laying a good foundation for the establishment of an environmentally friendly company.

RISK FACTORS AND FUTURE DEVELOPMENT

The outbreak of Epidemic in 2020 intensified the downward pressure on the global economy. With the market demand and passengers’ travelling desire dropping sharply, the global civil aviation industry has been greatly impacted. Affected by the Epidemic, the Group met with great difficulties in business development and business promotion. The difficulty in recovering accounts receivable increased; the international airline market shrank sharply; and the overall revenue of the Company dropped sharply on year-on-year basis. Faced with the impact of the Epidemic, the Group proactively fulfilled its social responsibilities, took its advantages to fight the Epidemic scientifically, stabilized its business foundation, flexibly adjusted its market strategy, strictly controlled costs, implemented quality and efficiency improvement, and strived to reduce the adverse impact of the Epidemic. The liquidity of the Company could meet our working capital demand.

Besides the risk factors caused by the Epidemic, the Group faces macroeconomic environment and geopolitical risks as well. The Group will pay more attention to the changes in the global macroeconomic status, flexibly adjust its market strategy and make efforts to achieve good operating results. Independent innovation of high-tech companies mainly depends on talents. In terms of talent retention and outflow, the Company will constantly optimize the salary incentive mechanism, speed up the implementation of reform, and build channels for talent growth.

In this regard, the Group will stick to the strategic goal of building an "international first-class integrated information service enterprise", continue to consolidate and develop aviation information technology service, integrate and develop distribution information technology service, strive to develop airport information technology service, and innovate and develop accounting, settlement and clearing service, and is committed to "enhancing internal control, preventing risk and promoting compliance" to intensify internal control, deepen the internal control system and mechanism construction, perform the responsibility of risk subjects, improve the risk prevention and control mechanism, reinforce the awareness of risk control, advance the level of risk control management, and continuously enhance the level of information management and control, thereby boosting the modernization in the governance system and governance ability, so as to provide a solid foundation for the Group's high-quality development.

MANAGEMENT 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 financial statements (together with the notes thereto) reproduced in this annual results announcement. The following discussion on the summary of historical results do not represent a prediction as to the future business operations of the Group.

EXPLANATION OF ADJUSTMENT OF ACCOUNTING STANDARDS

Since its listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2001, as required by domestic and overseas regulatory rules, the Company has engaged PRC auditor and international auditor each year to prepare audited financial statements in accordance with CASBE and the International Financial Reporting Standards ("**IFRSs**"), respectively. The information in the following table is derived from the audited financial statements prepared according to CASBE and IFRSs. The key financial information of the Group in recent three years has no material difference under the above two accounting standards.

As stated in the announcements dated December 29, 2020 and February 26, 2021, and the circular dated January 8, 2021 of the Company, according to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, in order to improve the efficiency and reduce the cost of disclosure, as considered and approved by the Board and the general meeting of the Company, the Company will no longer prepare its results according to IFRSs since the Year 2020 and the Board will present audited financial statements prepared according to CASBE in the annual report.

	For the year ended December 31,					
	2017	**2017**	**2018**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	IFRSs	**CASBE**	**IFRSs**	**CASBE**	**IFRSs**	**CASBE**
Operating revenue	6,734,245	6,734,245	7,472,114	7,472,114	8,121,673	8,121,673
Total profit	2,631,629	2,636,102	2,650,372	2,651,560	2,819,676	2,802,821
Net profit attributable to shareholders of the parent	2,248,653	2,253,126	2,325,129	2,326,317	2,542,861	2,526,006
Earnings before interests, tax, depreciation and amortisation	3,082,180	3,086,653	3,133,460	3,134,648	3,475,253	3,458,398
Earnings per share (basic and diluted) *(RMB)*	0.77	0.77	0.79	0.79	0.87	0.87

	As at December 31,					
	2017	**2017**	**2018**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	IFRSs	**CASBE**	**IFRSs**	**CASBE**	**IFRSs**	**CASBE**
Total assets	20,593,195	20,594,511	22,113,322	22,132,366	23,646,384	23,648,574
Total liabilities	4,732,757	4,731,883	4,685,762	4,685,763	4,412,868	4,412,869
Total equity	15,860,438	15,862,628	17,427,560	17,446,603	19,233,516	19,235,705

SUMMARY

As stated in the announcements of the Company dated January 20, 2021 and March 12, 2021, in Year 2020, as affected by the Epidemic, the PRC and foreign countries have adopted various strict measures to curb the spread of the Epidemic, which resulted in a significantly adverse impact on civil aviation industry, and the overall revenue and profitability of the Company experienced a significant decrease compared with the same period last year.

