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

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

(Stock Code: 00696)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

BUSINESS SUMMARY:

- The total revenue amounted to approximately RMB5,476.2 million, representing a decrease of approximately 0.2% over Year 2020.
- The net profit attributable to shareholders of the parent company amounted to approximately RMB551.3 million, representing an increase of approximately 52.0% over Year 2020.
- Earning per share was RMB0.19.
- The Board recommended the distribution of a final cash dividend of RMB0.055 per share for Year 2021.

The board of directors (the “**Board**”) of TravelSky Technology Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) which have been prepared in accordance with the China Accounting Standards for Business Enterprise (“**CASBE**”) for the year ended December 31, 2021 (“**Year 2021**”).

CONSOLIDATED INCOME STATEMENT

As at December 31, 2021 (Amounts are expressed in RMB'000 unless otherwise stated)

| Items | Note | 2021 | 2020 |
|--|------|------------------|-----------|
| I. Total operating income | | 5,476,177 | 5,485,577 |
| Including: Operating income | 4.f) | 5,476,177 | 5,485,577 |
| II. Total operating costs | | 5,309,340 | 4,817,394 |
| Including: Operating cost | 4.f) | 3,312,384 | 3,085,918 |
| Taxes and surcharges | | 74,406 | 82,823 |
| Selling expenses | | 122,944 | 117,350 |
| General and administrative expenses | | 923,376 | 930,086 |
| Research and development expenses | | 973,807 | 691,616 |
| Financial expenses | | (97,578) | (90,400) |
| Including: Interest expenses | | 2,838 | 5,821 |
| Interest income | | 108,083 | 117,450 |
| Add: Other income | | 79,806 | 55,801 |
| Investment income (“-” for losses) | 4.g) | 48,370 | 538,933 |
| Including: Gain from investment in associates and joint ventures | | 4,291 | 34,385 |
| Gain arising from derecognition of financial assets measured at amortized cost | | — | — |
| Foreign exchange gains (“-” for losses) | | — | — |
| Income from net exposure of hedging (“-” for losses) | | — | — |
| Gains from changes in fair value (“-” for losses) | | 9,930 | (7,006) |
| Credit impairment losses (“-” for losses) | 4.h) | 374,235 | (696,010) |
| Asset impairment losses (“-” for losses) | 4.i) | (6,825) | (235,074) |
| Gains on disposal of assets (“-” for losses) | | (851) | 12 |
| III. Operating profits (“-” for losses) | | 671,504 | 324,839 |
| Add: Non-operating income | | 14,148 | 4,120 |
| Less: Non-operating expenses | | 21,768 | 14,797 |
| IV. Total profits (“-” for total losses) | | 663,883 | 314,161 |
| Less: Income tax expenses | | 52,779 | (97,775) |

| Items | <i>Note</i> | 2021 | 2020 |
|--|-------------|-----------------|---------|
| V. Net profit (“–” for net loss) | | 611,105 | 411,937 |
| (I) Classified by operating continuity | | | |
| 1. Net profit from continuing operations (“–” for net loss) | | 611,105 | 411,937 |
| 2. Net profit from discontinued operations (“–” for net losses) | | – | – |
| (II) Classified by ownership | | | |
| 1. Net profit attributable to shareholders of the Company (“–” for net loss) | | 551,301 | 362,800 |
| 2. Net profit attributable to non-controlling interests (“–” for net loss) | | 59,804 | 49,137 |
| VI. Other comprehensive income, net of tax | | (72,653) | 285 |
| Other comprehensive income, net of tax attributable to shareholders of the Company | | (72,653) | 285 |
| (I) Items that cannot be reclassified to profit or loss | | (38,923) | 9,453 |
| 1. Re-measurement of changes in net liabilities or net assets defined benefit plan | | – | – |
| 2. Other comprehensive income that cannot be transferred to profit or loss under equity method | | – | – |
| 3. Changes in fair value of other equity instruments investment | | (38,923) | 9,453 |
| 4. Changes in the fair value of own credit risk | | – | – |

| Items | <i>Note</i> | 2021 | 2020 |
|--|-------------|-----------------|---------|
| (II) Items that may be reclassified to profit or loss | | (33,730) | (9,168) |
| 1. Other comprehensive income that may be reclassified to profit or loss under equity method | | – | – |
| 2. Changes in fair value of other debt investment | | – | – |
| 3. Amount of financial assets reclassified into other comprehensive income | | – | – |
| 4. Provision for credit impairment of other debt investment | | – | – |
| 5. Cash flow hedging reserves | | – | – |
| 6. Translation differences arising from translation of foreign currency financial statements | | (33,730) | (9,168) |
| 7. Others | | – | – |
| Other comprehensive income, net of tax, attributable to non-controlling interests | | – | – |
| VII. Total comprehensive income | | 538,452 | 412,221 |
| Total comprehensive income attributable to shareholders of the Company | | 478,648 | 363,084 |
| Total comprehensive income attributable to non-controlling interests | | 59,804 | 49,137 |
| VIII. Earnings per share: | | | |
| (I) Basic earnings per share (RMB/share) | <i>4.j)</i> | 0.19 | 0.12 |
| (II) Diluted earnings per share (RMB/share) | <i>4.j)</i> | 0.19 | 0.12 |

CONSOLIDATED BALANCE SHEET

As at December 31, 2021 (Amounts are expressed in RMB'000 unless otherwise stated)

| Assets | Note | As at December 31, 2021 | As at December 31, 2020 |
|--|------|-------------------------------|-------------------------------|
| Current assets: | | | |
| Cash and bank balances | | 6,464,413 | 4,457,256 |
| Balances with clearing companies | | – | – |
| Loans to banks and other financial institutions | | – | – |
| Financial assets held for trading | | 3,309,636 | 800,028 |
| Derivative financial assets | | – | – |
| Notes receivable | | 70,587 | 108,669 |
| Accounts receivable | 4.a) | 3,735,427 | 4,445,316 |
| Receivables financing | | – | – |
| Advances to suppliers | | 227,145 | 176,440 |
| Premiums receivable | | – | – |
| Reinsurance accounts receivable | | – | – |
| Provision of cession receivable | | – | – |
| Other receivables | | 1,039,626 | 922,749 |
| Financial assets purchased under resale agreements | | – | – |
| Inventories | | 61,415 | 77,598 |
| Contract assets | | 67,833 | 133,516 |
| Assets held for sale | | – | – |
| Non-current assets due within one year | | 456,773 | 922,750 |
| Other current assets | | 205,778 | 1,646,770 |
| Total current assets | | 15,638,633 | 13,691,091 |
| Non-current assets | | | |
| Disbursement of loans and advances | | – | – |
| Debt investment | | – | – |
| Other debt investment | | – | – |
| Long-term receivables | | – | – |
| Long-term equity investments | | 746,469 | 670,124 |
| Investments in other equity instruments | 4.b) | 850,623 | 893,203 |
| Other non-current financial assets | 4.c) | 347,897 | 82,315 |
| Investment properties | | 107,879 | 110,003 |
| Fixed assets | | 3,834,600 | 4,242,380 |
| Construction in progress | | 31,268 | 23,734 |
| Productive biological assets | | – | – |
| Oil and gas assets | | – | – |
| Right-of-use assets | | 54,786 | 100,661 |
| Intangible assets | | 1,907,622 | 1,759,714 |
| Development expenditures | | 149,584 | 310,093 |
| Goodwill | | 260 | 260 |
| Long-term deferred expenses | | 3,304 | 3,957 |
| Deferred tax assets | | 356,066 | 357,591 |
| Other non-current assets | | 82,148 | 524,150 |
| Total non-current assets | | 8,472,506 | 9,078,185 |
| Total assets | | 24,111,139 | 22,769,276 |

