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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, 2022

BUSINESS SUMMARY:

- The total revenue amounted to approximately RMB5,210.1 million, representing a decrease of approximately 4.9% over Year 2021.
- The net profit attributable to shareholders of the parent company amounted to approximately RMB626.5 million, representing an increase of approximately 13.6% over Year 2021.
- Earning per share was RMB0.21.
- The Board recommended the distribution of a final cash dividend of RMB0.053 per share for Year 2022.

Reference is made to the 2022 annual results announcement dated March 23, 2023 (the “**Original Annual Results Announcement**”) and the clarification announcement regarding 2022 annual results announcement dated April 10, 2023 (the “**Clarification Announcement**”) published by TravelSky Technology Limited (the “**Company**”).

The board of directors (the “**Board**”) of 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, 2022 (“**Year 2022**”). The Board confirms that the clarification contained in the Clarification Announcement does not affect other information contained in the Original Annual Results Announcement. Save as the above clarification, all other information (both English and Chinese versions) in the Original Annual Results Announcement shall remain unchanged.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2022 (Amounts are expressed in RMB'000 unless otherwise stated)

Items	Notes	Year 2022	Year 2021
I. Total operating income		5,210,106	5,476,177
Including: Operating income	4.f)	5,210,106	5,476,177
II. Total operating costs		4,729,517	5,309,340
Including: Operating costs	4.f)	3,089,871	3,312,384
Taxes and surcharges		72,359	74,406
Selling expenses		107,042	122,944
General and administrative expenses		921,527	923,376
Research and development expenses		701,714	973,807
Financial expenses		-162,995	-97,578
Including: Interest expenses		12,415	2,838
Interest income		159,362	108,083
Plus: Other income		77,127	79,806
Investment income (“-” for loss)	4.g)	30,597	48,370
Including: Gains from investment in associates and joint ventures		-19,421	4,291
Gains from derecognition of financial assets measured at amortized cost		–	–
Foreign exchange gains (“-” for loss)		–	–
Income from net exposure hedging (“-” for loss)		–	–
Gains from the changes in fair value (“-” for loss)		36,806	9,930
Credit impairment losses (“-” for loss)	4.h)	-58,506	374,235
Asset impairment losses (“-” for loss)	4.i)	-3,018	-6,825
Gains on disposal of assets (“-” for loss)		135,982	-851
III. Operating profits (“-” for loss)		699,576	671,504
Plus: Non-operating income		48,897	14,148
Less: Non-operating expenses		13,335	21,768
IV. Total profits (“-” for total loss)		735,139	663,883
Less: Income tax expenses	4.j)	55,861	52,779

Items	<i>Notes</i>	Year 2022	Year 2021
V. Net profit (“–” for net loss)		679,277	611,105
(I) Classified by operating continuity			
1. Net profit from continuing operations (“–” for net loss)		679,277	611,105
2. Net profit from discontinued operations (“–” for net loss)		–	–
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company (“–” for net loss)		626,499	551,301
2. Net profit attributable to non-controlling interests (“–” for net loss)		52,779	59,804
VI. Other comprehensive income, net of tax		2,685	-72,653
Other comprehensive income, net of tax attributable to shareholders of the Company		2,685	-72,653
(I) Other comprehensive income that cannot be reclassified into profit or loss		-12,576	-38,923
1. Changes in re-measurement of the defined benefit plan		–	–
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		–	–
3. Changes in fair value of other equity instruments investment		-12,576	-38,923
4. Changes in the fair value of the Company’s own credit risk		–	–

Items	Notes	Year 2022	Year 2021
(II) Items that may be reclassified to profit or loss		15,261	-33,730
1. Other comprehensive income that may be transferred to profit or loss under the equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amounts of financial assets reclassified to other comprehensive income		-	-
4. Provisions for credit impairment of other debt investments		-	-
5. Cash flow hedging reserves		-	-
6. Differences arising from translation of foreign currency financial statements		15,261	-33,730
7. Others		-	-
Other comprehensive income, net of tax, attributable to non-controlling interests		-	-
VII. Total comprehensive income		681,962	538,452
Total comprehensive income attributable to shareholders of the Company		629,184	478,648
Total comprehensive income attributable to non-controlling interests		52,779	59,804
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	4.k)	0.21	0.19
(II) Diluted earnings per share (RMB/share)	4.k)	0.21	0.19

CONSOLIDATED BALANCE SHEET

As at December 31, 2022 (Amounts are expressed in RMB'000 unless otherwise stated)