The revenue and operating results of the Group mainly came from the Group's operations in China. For Year 2020, profit before taxation of the Group was approximately RMB314.2 million, representing a decrease of approximately 88.8% over that in the year ended December 31, 2019 ("**Year 2019**"). Earnings before interests, tax, depreciation and amortisation (EBITDA) reached approximately RMB1240.2 million, representing a decrease of approximately 64.1% over that in Year 2019. Net profit attributable to shareholders of the parent was approximately RMB362.8 million, representing a decrease of approximately 85.6% over that in Year 2019.

The basic and diluted earnings per share of the Group in Year 2020 were RMB0.12.

TOTAL REVENUE

The total revenue of the Group in Year 2020 amounted to approximately RMB5,485.6 million, representing a decrease of approximately RMB2,636.1 million, or 32.5%, from approximately RMB8,121.7 million in Year 2019. The decrease in total revenue is reflected as follows:

- Aviation information technology service revenue represented 45.5% of the Group's total revenue in Year 2020, as compared to 55.6% for Year 2019. Aviation information technology service revenue decreased by 44.8% from RMB4,517.2 million in Year 2019 to RMB2,495.5 million in Year 2020. The main sources of the revenue were Inventory Control System service, Computer Reservation System service and Airport Passenger Processing service, as well as other extended information technology services related to the above core business provided by the Group to commercial airlines. The decrease of revenue was mainly due to the significant decrease in the number of air passengers as affected by the Epidemic.

- Accounting, settlement and clearing services revenue accounted for 6.6% of the Group's total revenue in Year 2020, as compared to 7.4% for Year 2019. Accounting, settlement and clearing services revenue decreased by 39.8% from RMB597.0 million in Year 2019 to RMB359.6 million for Year 2020. The main source of the revenue was accounting, settlement and clearing services provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The decrease of revenue was primarily due to a significant reduction in the volume of settlement and clearing business.

- System integration service revenue accounted for 21.5% of the Group's total revenue in Year 2020, as compared to 14.4% for Year 2019. System integration service revenue increased by 0.9% from RMB1,168.0 million in Year 2019 to RMB1,178.0 million for Year 2020. The main sources of the revenue were 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 business volume of contracted projects.

- Data network revenue accounted for 8.9% of the Group's total revenue in Year 2020, as compared to 6.0% for Year 2019. Data network revenue increased by 0.9% from RMB485.1 million in Year 2019 to RMB489.4 million for Year 2020. The main source of the revenue was distribution information technology service provided by the Group to agencies. The increase of revenue was mainly due to the increased business volume of distribution information technology service.

- Other revenue accounted for 17.6% of the Group's total revenue in Year 2020, as compared to 16.6% for Year 2019. Other revenue decreased by 28.9% from RMB1,354.4 million in Year 2019 to RMB963.1 million for Year 2020. The sources of the revenue were other technology services, payment business, room tenancy and other services provided by the Group. The decrease of revenue was mainly due to the decrease in other technical services and payment business as affected by the Epidemic.

TOTAL OPERATING EXPENSES

Total operating expenses for Year 2020 amounted to RMB4,817.4 million, representing a decrease of RMB723.8 million or 13.1%, as compared to RMB5,541.3 million for Year 2019. The changes in total operating expenses are reflected as follows:

- Depreciation and amortisation increased by 7.3%, mainly due to the increase of depreciation and amortization resulted by the increase of fixed assets and intangible assets of the Group;

- Staff costs decreased by 4.6%, mainly due to the reduction and exemption of social insurance of the Group;

- Commission and promotion expenses decreased by 40.2%, mainly due to the reduction in business promotion of the Group as affected by the Epidemic;

- Selling costs of software and hardware basically remained flat as the same period last year, mainly due to the steady increase in business volume of contracted projects of the Group;

- Other operating expenses decreased by approximately 16.9%, mainly due to the reduction of daily operating expenses of the Group as affected by the Epidemic.

As a result of the above changes in revenue and total operating expenses, the operating profit of the Group decreased by approximately RMB2,462.5 million, or approximately 88.3%, from approximately RMB2,787.3 million in Year 2019 to approximately RMB324.8 million in Year 2020.

CORPORATE INCOME TAX

Under the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as the "High and New Technology Enterprise" 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 completed in December 2020, and the Company maintained its status as the "High and New Technology Enterprise", and was confirmed to be entitled to the preferential corporate income tax rate of 15% from Year 2020 to Year 2022 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 the "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 from Year 2006 to Year 2019.