| Liabilities and owners' equity | <i>Note</i> | As at December 31, 2021 | As at December 31, 2020 |
|---|-------------|--|--|
| Current liabilities: | | | |
| Short-term borrowings | | 2,500 | – |
| Borrowings from central bank | | – | – |
| Loans from banks and other financial institutions | | – | – |
| Financial liabilities held for trading | | – | – |
| Derivative financial liabilities | | – | – |
| Notes payable | | – | – |
| Accounts payable | <i>4.d)</i> | 2,145,109 | 1,799,529 |
| Advances from customers | | – | 115 |
| Contract liabilities | <i>4.e)</i> | 650,696 | 155,713 |
| Financial assets sold under repurchase agreements | | – | – |
| Absorption of deposits and interbank deposits | | – | – |
| Receiving from vicariously traded securities | | – | – |
| Receiving from vicariously sold securities | | – | – |
| Employee compensation payable | | 264,048 | 327,616 |
| Taxes payable | | 92,064 | 141,967 |
| Other payables | | 1,539,110 | 1,349,011 |
| Handling charges and commission payable | | – | – |
| Reinsurance accounts payable | | – | – |
| Liabilities held for sale | | – | – |
| Non-current liabilities due within one year | | 27,626 | 76,146 |
| Other current liabilities | | 51,319 | 8,675 |
| Total current liabilities | | 4,772,472 | 3,858,773 |
| Non-current liabilities: | | | |
| Reserves for insurance contracts | | – | – |
| Long-term borrowings | | – | – |
| Bonds payable | | – | – |
| Including: Preferred shares | | – | – |
| Perpetual bonds | | – | – |
| Lease liabilities | | 32,127 | 27,347 |
| Long-term payables | | 420 | 420 |
| Long-term employee benefits payable | | – | – |
| Provisions | | 14 | 4 |
| Deferred income | | 54,367 | 84,749 |
| Deferred tax liabilities | | 21,655 | 29,824 |
| Other non-current liabilities | | – | – |
| Total non-current liabilities | | 108,584 | 142,345 |
| Total liabilities | | 4,881,056 | 4,001,118 |

| | As at December 31, 2021 | As at December 31, 2020 |
|---|-------------------------------|-------------------------------|
| Liabilities and owners' equity | | |
| Shareholders' equity: | | |
| Share capital | 2,926,210 | 2,926,210 |
| Other equity instruments | – | – |
| Capital reserves | 1,192,037 | 1,159,411 |
| Less: Treasury stock | – | – |
| Other comprehensive income | (53,807) | 18,846 |
| Special reserves | – | – |
| Surplus reserves | 3,986,994 | 3,935,022 |
| General risk reserves | 7,685 | 6,985 |
| Retained earnings | 10,701,138 | 10,249,329 |
| Total equity attributable to shareholders of the Company | 18,760,256 | 18,295,801 |
| Non-controlling interests | 469,827 | 472,357 |
| Total shareholders' equity | 19,230,083 | 18,768,158 |
| Total liabilities and shareholders' equity | 24,111,139 | 22,769,276 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY PROFILE

TravelSky Technology Limited (hereinafter referred to as the “**Company**” or “**the Company**”) was incorporated in Beijing, the People’s Republic of China on October 18, 2000. As of December 31, 2021, the total cumulative share capital issued by the Company was RMB2,926,209,589, and the registered capital was RMB2,926,209,589. Registered office: No. 7 Yumin Street, Houshayu Town, Shunyi District, Beijing.

The Company’s main business 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

The annual results set out in this announcement do not constitute the consolidated financial statements of the Company for the year ended December 31, 2021 but are extracted from those financial statements, which have been prepared 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 “**Accounting Standards for Business Enterprises**”). In addition, the financial statements comply with the applicable disclosure provisions of the Listing Rules of Securities issued by The Stock Exchange of Hong Kong Limited and also the applicable disclosure requirements of Hong Kong Companies.

b) Going concern

The financial statements are prepared on a going concern basis.

3. TAXATION

a) Major tax types and tax rates

| Tax types | Tax Base | Tax rates (%) |
|--|--|--|
| Value added tax (“VAT”) | Tax payable is calculated by VAT output, which is based on the taxable sales amount generated from sales of goods or rendering of service according to tax laws, less deductible VAT input of the current period | 3.00-23.00 (Including VAT rate of the overseas company) |
| Urban maintenance and construction tax | Levied based on the actual VAT paid | 7.00, 5.00 |
| Corporate income tax | Levied based on taxable income | 10.00-36.30 (Including the income tax rate of the overseas company to which it belongs) |

b) Tax incentives

i. Additional deduction of VAT input

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% of the deductible VAT input for the current period for deduction of the tax payable. The policy of additional deduction of VAT input 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. The latest review was completed in December 2020 and the Company has obtained the renewed certification as a “High and New Technology Enterprise” and is entitled to a preferential corporate income tax rate of 15% from 2020 to 2022.

4. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Accounts receivable

i. Accounts receivable by aging (based on invoice dates)

| Aging | As at December 31, 2021 | As at December 31, 2020 |
|-------------------------------|-------------------------------|-------------------------------|
| Within 1 year | 2,934,514 | 2,857,478 |
| Including: | | |
| Within 6 months | 1,875,578 | 2,031,667 |
| 7 – 12 months | 1,058,936 | 825,811 |
| 1 – 2 years | 667,391 | 1,872,245 |
| 2 – 3 years | 427,122 | 511,268 |
| 3 – 4 years | 171,292 | 90,609 |
| 4 – 5 years | 63,472 | 35,016 |
| Over 5 years | <u>98,140</u> | <u>75,185</u> |
| Sub-total | <u>4,361,931</u> | <u>5,441,801</u> |
| Less: provision for bad debts | <u>626,504</u> | <u>996,485</u> |
| Total | <u><u>3,735,427</u></u> | <u><u>4,445,316</u></u> |

ii. *Disclosure of accounts receivable by category*

| Category | As at December 31, 2021 | | | | | As at December 31, 2020 | | | | |
|--|-------------------------|----------------|-------------------------|-----------------------------|------------------|-------------------------|----------------|-------------------------|-----------------------------|------------------|
| | Book balance | | Provision for bad debts | | | Book balance | | Provision for bad debts | | |
| | Amount | Proportion (%) | Amount | Proportion of provision (%) | Book value | Amount | Proportion (%) | Amount | Proportion of provision (%) | Book value |
| Provision for bad debts accrued on an individual basis | 343,097 | 7.87 | 208,908 | 60.89 | 134,189 | 816,251 | 15.00 | 624,918 | 76.56 | 191,333 |
| Provision for bad debts accrued on a portfolio basis | 4,018,834 | 92.13 | 417,596 | 10.39 | 3,601,238 | 4,625,550 | 85.00 | 371,567 | 8.03 | 4,253,983 |
| Total | <u>4,361,931</u> | <u>100</u> | <u>626,504</u> | <u>—</u> | <u>3,735,427</u> | <u>5,441,801</u> | <u>100.00</u> | <u>996,485</u> | <u>—</u> | <u>4,445,316</u> |

Provision for bad debts accrued on an individual basis:

| Accounts receivable (by entity) | As at December 31, 2021 | | |
|---------------------------------|-------------------------|-------------------------|-----------------------------|
| | Accounts receivable | Provision for bad debts | Proportion of provision (%) |
| Total | <u>343,097</u> | <u>208,908</u> | <u>60.89</u> |

Provision for bad debts accrued on a portfolio basis:

| Portfolio | As at December 31, 2021 | | |
|--|-------------------------|-------------------------|-----------------------------|
| | Accounts receivable | Provision for bad debts | Proportion of provision (%) |
| Accounts receivable from third parties | 1,537,998 | 417,596 | 27.15 |
| Accounts receivable from related parties | <u>2,480,836</u> | <u>—</u> | <u>—</u> |
| Total | <u>4,018,834</u> | <u>417,596</u> | <u>—</u> |

b) Investments in other equity instruments

i. Details of other equity instrument investments

| Items | As at December 31, 2021 | As at December 31, 2020 |
|--|--|--|
| China Merchants RenHe Life Insurance Company Limited | <u>850,623</u> | <u>893,203</u> |
| Total | <u><u>850,623</u></u> | <u><u>893,203</u></u> |

The Company holds 13.26% equity of an unlisted company, China Merchants RenHe Life Insurance Company Limited, which has a fair value of RMB850.62 million as of December 31, 2021 (As at December 31, 2020: RMB893.2 million). 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. The Company has referred to the valuation report issued by Beijing North Asia Asset Assessment Firm (Special General Partnership), an independent professional valuer as of December 31, 2021, with professional qualifications and relevant experience. Fair value change of this financial instrument is RMB-42,580 thousand, which is recognised in other comprehensive income of the Company (2020: RMB9,453 thousand).

c) Other non-current financial assets

| Items | As at December 31, 2021 | As at December 31, 2020 |
|--|--|--|
| Financial assets measured at fair value through the current profit or loss | 347,897 | 82,315 |
| Including: Equity instrument investments | <u>347,897</u> | <u>82,315</u> |
| Total | <u><u>347,897</u></u> | <u><u>82,315</u></u> |

The above-mentioned other non-current financial assets of the company are held by the Company is 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, 2021 the Company has made actual contributions (including fund management fees) of RMB354,637 thousand under the Agreement, which is measured at fair value with a book value of RMB347,897 thousand.

d) Accounts payable

i. Accounts payable by aging (based on invoice dates)

| Item | As at December 31, 2021 | As at December 31, 2020 |
|----------------------------------|--|-------------------------------|
| Within 1 year (including 1 year) | 1,297,105 | 958,438 |
| 1 – 2 years (including 2 years) | 530,482 | 598,298 |
| 2 – 3 years (including 3 years) | 187,679 | 132,522 |
| Over 3 years | 129,843 | 110,271 |
| Total | <u>2,145,109</u> | <u>1,799,529</u> |

e) Contract liabilities

i. Details of contract liabilities

| Item | As at December 31, 2021 | As at December 31, 2020 |
|-------------------------------------|--|-------------------------------|
| System integration service contract | <u>650,696</u> | <u>155,713</u> |
| Total | <u>650,696</u> | <u>155,713</u> |

f) **Operating income and operating costs**

i. *Details of operating income and operating costs*

| Item | As at December 31, 2021 | | As at December 31, 2020 | |
|------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 5,431,574 | 3,297,215 | 5,439,484 | 3,072,278 |
| Other businesses | 44,603 | 15,169 | 46,093 | 13,640 |
| Total | <u>5,476,177</u> | <u>3,312,384</u> | <u>5,485,577</u> | <u>3,085,918</u> |

ii. *Details of operating income:*

| Item | As at December 31, 2021 | As at December 31, 2020 |
|---|-------------------------------|-------------------------------|
| Aviation information technology service | 2,127,471 | 2,495,513 |
| Settlement and clearing service | 317,488 | 359,598 |
| System integration service | 1,373,122 | 1,178,003 |
| Data network service | 519,422 | 489,353 |
| Other income | 1,138,675 | 963,110 |
| Including: Income from technical services | 478,554 | 355,175 |
| Payment business income | 197,066 | 152,643 |
| Income from leasing and operation and maintenance services | 184,640 | 175,580 |
| Logistics business income | 74,086 | 56,905 |
| Data service revenue | 68,275 | 88,208 |
| Total | <u>5,476,177</u> | <u>5,485,577</u> |

g) Investment income

| Item | As at December 31, 2021 | As at December 31, 2020 |
|--|--|--|
| Income from long-term investments under investment under equity method | 4,291 | 34,385 |
| Gain from disposal of long-term investments | (890) | – |
| Interest income from debt investment during the holding period | 7,048 | 53,209 |
| Gains from the remeasurement of the remaining equity at fair value after loss of control | – | 450,644 |
| Investment income of held-for-trading financial assets during the holding period | <u>37,922</u> | <u>695</u> |
| Total | <u>48,370</u> | <u>538,933</u> |

h) Credit impairment losses (“–” for net loss)

| Item | As at December 31, 2021 | As at December 31, 2020 |
|----------------------------------|--|--|
| Bad debts of notes receivable | 5,546 | (12,654) |
| Bad debts of accounts receivable | 367,909 | (682,896) |
| Bad debts of other receivables | <u>779</u> | <u>(460)</u> |
| Total | <u>374,235</u> | <u>(696,010)</u> |