Assets	<i>Notes</i>	As at December 31, 2022	As at December 31, 2021
Current assets:			
Cash and bank balances		7,577,402	6,464,413
Balances with clearing companies		–	–
Loans to banks and other financial institutions		–	–
Financial assets held for trading		3,311,565	3,309,636
Derivative financial assets		–	–
Notes receivable		219,726	70,587
Accounts receivable	4.a)	4,084,407	3,735,427
Receivables financing		–	–
Advances to suppliers		184,571	227,145
Premiums receivable		–	–
Reinsurance accounts receivable		–	–
Reinsurance contract reserves receivable		–	–
Other receivables		1,101,351	1,039,626
Financial assets purchased under resale agreements		–	–
Inventories		81,512	61,415
Contract assets		60,300	67,833
Assets held for sale		–	–
Non-current assets maturing within one year		30,209	456,773
Other current assets		127,889	205,778
Total current assets		16,778,932	15,638,633

Assets	<i>Notes</i>	As at December 31, 2022	As at December 31, 2021
Non-current assets:			
Disbursements of loans and advances		–	–
Debt investments		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		715,696	746,469
Investments in other equity instruments	<i>4.b)</i>	835,827	850,623
Other non-current financial assets	<i>4.c)</i>	529,714	347,897
Investment properties		102,745	107,879
Fixed assets		3,393,261	3,834,600
Construction in progress		39,950	31,268
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		166,843	54,786
Intangible assets		1,738,152	1,907,622
Development expenditures		381,752	149,584
Goodwill		260	260
Long-term deferred expenses		5,458	3,304
Deferred tax assets		443,978	356,066
Other non-current assets		103,886	82,148
Total non-current assets		8,457,520	8,472,506
Total assets		25,236,452	24,111,139

Liabilities and owners' equity	<i>Notes</i>	As at December 31, 2022	As at December 31, 2021
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>	2,183,484	2,145,109
Advances from customers		–	–
Contract liabilities	<i>4.e)</i>	614,312	650,696
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		243,895	264,048
Taxes payables		263,990	92,064
Other payables		1,734,051	1,539,110
Handling charges and commission payable		–	–
Reinsurance accounts payable		–	–
Liabilities held for sale		–	–
Non-current liabilities maturing within one year		74,248	27,626
Other current liabilities		28,719	51,319
Total current liabilities		5,142,697	4,772,472
Non-current liabilities:			
Reserves for insurance contracts		–	–
Long-term borrowings		200,214	–
Bonds payable		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities		100,011	32,127
Long-term payables		420	420
Long-term employee compensation payable		–	–
Estimated liabilities		20	14
Deferred income		26,124	54,367
Deferred tax liabilities		25,810	21,655
Other non-current liabilities		–	–
Total non-current liabilities		352,599	108,584
Total liabilities		5,495,296	4,881,056

Liabilities and owners' equity	<i>Notes</i>	As at December 31, 2022	As at December 31, 2021
Shareholders' equity:			
Share capital		2,926,210	2,926,210
Other equity instruments		–	–
Capital reserves		1,192,037	1,192,037
Less: Treasury stock		–	–
Other comprehensive income		-51,123	-53,807
Special reserves		–	–
Surplus reserves		4,065,899	3,986,994
General risk reserves		9,864	7,685
Retained earnings		11,085,611	10,701,138
Total equity attributable to shareholders of the Company		19,228,498	18,760,256
Non-controlling interests		512,657	469,827
Total shareholders' equity		19,741,156	19,230,083
Total liabilities and shareholders' equity		25,236,452	24,111,139

NOTES TO THE 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, 2022, the total cumulative share capital issued by the Company was 2,926,209,589 shares, and the registered capital was RMB2,926,209,589.00. 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, agency settlement and clearing 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, 2022 but are extracted from those financial statements. The Company prepares those 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 “**Accounting Standards for Business Enterprises**”). In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the 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 bases	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 actual VAT paid	7.00, 5.00
Corporate income tax	Levied based on taxable income	10.00–29.84 (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 (Announcement [2022] No. 11 of the Ministry of Finance and the State Taxation Administration on VAT Policies for Promoting the Relief and Development of Difficult Industries in the Service Sector) Article 1, the Announcement of the Ministry of Finance, the State Taxation Administration, and the General Administration of on Relevant Policies for Deepening Value-Added Tax Reform (the Announcement [2019] No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs) Article 7 and the Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying the Policies for the Supertax and Deduction of VAT in the Life Service Industry (Announcement [2019] No. 87 of State Taxation Administration, Ministry of Finance), it is stipulated that the policies for the superposition and deduction of VAT in the production and life service industries shall be implemented and extended until December 31, 2022. 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. The latest review was completed in December 2020 and the Company has been renewed and confirmed as a "High and New Technology Enterprise" and are entitled to a preferential corporate income tax rate of 15% from 2020 to 2022.