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 2019. The excess income tax rate of 5% paid in Year 2019 has been refunded in July 2020 as approved by the relevant tax authorities (please refer to the announcement of the Company dated July 22, 2020), which has been reflected in the financial statements of the Company for Year 2020. The application for a preferential tax rate of 10% for Year 2020 will commence in year 2021, hence the Company has calculated the expenses on corporate income tax for Year 2020 using the preferential tax rate of 15%.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT OF THE COMPANY

Net profit attributable to shareholders of the parent of the Company decreased by approximately 85.6% from approximately RMB2,526.01 million in Year 2019 to approximately RMB362.8 million in Year 2020.

DISTRIBUTION OF PROFIT

According to the Company Law of the People's Republic of China (the "**Company Law**"), relevant laws and regulations, and the articles of association of the Company (the "**Articles**"), the profit after taxation of the Company in Year 2020 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 2020, the discretionary surplus reserve fund for Year 2019 approved to appropriate at the annual general meeting held on June 18, 2020 and the statutory surplus reserve fund for Year 2020 that should be appropriated have been accounted for in the financial statements of the Group for Year 2020.

The proposed appropriation of 10% of profit after taxation in the financial statements of the Company prepared in accordance with CASBE with an amount of RMB41.2 million to the discretionary surplus reserve fund for Year 2020 is subject to shareholders' approval at the forthcoming annual general meeting (the "**AGM**"). Therefore, the amount will be recorded in the Group's financial statements for the year ending December 31, 2021.

DISTRIBUTION PROPOSAL OF FINAL CASH DIVIDEND FOR YEAR 2020

On March 31, 2021, the Board of the Company proposed the distribution of a final cash dividend of RMB46.8 million, representing RMB0.016 per share (tax inclusive) for Year 2020 (the "**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 announcement. Upon distribution of the above Final Dividend, the distributable profit as at December 31, 2020 of the Company is approximately RMB7,017.1 million (as at December 31, 2019: RMB6,965.3 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 2020 is expected to be paid on or before September 30, 2021. 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

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund from the profit distributable to shareholders of the Company, the profit available for dividend distribution as at December 31, 2020 amounted to RMB7,063.9 million (as at December 31, 2019: RMB7,811.0 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,	
	2020	2019
	RMB'million	*RMB'million*
Net cash flow generated from operating activities	**164.2**	2,113.4
Net cash flow used in investing activities	**(311.9)**	(761.8)
Net cash flow used in financing activities	**(691.1)**	(956.9)
Net increase in cash and cash equivalents	**(862.0)**	412.7
Effect of foreign exchange rate changes on cash and cash equivalents	**(23.2)**	18.0

The Group's working capital for Year 2020 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB164.2 million. As at December 31, 2020, 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, 2020, cash and cash equivalents of the Group amounted to RMB4,364.9 million, of which 90.2%, 8.6% and 0.5% were denominated in Renminbi, U.S. dollar and Taiwan dollar, respectively.

RESTRICTED BANK DEPOSITS

As at December 31, 2020, restricted bank deposits in the amount of RMB92.3 million (as at December 31, 2019: RMB42.6 million) mainly refer 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, 2020, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited with commercial banks and complied with applicable laws and regulations.

FOREIGN EXCHANGE RISKS

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 deposits for the same period, so that the Group can maximize its capital gains.

In Year 2020, the Group had the following major financial assets:

(1) Trading Financial Assets

As at December 31, 2020, the Group held structural bank deposits issued by Ping An Bank and China Everbright Bank of RMB0.4 billion and RMB0.4 billion, with total structural bank deposits of RMB0.8 billion (floating yield). The annual interest rate of such structural bank deposits varied from 1.0% to 4.75%. Such structural bank deposits have a maturity period of 90 days and are non-cancellable before maturity.

(2) Financial Assets at Amortised Cost

As at December 31, 2020, the Group held structural bank deposits issued by Bank of Beijing, Industrial Bank and China Minsheng Bank of RMB1.1 billion, RMB0.4 billion and RMB0.9 billion, with total structural bank deposits of RMB2.4 billion (fixed yield). The annual interest rate of such structural bank deposits varied from 1.50% to 3.55%. Such structural bank deposits have a maturity period ranging from 90 to 397 days and are non-cancellable before maturity.