i) Assets impairment losses (“-” for net loss)

| Item | As at December 31, 2021 | As at December 31, 2020 |
|--|--|--|
| Inventory impairment | 106 | – |
| Impairment of contract assets | 8,245 | (12,976) |
| Impairment on construction in progress | – | (48,941) |
| Impairment on intangible assets | (12,964) | (20,823) |
| Goodwill impairment | – | (152,334) |
| Loss of right-of-use assets | (2,211) | – |
| Total | <u>(6,825)</u> | <u>(235,074)</u> |

j) Earnings per share

| Item | As at December 31, 2021 | As at December 31, 2020 |
|---|--|--|
| Earning (earning for the purpose of calculating the basic and dilutive) | 551,301 | 362,800 |
| Numbers of shares (weighted average number of ordinary shares in issue) | <u>2,926,210</u> | <u>2,926,210</u> |
| Basic earnings per share (Basic and dilutive) | <u>0.19</u> | <u>0.12</u> |

As of December 31, 2020, and December 31, 2021, the Company has no diluted potential common stocks.

k) Dividend

On May 27, 2021, the Board recommended the distribution of a final cash dividend of RMB46.819 million for Year 2020 (RMB0.016 per share). These dividends have been included in shareholders' equity for the twelve-month period ending December 31, 2021, and are included in the distribution of retained earnings.

On March 24, 2022, the Board proposed to distribute a final cash dividend of RMB160.942 million (RMB0.055 per share) for the year 2021. The proposed final cash dividend is subject to approval at the next AGM of the Company and will be included in the Group's financial statements for the year ending December 31, 2022.

l) Supplementary information to the income statement of expenses by nature

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

| Item | As at December 31, 2021 | As at December 31, 2020 |
|--|--|--|
| Labor costs | 1,912,224 | 1,775,239 |
| Depreciation and amortization expenses | 1,017,612 | 925,883 |
| Cost of sales of software and hardware | 659,699 | 601,171 |
| Technical support and maintenance fees | 877,920 | 604,471 |
| Commission and promotion expenses | 488,880 | 478,081 |
| Internet use fees | 85,800 | 72,836 |
| Financial cost | (97,578) | (90,400) |
| Other operating costs | 290,377 | 367,290 |
| Total | <u>5,234,934</u> | <u>4,734,571</u> |

5. SHARE-BASED PAYMENT

a) General information 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 34,582,624 units of cash settled H share appreciation rights to a total of 484 incentive recipients. The corresponding number of H shares accounted for approximately 1.18% of the Company's total issued share capital. 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.

The total amount of various equity instruments lapsed in the current period: On December 2, 2021, the Company issued an announcement that the board of directors decided to terminate the stock appreciation rights plan and the first grant plan. As of December 31, 2021, one-third of the first batch of stock appreciation rights (about 11,527,541 shares) become invalid due to failure to meet the performance standards, and the remaining number of stock appreciation rights that have been granted but not exercised is 23,055,083 shares.

As at December 31, 2021, the fair value of the above-mentioned granted but not exercised stock appreciation right is calculated via the Black-Scholes option pricing model based on the following assumptions:

| Main assumption indicators | Second effective date | Third effective date |
|---|------------------------------|-----------------------------|
| Current price of assets under right exercising (<i>HKD</i>) | 18.66 | 18.66 |
| Stock price fluctuation ratio (%) | 38.87 | 38.31 |
| Average exercise time (<i>Year</i>) | 3.0444 | 3.5444 |
| Risk-free interest rate (%) | 0.7705 | 0.8778 |
| Expected dividend rate (%) | — | — |

At December 31, 2021, the above-mentioned expenses related to stock appreciation rights have been accrued to approximately RMB89,584 thousand. According to the fair value after reassessment, the Company adjusted the related costs in accordance with the CASBE with an amount of RMB66,088 thousand. After the above adjustment, the accumulated liabilities arising from cash settled share based payment is RMB23,496 thousand.

2021 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 and 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 2021, the COVID-19 epidemic continued to evolve and recur, and its impact on the civil aviation industry was deeper and more persistent than expected. A report released by IATA in January 2022 showed that the overall travel demand enhanced in 2021, global air passenger demands fell by 58.4% compared to the whole of 2019, and represented an improvement compared to 2020. With the prevention and control of the epidemic in China being further stabilised and normalized, the transportation volume of China's civil aviation industry in 2021 rebounded year-on-year. However, due to the continuous and frequent occurrence of overseas epidemic and international travel restrictions, the global air passenger demands remained at a low level.

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 2021, the processed system capacity of the Group's electronic travel distribution (ETD) system on domestic and overseas commercial airlines was approximately 432.7 million, representing an increase of approximately 5.0% over the same period in 2020, among which, the processed system capacity on commercial airlines in China increased by approximately 5.1%, while those on foreign and regional commercial airlines decreased by approximately 0.4%. 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 reaching approximately 99.9%. 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 192, with approximately 0.42 million of passenger departures processed in 31 airports.

In 2021, 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) independently developed by the Group pursuant to IATA standards was launched to 194 major domestic and international airports, and the online check-in service was applied to 246 domestic and international airports. Such products, together with the mobile check-in products and SMS check-in products, processed a total of approximately 258 million passenger departures. The invention patent of "method and device for reliability evaluation of flight inquiry system (航班查詢系統可靠性評估方法及裝置)" won the Excellence Award of 22nd China Patent Award for the first time. The mobile phone application "Umetrip" actively expanded air tickets, hotels, insurance and other businesses. The self-developed NLP Intelligent Customer Service System for Civil Aviation Passengers was put into operation in more than 20 large and medium-sized airports, commercial airlines, government departments, which effectively improved the travel experience of passengers; and the project of "Research, Development and Application of Key Technologies of Civil Aviation Mobile Travel Intelligent Service Platform (民航移動出行智能服務平台關鍵技術研發及應用)" won the first prize of Science and Technology Progress Award of China Communications and Transportation Association.

In 2021, the Group continued to improve the functions of passenger service system, and steadily promoted the airline retail solutions and upgrades. The Travel Retail Platform (TRP) for airlines supported the innovative passenger-centered business model of commercial airlines, and the number of customers increased to 18. The project won the first prize of the Civil Aviation Science and Technology Award of China Air Transport Association. The "Baggage Travel" platform, officially certified by Civil 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), signed contracts with 36 domestic commercial airlines, and connected with more than 30 domestic airports including Shanghai Hongqiao, Shenzhen Bao'an and Kunming Changshui. The project won the second prize of the Civil Aviation Science and Technology Award of China Air Transport Association, and established the most complete real-time data warehouse and big data platform of civil aviation passenger luggage in the industry. With the "door-to-door" service platform of civil aviation passenger baggage, we jointly explored innovative business models for baggage with a number of commercial airlines, airports and logistics providers, and firstly applied the platform at Shanghai Hongqiao Airport.