iii. Key software enterprises

Except that enterprises that have been assessed as high and new technology enterprises may enjoy the preferential income tax rate of 15%, enterprises assessed as key software enterprises within the national planning layout by relevant authorities may further enjoy the preferential tax rate of 10%. According to the 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 current period when it occurs.

In the first half of 2022, the Company has submitted an application for a 10% preferential tax rate for key software enterprises to relevant authorities and obtained approval. In 2022, the Company has received the difference between the tax paid by the Company identified as a key software company at the tax rate of 15% and that paid at tax rate of 10%, and the amount has been reflected in the financial statements for the year of 2022.

4. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (*Amounts are expressed in RMB'000 unless otherwise stated*)

a) Accounts receivable

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

Aging	As at December 31, 2022	As at December 31, 2021
Within 1 year	2,544,380	2,934,514
Including:		
Within 6 months	1,908,747	1,875,578
7 to 12 months	635,633	1,058,936
1 to 2 years	1,225,249	667,391
2 to 3 years	467,736	427,122
3 to 4 years	306,126	171,292
4 to 5 years	95,028	63,472
Over 5 years	142,239	98,140
Subtotal	4,780,758	4,361,931
Less: Provision for bad debts	696,351	626,504
Total	4,084,407	3,735,427

ii. Disclosure of accounts receivable under the method of provision for bad debts by category

Categories	As at December 31, 2022					As at December 31, 2021				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion	Book value	Amount	Proportion	Amount	Proportion	Book value
		(%)		of provision			(%)		of provision	
Provision for bad debts accrued on an individual basis	284,679	5.95	202,579	71.16	82,100	343,097	7.87	208,908	60.89	134,189
Provision for bad debts accrued on a portfolio basis	<u>4,496,079</u>	<u>94.05</u>	<u>493,772</u>	<u>10.98</u>	<u>4,002,307</u>	<u>4,018,834</u>	<u>92.13</u>	<u>417,596</u>	<u>10.39</u>	<u>3,601,238</u>
Total	<u>4,780,758</u>	<u>100.00</u>	<u>696,351</u>	<u>-</u>	<u>4,084,407</u>	<u>4,361,931</u>	<u>100.00</u>	<u>626,504</u>	<u>-</u>	<u>3,735,427</u>

Provision for bad debts accrued on an individual basis:

Names	As at December 31, 2022		
	Book balance	Provision for bad debts	Proportion of provision (%)
Total	<u>284,679</u>	<u>202,579</u>	<u>71.16</u>

Provision for bad debts accrued on a portfolio basis:

Portfolio Names	As at December 31, 2022		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from third parties	2,033,958	493,772	24.28
Accounts receivable from related parties	<u>2,462,121</u>	<u>-</u>	<u>-</u>
Total	<u>4,496,079</u>	<u>493,772</u>	<u>-</u>

b) Investments in other equity instruments

i. Details of other equity instrument investments

Items	As at December 31, 2022	As at December 31, 2021
China Merchants RenHe Life Insurance Company Limited	<u>835,827</u>	<u>850,623</u>
Total	<u>835,827</u>	<u>850,623</u>

The Company holds 13.26% of all the equity of an unlisted company China Merchants RenHe Life Insurance Company Limited, which has a fair value of RMB835,827 thousand as at December 31, 2022 (As at December 31, 2021: RMB850,623 thousand). 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 Pan-China Assets Appraisal Co., Ltd., an independent professional valuer with professional qualifications and relevant experience, to ascertain the fair value of the investment as at December 31, 2022. The fair value movement is RMB-14,796 thousand for the year of 2022 (The fair value movement is RMB-42,580 thousand for the year of 2021) through other comprehensive income.

c) Other non-current financial assets

Items	As at December 31, 2022	As at December 31, 2021
Financial assets measured at fair value through the current profit or loss	529,714	347,897
Including: Equity instrument investments	<u>529,714</u>	<u>347,897</u>
Total	<u>529,714</u>	<u>347,897</u>