(3) Financial Assets at Fair Value whose Changes were Recorded through Other Comprehensive Income

Name of investment	Business nature	**Percentage of shareholding as at December 31, 2020**	Percentage of shareholding as at December 31, 2019	**Fair value as at December 31, 2020**	Fair value as at December 31, 2019	**Gain as of December 31, 2020**	Gain as of December 31, 2019
		%	%	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity (measured at fair value)							
– CMRH Life	Life insurance	**13.26**	17.5	**893,203**	883,750	**9,453**	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 Banking and Insurance Regulatory Commission.
c.	**Investment cost of the Company:**	RMB875 million.
d.	**The percentage of the shareholding held by the Company:**	13.26% (2019:17.5%).

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. The capital increase has been approved and agreed by the China Banking and Insurance Regulatory Commission and relevant industrial and commercial registration procedures of changes were completed on April 16, 2020. The shareholding of the Company in CMRH Life was 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, 2020, the Group invested a fair value of approximately RMB0.89 billion in CMRH Life, accounting for 3.9% of the total assets of the Group.

f. **The performance in Year 2020:**

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB0.3 billion in Year 2020, mainly because up-front costs are required for branch establishment, channel expansion and other aspects during the period of rapid business expansion for life insurance company, and loss was 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 those in overseas developed countries and regions. With GDP per capita exceeded USD10,000, there is great potential in the PRC life insurance market. CMRH Life will continue to promote the implementation of the four major strategies of "value leading, innovation driving, technology empowering, risk control assurance", give full play to the shareholders' advantages and late-developing advantages and strive to build into a quality insurance service provider with innovative characteristics.

(4) Financial Assets at Fair Value whose Changes were Recorded through Profit or Loss:

China Mobile Equity Fund

As stated in the announcement of the Company dated April 16, 2020, the Company entered into the limited partnership agreement (the "**Agreement**") in relation to the formation of China Mobile Equity Fund (Hebei Xiongan) Partnership (Limited Partnership)* (中移股權基金(河北雄安)合夥企業(有限合夥)) (the "**China Mobile Equity Fund**") with China Mobile Capital Holding Co., Ltd.* (中移資本控股有限責任公司), other investors (together with the Company and China Mobile Capital Holding Co., Ltd.* (中移資本控股有限責任公司), as the limited partners) and China Mobile Fund Co., Ltd.* (中移股權基金管理有限公司) (as the general partner), pursuant to which, the Company agreed to contribute RMB1 billion in cash to China Mobile Equity Fund during the term of the Agreement. China Mobile Equity Fund will mainly invest in 5th-generation and information communication industry chain, ecosystem and empowerment industry.

As of December 31, 2020, the Company has actually contributed (including the fund management fee) RMB89.4 million pursuant to the Agreement.

DISPOSAL OF 68.39% EQUITY INTERESTS IN TRAVELSKY MOBILE TECH

As stated in the announcements of the Company dated May 27, 2020 and June 12, 2020, on June 12, 2020, the Company entered into the new capital increase agreement I with TravelSky Mobile Technology Limited* (中航信移動科技有限公司) ("**TravelSky Mobile Tech**"), China Southern Airlines Group Capital Holding Limited* (中國南航集團資本控股有限公司) ("**Southern Airlines Capital**"), Eastern Airlines Industry Investment Company Limited* (東方航空產業投資有限公司) ("**Eastern Airlines Investment**"), Air Traffic Management Investment Corporation* (民航空管投資管理有限公司) ("**Air Traffic Investment Company**") and TravelSky Capital Management Limited* (中航信啟航資本管理有限公司) ("**TravelSky Capital**") to replace the original capital increase agreement I entered into by the Company and relevant investors on May 27, 2020, pursuant to which Southern Airlines Capital, Eastern Airlines Investment, Air Traffic Investment Company and TravelSky Capital have agreed to make a capital contribution of RMB241,062,954.75 in total to TravelSky Mobile Tech. On the same day, the Company entered into the new capital increase agreement II with TravelSky Mobile Tech and Tianjin Yicheng Technology Partnership (Limited Partnership)* (天津易程科技合夥企業 (有限合夥)) ("**Yicheng Technology**"), pursuant to which Yicheng Technology has agreed to make a capital contribution of RMB33,708,636.51 to TravelSky Mobile Tech, and the original capital increase agreement II entered into by the Company, TravelSky Mobile Tech and Yicheng Technology on May 27, 2020 has been terminated.