ACCOUNTING, SETTLEMENT AND CLEARING SERVICES

The Group provided accounting, settlement and clearing services, information system development and support services and air travel financial service to commercial airlines and other aviation corporations through 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 and Data Processing Software, ACCA is also the leading provider of outsourced services and system products services in revenue management and provider of new air travel finance in the civil aviation industry in China. Its major customers include domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organisations and IATA.

In 2021, 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. We built the third-generation passenger revenue management platform in line with the development trend of new distribution capability (“NDC”) and ONE Order (“**ONE Order**”), to improve marketing and realize the integration of business and finance; the market share of travel business account products in China’s travel business payment market has gradually increased, with 326 new corporate customers signed throughout the year, and the proportion of central state-owned enterprises reaching more than 70%.

In 2021, there were approximately 840 million transactions processed with the Group’s accounting, settlement and clearing system, and approximately 273 million BSP tickets processed with our BSP Data Processing services. Revenue from agency clearing business for passenger, cargo and mail transportation, miscellaneous expenses and international and domestic clearing fees exceeded USD4.46 billion. The transaction volume of air travel finance business was approximately RMB72.1 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

In 2021, 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, covering over 400 domestic and overseas cities. The distribution network has reached 33 overseas countries and regions.

In 2021, the Group continued to strengthen the channel market, enhance the sales capabilities of foreign and regional commercial airlines, and enrich non-airline resources. The Group signed new LinkStar agreements with 7 major domestic Online Travel Agency (OTA) platforms to ensure the smooth implementation of new business policies; reshaped front-end products for agents and offered differentiated tariff products; reached business cooperation with 6 foreign airlines, signed NDC business agreements, and connected with 9 NDC airlines; enriched non-airline product resources, and with hotel business as a starting point, reached and empowered channel customers with rich non-airline distribution content through standardized interfaces, business travel, general front-end and

other forms; optimized functions of business travel system, made breakthroughs and improvements in resource integration, value-added services, and system docking to enhance user experience; realized the ability to issue electronic invoices, and successfully accessed different types of agents including OTA, travel, and wholesale; and formulated and implemented the restriction plan on third-party data collection platform, to effectively eliminate the use of personal configurations to collect and illegally retrieve passenger information through third-party platforms with a high frequency. The overseas sales was further promoted, and the certification of 30 overseas neutral Billing and Settlement Plan (“BSP”) in total was completed.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2021, while consolidating the market share of traditional departure front-end service products, the Group strengthened the research, development and promotion of airport information technology service products, and built an overall solution for airport smart operation with the airport collaborative decision-making system A-CDM as the core, covering ground service guarantee, apron management, flight delay service and other application systems. The Group guaranteed the operation of 7 new airports including Wuxuan, Heze and Chengdu Tianfu, undertook the system building project of Chengdu Tianfu Airport, and developed “intelligent travel whole-process series” products. It cooperated with Changsha Airport to officially release the transit facilitation and inter-provincial, inter-airline luggage check-in service so that 5 airports in Changsha, Shenzhen, Kunming, Zhengzhou and Lanzhou jointly established an “inter-provincial transit airport alliance”, and one-time check-in and one-time security check was realized for passengers by virtue of the TravelSky Transit Passenger Service Link (航信中轉通). Baggage Travel won the bid for the baggage tracking system project in the capital, Pudong and other large hub airports. Face boarding was deployed in 44 large, medium and small airports across the country; One ID passenger service platform was extended to 47 airports in Chongqing, Lhasa, etc.; and smart transit system was promoted to Dalian, Lanzhou, Guilin, Nanchang and other 16 airports. A-CDM system was put into operation at several airports with passengers over ten million including Shenzhen Bao’an and Changsha Huanghua. The product was selected as an excellent case in the ESG Blue Book of Listed Central Enterprises (2021) (《中央企業上市公司ESG藍皮書(2021)》), and together with the smart transit products, was included in the “Domestic New Products Promotion List on Chinese Brands’ Day (中國品牌日國貨新品推廣項目錄)” by Electronic United Information Association under the Ministry of Industry and Information Technology, which further improved the product image. The Group actively promoted the construction and implementation of the “Easy Check (易安檢)” platform and front-end solutions.

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 68 overseas or regional airports. The number of departure passengers receiving such services reached approximately 1.5 million, accounting for approximately 82% of the number of passengers returning from overseas of such commercial airlines in China.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2021, the Group continued to consolidate its leading position in the domestic aviation logistics information service market, re-signed the freight production system service contract with Air China Cargo Co., Ltd. to achieve long-term cooperation; comprehensively promoted products such as cargo terminal production system, cargo security inspection system, cargo ground operation service system and successfully signed new contracts with 14 cargo terminals customers; accelerated the promotion of electronic waybill business of civil aviation logistic, signed the electronic waybill service contract with Sichuan Airlines Logistics Co., Ltd., with a steady growth to 1.25 million electronic waybills.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2021, the Group actively responded to and implemented the “14th Five-Year Plan”, seized opportunities from the development of digital economy, and those from information technology services in the key areas of digital industrialization and industrial digitization. It accelerated the research, development and promotion of information technology service products. The Group completed the delivery of data center resources for key customers including China Galaxy Securities Company Limited and China United Network Communications Corporation Limited. It signed contracts with numbers of enterprises and institutions such as Beijing Diplomatic Service Corporation (北京外交人員服務總公司), China Welfare Lottery Technology Development (Beijing) Co., Ltd. (中福彩科技發展(北京)有限公司), and China National Pharmaceutical Group Co., Ltd. Our business extended from cloud computing services to information planning and digital transformation consulting services. More than 20 new customers were acquired in data intelligence services for different fields including government, finance, and cultural tourism. The Group continued to develop the general aviation information technology service market. The number of general aviation companies and airport users using the general aviation system reached 83, achieving a breakthrough in the field of aviation and airport informatization.

SAFE OPERATION

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. The Group comprehensively reconstructed the safety system. It built a new safety system with “two levels + three fields (兩層+三領域)” and “three horizontal + three vertical (三橫+三縱)” as the main features to comprehensively improve the overall capability to guarantee safety. Through the establishment of a safe production accountability system, we continuously consolidated the safety foundation, comprehensively built a modern safety system with corresponding capabilities, and secured overall stable performance in safety throughout the year, which laid a solid foundation for the high-quality development of the enterprise and the safety of national civil aviation.