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

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 Xiong’an) 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 at December 31, 2022, the Company has made actual contributions (including fund management fees) of RMB498,828 thousand under the agreement, which is measured at fair value with a book value of RMB529,714 thousand.

d) Accounts payable

i. Presentation of accounts payable (based on invoice dates)

Aging	As at December 31, 2022	As at December 31, 2021
Within 1 year (including 1 year)	1,239,973	1,297,105
1 to 2 years (including 2 years)	672,887	530,482
2 to 3 years (including 3 years)	132,786	187,679
Over 3 years	137,837	129,843
Total	<u>2,183,484</u>	<u>2,145,109</u>

e) Contract liabilities

i. Details of contract liabilities

Items	As at December 31, 2022	As at December 31, 2021
System integration service contracts	614,312	650,696
Total	<u>614,312</u>	<u>650,696</u>

f) Operating income and operating costs

i. Details of operating income and operating costs

Items	Year 2022		Year 2021	
	Revenue	Cost	Revenue	Cost
Main business	5,177,501	3,074,371	5,431,574	3,297,215
Other businesses	<u>32,605</u>	<u>15,500</u>	<u>44,603</u>	<u>15,169</u>
Total	<u>5,210,106</u>	<u>3,089,871</u>	<u>5,476,177</u>	<u>3,312,384</u>

ii. Details of operating income:

Items	Year 2022	Year 2021
Aviation information technology services	1,546,646	2,127,471
Settlement and clearing services	294,177	317,488
System integration services	1,697,757	1,373,122
Data network services	411,631	519,422
Other income	1,259,894	1,138,675
Including: Income from technical services	742,736	478,554
Payment business income	150,261	197,066
Income from leasing, operation, and maintenance services	183,807	184,640
Logistics business income	76,432	74,086
Data service income	<u>59,664</u>	<u>68,275</u>
Total	<u>5,210,106</u>	<u>5,476,177</u>

g) Investment income

Items	Year 2022	Year 2021
Investment income from long-term equity investments calculated under equity method	-19,421	4,291
Investment income from disposal of long-term equity investments	378	-890
Investment income from trading financial assets during the holding period	49,640	37,922
Interest income from debt investment during the holding period	<u>-</u>	<u>7,048</u>
Total	<u>30,597</u>	<u>48,370</u>

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

Items	Year 2022	Year 2021
Bad debts of notes receivable	7,108	5,546
Bad debts of accounts receivable	-65,614	367,909
Bad debts of other receivables	<u>-</u>	<u>779</u>
Total	<u>-58,506</u>	<u>374,235</u>

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

Items	Year 2022	Year 2021
Losses from inventory depreciation	-	106
Losses from impairment of contract assets	-264	8,245
Losses from impairment of advances to suppliers	-2,755	-
Losses from impairment of intangible assets	-	-12,964
Losses from right-of-use assets	<u>-</u>	<u>-2,211</u>
Total	<u>-3,018</u>	<u>-6,825</u>

j) Income tax expenses

Items	Year 2022	Year 2021
Current income tax expenses	135,882	51,062
Deferred income tax expenses	<u>-80,021</u>	<u>1,716</u>
Total	<u><u>55,861</u></u>	<u><u>52,779</u></u>

k) Earnings per share

Items	Year 2022	Year 2021
Earning (in RMB'000) (Earnings for the purpose of calculating the basic and diluted earnings per share))	626,499	551,301
Numbers of shares (in thousand shares) (Weighted average number of ordinary shares in issue)	<u>2,926,210</u>	<u>2,926,210</u>
Earnings per share (Basic and dilutive)	<u><u>0.21</u></u>	<u><u>0.19</u></u>

For the year ended December 31, 2022, and December 31, 2021, the Company has no diluted potential common stocks.

l) Dividend distribution

At the annual general meeting on June 16, 2022, the proposal of “Distribution of a final cash dividend for year 2021” was approved , being RMB0.055 per share and amounting to RMB160,942 thousand in total. The amount was accounted for shareholders’ equity as a distribution to retained earnings for the year ended December 31, 2022.