The above new capital increase agreements have taken effect after the approval of the State-owned Assets Supervision and Administration Commission of the State Council on June 29, 2020, and above investors have paid relevant capital contribution amount. All procedures for the above capital increase were completed on 22 September 2020. Upon the completion of the above capital increase, the registered capital of TravelSky Mobile Tech increased from RMB60,000,000 to RMB189,813,350 and the balance of the capital increase amount of RMB144,958,241.26 was contributed to the capital reserve of TravelSky Mobile Tech.

Before the completion of the above capital increase, TravelSky Mobile Tech is a wholly-owned subsidiary of the Company. Upon the completion of the above capital increase, TravelSky Mobile Tech is held as to 31.61% by the Company, 8.39% by Yicheng Technology, 12% by Southern Airlines Capital, 12% by Eastern Airlines Investment, 12% by Air Traffic Investment Company and 24% by TravelSky Capital, respectively, and TravelSky Mobile Tech ceased to be a subsidiary of the Company and the financial results of TravelSky Mobile Tech ceased to be consolidated into the financial statements of the Company.

SUBSIDIARY'S GOODWILL

As stated in the announcements of the Company dated April 6, 2016 and May 6, 2016, TravelSky Technology (Singapore) Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interest in OpenJaw Technologies Limited ("**OpenJaw**") for approximately USD39.4 million on May 5, 2016 (Canadian Eastern Time), the difference between the purchase price and the fair value of the attributable identifiable net assets is reported as goodwill at the time of the preparation of the consolidated financial statements. OpenJaw is a company incorporated under the laws of Ireland, and it is mainly engaged in the provision of services in relation to the travel technologies and products, whose principal business is related to the principal business of the Company.

As of December 31, 2020, the Company conducted impairment tests on the asset groups related to the aforementioned goodwill. The impairment test for goodwill of the Company is determined according to the recoverable amount of the assets groups of the assets related to aforementioned goodwill based on value in use. The value in use is calculated based on cash flow projections of the approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 2.6% (2019: 2%). The main measurement indicators are listed as follows:

Items	**2020**	**2019**
Growth rate	-5.37% to 26.31%	7% to 24%
Discount rate	14.86%	14.84%

As of December 31, 2020, the carrying amount of such goodwill of the Company is RMB152.3 million, and the provision for impairment of such goodwill is RMB152.3 million.

CHARGE ON ASSETS

As at December 31, 2020, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at December 31, 2020, the Group had no material contingent liabilities.

GEARING RATIO

As at December 31, 2020, the gearing ratio of the Group was approximately 17.6% (as at December 31, 2019: 18.7%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2020.

MAJOR INVESTMENT OR FINANCING PLAN

As of December 31, 2020, 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 2021 will be sufficient for the capital requirement of daily operations and the Group did not have any financing plan.

The total capital expenditure of the Group amounted to RMB941.8 million for Year 2020 (Year 2019: RMB962.1 million), among which the capital expenditure of the new operating centre in Beijing for Phase I project amounted to approximately RMB248.3 million. Other expenditure was mainly used in the Company's daily operation.

As at December 31, 2020, the Group's capital expenditure commitment amounted to approximately RMB1,017.5 million, which will be mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, China Mobile Equity Fund (an unlisted investment fund) and the construction of Phase I project of the new operating centre in Beijing. The sources of funding for such commitments will include existing cash on hand and internal cash flows 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.

As at December 31, 2020, the total number of employees of the Group was 7,156.

Staff costs of the Group amounted to approximately RMB1,775.2 million for Year 2020 (Year 2019: RMB1,861.5 million), representing approximately 36.9% of the total operating expenses of the Group for Year 2020, among which, the aggregate corporate annuity expenses of the Group amounted to approximately RMB66.7 million for Year 2020 (Year 2019: RMB52.4 million).

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 by the Company on January 16, 2020 and taken 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. The number of share appreciation rights per capita to be granted to incentive recipients will be divided into five levels. Incentive recipients do not actually hold shares, nor do they have the right as the shareholders. Incentive recipients shall not deal with the share appreciation rights granted under the Initial Grant Proposal without permissions. The share appreciation rights under the initial grant shall take effect in three equal instalments. When each batch of share appreciation rights become effective, the performance indicators of the Company for last financial year shall meet the performance target set by the Board which should be higher than performance indicators under initial grant and incentive recipients shall achieve their respective performance appraisal indicators, if not, the relevant share appreciation rights will not be effective or will be invalid. The details will be verified by the Board in accordance with the relevant rules of the Appreciation Rights Scheme and the Initial Grant Proposal. 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**").