In 2021, 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, we made every effort to ensure the smooth operation of ICS, CRS, APP, and core open systems. The utilization rate of three mainframe systems and major open platform systems exceeded 99.99%, which helped the joint prevention and control of the epidemic. We successfully guaranteed the safety 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, activities celebrating the centenary of the Communist Party of China and the Sixth Plenary Session of the 19th CPC Central Committee. The Group fully improved the capability to manage and control account security, and promoted the mainframe system of TravelSky to enter the era of real-name operation. On the other hand, the Group continued to accelerate the upgrading of core infrastructure facilities. It optimized the deployment of departure front-end configurations and self-service check-in systems at more than 40 airports. We improved the end-to-end, full-chain and intelligent monitoring system, fully covered the departure of ten airports, strengthened the monitoring and early warning capabilities of core business. We advanced energy saving and consumption reduction in depth. The annual PUE of the data center was less than 1.3, reaching the advanced level in the industry. The differentiated resource deployment in line with the grade of business was refined to effectively reduce the impact of single-cluster system failures on users and improve system security.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strictly abides by the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other relevant laws, regulations, policies and standards on environmental protection of China and operating locations. The Group has established an initial energy management system, and set up an organization and management institution for energy conservation and emission reduction to decompose tasks and objectives of energy conservation and ecological environmental protection into relevant management departments and production departments so as to continuously promote and ensure that energy conservation and ecological environmental protection is managed more standardized and efficient in a long run. In 2021, the Group continued to practise the concept of green development to improve the level of green operation, and formulated strict rules and regulations for greenhouse gases, hazardous and non-hazardous wastes and domestic sewage to well perform daily measurement, monitoring, management and up-to-standard discharge. We flexibly managed natural gas and electric energy based on time and situation to reduce unnecessary waste, and strive to reduce the impact on the ecological environment.

RISK FACTORS AND FUTURE DEVELOPMENT

In 2021, in the face of major changes in the operating environment including the global epidemic and the sharp contraction of international aviation market, the full recovery of China's civil aviation industry faced severe challenges. The Group encountered greater difficulties to develop and promote businesses. Facing the impact of the epidemic, the Group coordinated the ongoing epidemic prevention and control and high-quality development to stabilize the business cornerstone. It continued to consolidate the safety foundation, reinforce the technological innovation capability, and improve the risk prevention

and control system and the talent incentive guarantee. The Group actively reduced cost and enhanced quality and efficiency as a way to mitigate the adverse impact of the epidemic, and steadily promote our operations in a sustainable manner. The Company's liquidity position also met the needs of working capital.

Besides the risk factors caused by the epidemic, the Group faces macroeconomic environment and geopolitical risks as well. The Group will pay close attention to the changes in the global macroeconomic status, flexibly adjust its market strategy and make efforts to achieve good operating results. Facing the risks of changeable market environment, the Group will thoroughly release its potential and work hard to strengthen the capability to innovate science and technologies, develop market, and serve customers so as to achieve stable and progressive market operations. The independent innovation of high-tech companies mainly relies on talents. To deal with the difficulty in keeping talents and the risk of losing talents, the Company will actively implement incentive policies for scientific and technological talents, and build a long-term mechanism of incentive and guarantee for scientific and technological innovation.

In this regard, the Group will stick to the strategic goal of building an "world 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 promote the reform of the internal control system, perform the responsibility of risk subjects, improve the risk prevention and control mechanism, reinforce risk monitoring and response, advance the level of risk control management, and strengthen the construction of information management and control system, 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 contained in the audited financial statements of the Group (together with the notes thereto) prepared according to CASBE reproduced in this annual results announcement. The following discussions 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

From its listing on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2001 to 2019, 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.

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 would no longer prepare its results according to IFRSs since the Year 2020 and the Board of the Company would present audited financial statements prepared according to CASBE since 2020 annual report.

Note: The information in the following table is derived from the audited financial statements prepared according to CASBE and IFRSs.

| | For the year ended December 31 | | | | |
|---|--------------------------------|----------------|----------------|----------------|--------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | IFRSs | IFRSs | IFRSs | CASBE | CASBE |
| Operating revenue | 6,734,245 | 7,472,114 | 8,121,673 | 5,485,577 | 5,476,177 |
| Total profit | 2,631,629 | 2,650,372 | 2,819,676 | 314,161 | 663,883 |
| Net profit attributable to shareholders of the parent | 2,248,653 | 2,325,129 | 2,542,861 | 362,800 | 551,301 |
| Earnings per share (basic and diluted) (<i>RMB</i>) | <u>0.77</u> | <u>0.79</u> | <u>0.87</u> | <u>0.12</u> | <u>0.19</u> |

Note: Earnings per share were calculated on the basis of total number of shares in issue of the Company of 2,926,209,589 shares as at December 31, 2021.

| | As at December 31 | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | IFRSs | IFRSs | IFRSs | CASBE | CASBE |
| Total assets | 20,593,195 | 22,113,322 | 23,646,384 | 22,769,276 | 24,111,139 |
| Total liabilities | <u>4,732,757</u> | <u>4,685,762</u> | <u>4,412,868</u> | <u>4,001,118</u> | <u>4,881,056</u> |
| Total equity | <u>15,860,438</u> | <u>17,427,560</u> | <u>19,233,516</u> | <u>18,768,158</u> | <u>19,230,083</u> |

SUMMARY

As stated in the announcement of the Company dated January 31, 2022, the profitability of the Company experienced a year-on-year increase, which is attributable to that the Company enhanced efforts in market expansion and communication with customers, reversed credit impairment losses, and further strengthened cost control in 2021, and that there has been an increase in the business of airport digital products.

The revenue and operating results of the Group mainly came from the Group's operations in China. For Year 2021, profit before taxation of the Group was approximately RMB663.9 million, representing an increase of approximately 111.3% over that in the year ended December 31, 2020 ("**Year 2020**"). Net profit attributable to shareholders of the parent was approximately RMB551.3 million, representing an increase of approximately 52.0% over that in Year 2020.

The basic and diluted earnings per share of the Group in Year 2021 were RMB0.19.

TOTAL REVENUE

The total revenue of the Group in Year 2021 amounted to approximately RMB5,476.2 million, representing a decrease of approximately RMB9.4 million, or 0.2%, from approximately RMB5,485.6 million in Year 2020. The decrease in total revenue is reflected as follows:

- Aviation information technology service revenue represented 38.8% of the Group's total revenue in Year 2021, as compared to 45.5% for Year 2020. Aviation information technology service revenue decreased by 14.7% from RMB2,495.5 million in Year 2020 to RMB2,127.5 million in Year 2021. 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 the revenue was mainly due to the adjustment for services used by certain customers as affected by the epidemic.
- Accounting, settlement and clearing services revenue accounted for 5.8% of the Group's total revenue in Year 2021, as compared to 6.6% for Year 2020. Accounting, settlement and clearing services revenue decreased by 11.7% from RMB359.6 million in Year 2020 to RMB317.5 million for Year 2021. 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, etc.. The decrease of the revenue was primarily due to the year-on-year decrease of volume of international settlement and clearing business, which was affected by the overseas epidemic.