On March 23, 2023, the board of directors proposed to distribute a final cash dividend of RMB155,089 thousand (RMB0.053 per share) for the year of 2022. The proposed final dividend is subject to approval at the next annual general meeting of the Company and will be included in the Group’s financial statements for the year ending December 31, 2023.

m) Disposals on fixed assets

For the year ended December 31, 2022, the gains of disposal of fixed assets disclosed in the consolidated income statement of the Group is RMB135,982 thousand, including, according to the fixed assets standards, the gains of disposal of RMB135,814 thousand from the sale of three properties, and the gains of disposal of a batch of office equipment to be updated of RMB-8 thousand. According to the lease standards, the gains from the disposal of the right-of-use asset (that is, the gains from lease modification) of RMB175 thousand. (For the year ended December 31, 2021: Gains from disposal of fixed assets was approximately RMB851 thousand). Please refer to the consolidated income statement for the details of “Gains on disposal of assets”.

n) Supplementary information to the income statement with expenses classified 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:

Items	As at December 31, 2022	As at December 31, 2021
Labor costs	1,804,289	1,912,224
Depreciation and amortization expenses	1,017,420	1,017,612
Cost of sales of software and hardware	728,432	659,699
Technical supports and maintenance fees	631,664	877,920
Commission and promotion expenses	233,138	488,880
Internet use fees	91,177	85,800
Financial costs	-162,995	-97,578
Other operating costs	314,033	290,377
Total	<u>4,657,158</u>	<u>5,234,934</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 H Share appreciation rights are valid for 7 years from 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.

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 at 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.

The total amount of various equity instruments lapsed in the current period: None.

As at December 31, 2022, due to the signing of the termination execution document for the appreciation rights of the above shares, the fair value of the appreciation rights was not re-measured at the end of the current period.

As at December 31, 2022, the Company has recorded accumulated liabilities arising from cash settled share based payment of RMB23,496 thousand.

2022 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 organizations such as International Air Transport Association (IATA) and government bodies, with the scope of services covering the provision of critical information systems on flight control, air ticket distribution, check-in, boarding and load planning, accounting, settlement and clearing system, etc. With over four decades of tenacious research and development, the Company has built up a complete industry chain for aviation and travel information technology service, established a relatively comprehensive 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, minimize operational costs and enhance operational efficiency, and ultimately bring benefits to travelers.

In 2022, the third year of the COVID-19 pandemic, the Omicron strain was still widespread around the world and the global aviation industry has not recovered as expected. A report published by IATA in February 2023 showed that there was a recovery trend throughout 2022, with total global air passenger traffic reaching 68.5% of the level in 2019, representing a year-on-year increase of 64.4% compared to 2021. As the COVID-19 epidemic dragged on and resurged in China, China's air passenger market was suffering from severe disruption. In 2022, the transportation volume of passengers only recovered to 38.1% of that in 2019, down by 42.9% compared to 2021. With the gradual optimization and adjustment of the epidemic prevention and control policies for global passenger flights, the pace of recovery in the global air passenger market was significantly accelerated, and international flights showed a growth trend.

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 2022, the processed system capacity of the Group's electronic travel distribution (ETD) system on domestic and overseas commercial airlines was approximately 249.3 million, representing a decrease of approximately 42.4% over the same period in 2021, among which, the processed system capacity on commercial airlines in China decreased by approximately 42.9%, while those on foreign and regional commercial airlines increased by approximately 81.5%. The number of foreign and regional commercial airlines with direct links to the CRS system of the Group reached 154, 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 199, with approximately 579,000 of passenger departures processed in 37 airports.

In 2022, 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 216 major domestic and international airports, and the online check-in service was applied to 263 domestic and international airports. Such products, together with the mobile check-in products and SMS check-in products, processed a total of approximately 113 million passenger departures. Two key laboratories for civil aviation, including "Key Laboratory for Intelligent Travel of Civil Aviation Passengers (民航旅客智慧出行重點實驗室)" and "Key Laboratory for Civil Aviation Data Governance and Decision Optimization (民航數據治理與決策優化重點實驗室)", have passed the accreditation. The project of "Research on Key Technologies for Improving Flight Operation and Control Efficiency Based on Real-time Computing Data (基於實時計算在線數據的航班運控效能提升關鍵技術研究)" was awarded the "Excellent case of WIC Intelligent Technology Innovation and Application (WIC智能科技創新應用優秀案例)" at the sixth World Intelligence Congress. The Group steadily promoted the airline retail solutions and upgrades. The Travel Retail Platform (TRP) for airlines supported the passenger-centered business model of commercial airlines, continuously expanded market coverage, and the number of customers increased to 19 upon signing of China's international aviation projects. The Group has constructed a platform for airline operation business, and the air traffic operations and management system (ATOMS) has achieved in-depth cooperation and strategic breakthroughs with Shenzhen Airlines and Shandong Airlines. The "Baggage Travel (航易行)" platform, officially certified by Civil Aviation Administration of China (CAAC) as the Public Information Platform of the 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), effectively ensured the whole-process baggage tracking of the Beijing 2022 Olympic Winter Games and Paralympic Winter Games. The "door-to-door" service platform for civil aviation passenger luggage continued to implement the market layout and promotion, and has cooperated with more than 20 airlines, airports, and logistics companies to launch products, providing support for the construction of an intelligent civil aviation ecosystem. The intelligent cabin control system achieved its first breakthrough in the market and reached cooperation with China United Airlines, creating a new marketing revenue management mode that dynamically simulates revenue expectations. The "Health Tour (健康行)", an integrated automatic verification platform for global passenger health information, has been put into use by many airlines such as Air China, China Eastern Airlines, and China Southern Airlines.