In Year 2020, the relevant fee of aforesaid Appreciation Rights Scheme was approximately RMB55.7 million, which has been reflected in the financial statements of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2020, 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 2020, 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 financial statements for Year 2020.

AUDITORS

Pursuant to the resolution passed at the annual general meeting held on June 18, 2020, BDO Limited (Certified Public Accountants in Hong Kong) and BDO China SHU LUN PAN Certified Public Accountants LLP (Certified Public Accountants in the PRC) were engaged as the Company's international and PRC auditors respectively for Year 2020. As stated in the announcement of the Company dated March 31, 2021, given that the results of the Company will be prepared according to CASBE since Year 2020, the Board proposed to cease the re-appointment of BDO Limited as the international auditor of the Company and proposed to re-appoint BDO China SHU LUN PAN Certified Public Accountants LLP as the PRC auditor of the Company for year 2021, subject to the approval by shareholders of the Company at the AGM.

BDO China SHU LUN PAN Certified Public Accountants LLP is a firm of practicing accountants which has been approved by the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission and eligible to provide auditing services by using the CASBE to the mainland incorporated issuers listed in Hong Kong. Upon approval by the shareholders of the Company at the AGM, BDO China SHU LUN PAN Certified Public Accountants LLP will be appointed as the auditor auditing the Company's financial reports in accordance with the CASBE and discharge the duties as an international auditor under the Listing Rules, with a term of office until the conclusion of the 2021 annual general meeting of the Company.

2021 OUTLOOK

2021 marks the start of the "14th Five-Year Plan". Building on the achievement of completing the tasks of building a moderately prosperous society in all respects and achieving the first centenary goal, the "14th Five-Year Plan" period is the first five years of China's new journey toward fully building a modern socialist country and marching toward the second centenary goal, with China's development entering a new stage. At the historic crossroad of the "Two Centenary Goals", China has achieved stable economic performance, and has taken effective Epidemic prevention and control measures. China's civil aviation industry has been in the period of recovery and growth upon being the first in the world to bounce back from the bottom. It is the best-run aviation market with the fastest recovery in the world. China has clearly put forward the requirements of promoting the high-quality development of infrastructure and developing from a single air transport power into a multi-field civil aviation power, and has made constant efforts to build a transportation power and a civil aviation power, and construct smart civil aviation. It focuses on the deployment of the application of big data, cloud computing, blockchain, artificial intelligence and other new technologies in the field of civil aviation. The urgent needs of airlines to be digitalised and intellectualised provide the Group with significant development opportunities.

On the other hand, the Epidemic is still spreading around the world, and uncertainties and destabilizing factors in the international situation are on the rise, and the world economic situation is complex and grave. The civil aviation industry is still in a period of recovery and growth, and the Epidemic is still the biggest uncertainty affecting the recovery and development of the civil aviation industry. In February 2021, the International Air Transport Association predicted that global air passenger demands of this year would only reach 30% of that in 2019, and the CAAC proposed a goal for this year of striving to recover the passenger traffic to 90% of that prior to the Epidemic. With technological innovation and business model transformation, cross-industry competitors continue to penetrate the market at home and abroad. The risk of a gradual opening of the market has led to increased competition in the global distribution system (GDS) industry. Given the increasingly complex environment at home and abroad, the Group will face severe challenges to fully recover its operating performance.

The Group will continue to closely monitor and evaluate the impact of the Epidemic on the Group's operating and financial performance in 2021 from time to time, and actively respond to the challenges and seize opportunities with a focus on the following aspects: first, to improve the safety system and capacity building, implement safety responsibility system, and ensure the smooth operation of the civil aviation passenger information system; second, to improve core competitiveness, keep up with customer and market needs, accelerate the construction of products with layout significance, strive to increase the market share of competitive products, and build new competitive advantages by fully assisting the construction of smart civil aviation; third, to promote reforms and accelerate innovation, remove institutional obstacles, release development vitality, implement innovation-driven development strategies, and focus on independent research and development of key and core technologies; fourth, to insist on enhancing quality and effect and stabilising operating performance, strictly control operating costs, strictly implement energy conservation and emission reduction, improve internal management efficiency, prevent and resolve major risks, strengthen the building of talent teams.

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.

The email of the Company's investor relations team has been changed to ir@travelsky.com.cn, and the original email at ir@travelsky.com has been out of service. If you have any inquiries or meeting requirements, please feel free to contact us at ir@travelsky.com.cn.

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

Beijing, PRC
March 31, 2021

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.*