- System integration service revenue accounted for 25.1% of the Group's total revenue in Year 2021, as compared to 21.5% for Year 2020. System integration service revenue increased by 16.6% from RMB1,178.0 million in Year 2020 to RMB1,373.1 million for Year 2021. 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 the revenue was primarily due to the year-on-year increase in projects that met the completion acceptance conditions.
- Data network revenue accounted for 9.5% of the Group's total revenue in Year 2021, as compared to 8.9% for Year 2020. Data network revenue increased by 6.1% from RMB489.4 million in Year 2020 to RMB519.4 million for Year 2021. The main source of the revenue was distribution information technology service provided by the Group to agencies. The increase of the revenue was mainly due to increased business volume of distribution information technology service.
- Other revenue accounted for 20.8% of the Group's total revenue in Year 2021, as compared to 17.6% for Year 2020. Other revenue increased by 18.2% from RMB963.1 million in Year 2020 to RMB1,138.7 million for Year 2021. The sources of the revenue were other technology services, payment business, room tenancy and other services provided by the Group. The increase of the revenue was mainly due to the increase in other technical services and payment business.

TOTAL OPERATING EXPENSES

Total operating expenses for Year 2021 amounted to RMB5,309.3 million, representing an increase of RMB491.9 million or 10.2%, as compared to RMB4,817.4 million for Year 2020. The changes in total operating expenses are reflected as follows:

- Staff costs increased by 7.7%, mainly due to the fact that the Group was entitled to social insurance premium exemption in 2020 and there was no social insurance premium exemption in 2021;
- Depreciation and amortisation increased by 9.9%, mainly due to the increase of depreciation and amortization resulted by the increase of fixed assets and intangible assets of the Group;
- Selling costs of software and hardware increased by 9.7%, mainly due to the increase in business volume of contracted projects of the Group;
- Technical support and maintenance fees increased by 45.2%, mainly due to the increase in R&D projects of the Company; and
- Other operating expenses decreased by 7.5%, 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 and considering that the Group reversed certain losses from credit impairment through strengthening market expansion and communication with customers, the operating profit of the Group increased by approximately RMB346.7 million, or approximately 106.7%, from approximately RMB324.8 million in Year 2020 to approximately RMB671.5 million in Year 2021.

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 status 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". Hence, the Company has calculated the expenses on corporate income tax for Year 2021 using the preferential tax rate of 15%. For details of corporate income tax of the Group for Year 2021, please see Note 3 to the financial statements.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT OF THE COMPANY

Net profit attributable to shareholders of the parent of the Company increased by approximately 52.0% from approximately RMB362.8 million in Year 2020 to approximately RMB551.3 million in Year 2021.

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 during the year is distributed in the following order: (i) making up cumulative prior years' losses, if any; (ii) appropriation to the statutory surplus reserve fund; (iii) appropriation to the discretionary surplus reserve fund; (iv) appropriation to the distribution of dividends for ordinary shares.

DISCRETIONARY SURPLUS RESERVE FUND

In Year 2021, the discretionary surplus reserve fund for Year 2020 approved to appropriate at the annual general meeting held on May 27, 2020 and the statutory surplus reserve fund for Year 2021 that should be appropriated have been accounted for in the financial statements of the Group for Year 2021.

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 RMB40.0 million to the discretionary surplus reserve fund for Year 2021 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, 2022.

DISTRIBUTION PROPOSAL OF FINAL CASH DIVIDEND FOR YEAR 2021

On March 24, 2022, the Board of the Company proposed the distribution of a final cash dividend of RMB160.9 million, representing RMB0.055 per share (tax inclusive) for Year 2021 (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 annual results announcement. Upon distribution of the above Final Dividend, the distributable profit as at December 31, 2021 of the Company is approximately RMB7,108.5 million (as at December 31, 2020: RMB7,017.1 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 2021 is expected to be paid on or before September 30, 2022. 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, etc..

RESERVES AVAILABLE FOR DISTRIBUTION TO SHAREHOLDERS

After the appropriation of the statutory surplus reserve fund and the discretionary surplus reserve fund from the Company, the reserves available for distribution to shareholders as at December 31, 2021 amounted to RMB7,269.5 million (as at December 31, 2020: RMB7,063.9 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, | |
| | 2021 | 2020 |
| | <i>RMB'million</i> | <i>RMB'million</i> |
| Net cash flow generated from operating activities | 2,942.8 | 164.2 |
| Net cash flow used in investing activities | (796.8) | (311.9) |
| Net cash flow used in financing activities | (165.6) | (691.1) |
| Net increase in cash and cash equivalents | 1,974.7 | (862.0) |
| Effect of foreign exchange rate changes on cash and cash equivalents | (5.8) | (23.2) |

The Group's working capital for Year 2021 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB2,942.8 million. As at December 31, 2021, the Group did not use any financial instruments for hedging purpose. As at December 31, 2021, cash and cash equivalents of the Group amounted to RMB6,339.2 million, of which 95.4%, 3.9% and 0.3% were denominated in Renminbi, U.S. dollar and new Taiwan dollar, respectively.

RESTRICTED BANK DEPOSITS

As at December 31, 2021, restricted bank deposits in the amount of RMB124.8 million (as at December 31, 2020: RMB92.3 million) mainly refer to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the settlement of related business.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2021, 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 assets and liabilities denominated in foreign currencies. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's operational results.

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 2021, the Group had the following major financial assets:

(1) Trading Financial Assets

As at December 31, 2021, the Group held structural bank deposits issued by Bank of Communications, Industrial Bank and Bank of Beijing of RMB1,100 million, RMB1,100 million and RMB1,100 million, with total structural bank deposits of RMB3,300 million (floating yield). The annual interest rate of such structural bank deposits varied from 1.35% to 4.55%. Such structural bank deposits have a maturity period ranging from 90 to 189 days and are non-cancellable before maturity.

(2) Financial Assets at Amortised Cost

As at December 31, 2021, the Group held certificates of deposit for more than three months issued by China Construction Bank, Bank of Communications and China Minsheng Bank of RMB405 million, RMB140 million and RMB75 million, with total certificates of deposit for more than three months of RMB620 million. The annual interest rate of such bank deposits varied from 2.0% to 3.85%. Such bank deposits have a maturity period ranging from 365 to 1,096 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 | Percentage of | Fair value as at | Fair value as at | Gain as of | Gain as of |
|---|-----------------|--------------------------------------|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | | shareholding as at December 31, 2021 | shareholding as at December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| | | % | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Unlisted equity (measured at fair value) | Life | | | | | | |
| - CMRH Life | insurance | <u>13.26</u> | <u>13.26</u> | <u>850,623</u> | <u>893,203</u> | <u>(42,580)</u> | <u>9,453</u> |

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:** RMB875.0 million.
- d. **The percentage of the shareholding held by the Company:** 13.26%.

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 was 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, 2021, the Group invested a fair value of approximately RMB850.6 million in CMRH Life, accounting for 3.5% of the total assets of the Group.

- f. **The performance in Year 2021:**

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB589.0 million in Year 2021, 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 life insurance industry in the PRC is transforming to high-quality development, opening a new round of life insurance industry development boom cycle. CMRH Life will actively promote innovation and development, focus on value growth and 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 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)) (“**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 5G industry application and information communication industry chain, ecosystem and empowerment industry.

As of December 31, 2021, the Company has actually contributed (including the fund management fee) RMB354.6 million pursuant to the Agreement. Please refer to Note 4(c) to the financial statements for details.

CHARGE ON ASSETS

As at December 31, 2021, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at December 31, 2021, the Group had no material contingent liabilities.

GEARING RATIO

As at December 31, 2021, the gearing ratio of the Group was 20.2% (as at December 31, 2020: 17.6%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2021.

MAJOR INVESTMENT OR FINANCING PLAN

As of December 31, 2021, 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 2022 will be sufficient for the capital requirement of daily operations and the Group does not have any major financing plan.

The total capital expenditure of the Group amounted to RMB867.7 million for Year 2021 (2020: RMB941.8 million), mainly used in the Company's daily operation.

As at December 31, 2021, the Group's capital expenditure commitment amounted to approximately RMB734.1 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), etc.. The sources of funding for such commitments will include existing cash on hand and internal cash flows generated from operating activities of the Group.

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, 2021, the total number of employees of the Group was 6,608.

Staff costs of the Group amounted to approximately RMB1,912.2 million for Year 2021 (2020: RMB1,775.2 million), representing approximately 36.5% of the total operating expenses of the Group for Year 2021, among which, the aggregate corporate annuity expenses of the Group amounted to approximately RMB66.3 million for Year 2021 (2020: RMB66.7 million).

TERMINATION OF PHASE II H SHARE APPRECIATION RIGHTS SCHEME

As stated 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. The Company granted 34,582,624 H share appreciation rights to 484 incentive recipients in total and the corresponding number of H shares would amount to approximately 1.18% of the total issued share capital of the Company.

As stated in the announcement of the Company dated December 2, 2021, the Board decided to terminate the Share Appreciation Rights Scheme and the Initial Grant Proposal on December 2, 2021, and enter into an agreement with the incentive recipients to terminate the share appreciation rights granted but not yet exercised before the date of the announcement. According to relevant regulatory requirements, the Company will timely study and launch other effective incentive plan in order to achieve practical incentive effects and promote the Company’s sustainable and healthy development.

In Year 2021, the relevant fee of aforesaid Appreciation Rights Scheme has been accrued to approximately RMB89.6 million. The Company reduced relevant costs of RMB66.1 million according to CASBE, and the adjustment has been reflected in the financial statements of the Company for Year 2021. Please refer to Note 5(a) to the financial statements for details.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2021, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2021, the Company fully complied with the Code Provisions.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee 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 2021.

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. In the view of adoption of CASBE, as at March 31, 2021, 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. 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 PRC 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 annual general meeting on May 27, 2021, BDO China SHU LUN PAN Certified Public Accountants LLP was appointed as the auditor auditing the Company’s financial reports in accordance with CASBE and discharges 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. The Board proposed to re-appoint BDO China SHU LUN PAN Certified Public Accountants LLP as the PRC auditor of the Company for year 2022 and such engagement proposal will be submitted for consideration at the forthcoming AGM.

2022 OUTLOOK

The year 2022 is important for China to embark a new journey to build a modern socialist country in an all-round way and to realize the Second Centenary Goal. The national economy develops with a good momentum, and the domestic epidemic is generally under control. In the field of civil aviation development, China has embarked on a new journey from a single air transport power into a multi-field civil aviation power. The State will offer strong policy and financial support for the recovery and development of the civil aviation industry. As a main line of strategies for civil aviation during the “14th Five-Year Plan” period, to build intelligent civil aviation will officially enter the stage of scale implementation from top-level design. Cloud computing, big data, edge computing, artificial intelligence, digital twin and other high-tech drive the iterative upgrade of new business forms and new models. The digital and retail transformation of airlines and the more urgent need for the construction of airports with four characteristics of “safety”, “green”, “smart” and “humanity” led by intelligence have provided significant opportunities for the Group to grow.

On the other hand, conflicts in international situation have intensified, the external environment has become even more complex, severe and uncertain and China’s economy faces new downward pressure. The civil aviation industry continues to be impacted by the epidemic. At the beginning of March 2022, IATA forecasted that the total global civil aviation traffic would not exceed the level of 2019 until 2024. CAAC proposes that in 2022, production and transportation of China’s civil aviation will generally recover to approximately 85% of the level before the epidemic. The competition in the industry becomes increasingly fierce; cross-border competition accelerates; and international competitors maintain a strong expansion trend. All of them also make the Group face severe challenges.

The Group will face up to the difficulties with confidence, implement the overall policy of prioritizing stability while pursuing progress, and mainly promote the following work: firstly, to consolidate the safety foundation, fully perform the key tasks of civil aviation, and focus on improving the ability to prevent and resolve major risks; secondly, to implement the strategic plans, strengthen the execution and management of strategies, strive to achieve the carbon peaking and carbon neutrality goals, and steadily optimize business layout and adjust structure; thirdly, to enhance service awareness, respond faster to new changes and new demands in the market, and continuously improve market-oriented services; fourthly, to give full play to the leadership of scientific and technological innovation, enhance efforts in innovation, research and development, improve the incentive mechanism for scientific and technological talents, and continue to strengthen independent innovation capabilities and core competitiveness; fifthly, to deepen corporate reform, strengthen internal management, insist on reducing costs and improving quality and efficiency to effectively enhance the enterprise vitality. Through unremitting efforts, we strive to build the Group into an enterprise offering world-class integrated information services.

ONLINE PUBLICATION OF ANNUAL RESULT

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If you have any inquiries or meeting requirements, please feel free to contact the investor relations team at ir@travelsky.com.cn.

By the order of the Board
TravelSky Technology Limited
Huang Rongshun
Chairman

Beijing, PRC
24 March 2022

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

Executive Directors: Mr. Huang Rongshun (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.