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 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 organizations and IATA.

In 2022, the Group consolidated and expanded the new market of the accounting, settlement and clearing services. Focusing on the application of new technologies, the third-generation passenger revenue management platform that complies with the development trend of New Distribution Capabilities (NDC) and ONE ORDER has been put into operation for the first time by Air China, consolidating the market position of core settlement products. The market share of business travel account products in China's travel payment market continued to increase. There were 79 new contracted corporate customers throughout the year, and the proportion of central enterprises and state-owned enterprises reached more than 72%.

In 2022, there were approximately 571.3 million transactions processed with the Group's accounting, settlement and clearing system, and approximately 247.8 million BSP tickets processed with our Billing and Settlement Plan (BSP) Data Processing services. Revenue from agency clearing business for passenger, cargo and mail transportation, miscellaneous expenses and international and domestic clearing fees exceeded USD3.29 billion. The transaction volume of air travel finance business was approximately RMB56.5 billion.

DISTRIBUTION OF INFORMATION TECHNOLOGY SERVICES

In 2022, 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 154 foreign and regional commercial airlines, covering over 400 domestic and overseas cities. The distribution network has reached 28 overseas countries and regions.

In 2022, the Group continued to stabilize its distribution information technology service market, enriched its marketable resources, and actively expanded its overseas markets. The Group further improved its new distribution capability, kept up with the development trend of new aviation retail, actively explored the NDC business model in overseas markets, and cooperated with several foreign and regional commercial airlines. The Group also further enriched auxiliary products and non-aviation resources, and increased VIP hall, comprehensive transportation insurance and other products. The Group preliminarily completed the construction of a general front-end platform for agents, integrated and improved front-end functions to display more marketable contents, so as to continuously increase market share and realize full coverage of strategic customers.

AIRPORT INFORMATION TECHNOLOGY SERVICES

In 2022, by consolidating the market share of traditional departure front-end service products, and actively participating in the construction of airports, the Group completed the construction of T4 terminal of Hangzhou Airport, a key guaranteed project of the Hangzhou Asian Games, and Tibet Longzi Airport and Dingri Airport, key assistance projects of civil aviation; the “Baggage Travel” platform has extended to more than 10 ten-million-level airports such as Pudong, Hangzhou and Urumqi airports; face boarding was deployed in 52 large, medium and small-sized airports across the country; One ID passenger service platform was extended to more than 10 airports such as Beijing Daxing, Hangzhou Xiaoshan and Shanghai Hongqiao airports, and has been put into use in 26 large and medium-sized airports such as Guangzhou and Shenzhen airports; the civil aviation transfer passenger service platform was put into operation in 198 airports, and the Group has completed the development and launch of excess baggage charges, baggage inquiry mini programs, online transfer services, digital RMB payment, settlement and clearing functions. The “Intelligent Transfer System to Improve the Travel Efficiency of Transfer Passengers (智慧中轉系統提高中轉旅客出行效率)” was selected as an excellent case in the ESG Blue Book of Listed Central Enterprises (2022) (《中央企業上市公司ESG藍皮書(2022)》). The Group has launched Travelsky’s “Easy Check (易安檢)” solution, which has been implemented in six airports including Chongqing and Nanning, effectively improving the efficiency and service experience of passenger security checks. Travelsky’s “One-code for Customs Clearance (一碼通關)” solution has been piloted in Shenzhen Airport and Fuzhou Airport.

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 92 overseas or regional airports. The number of departure passengers receiving such services reached approximately 1.8 million, accounting for approximately 80.25% of the number of passengers returning from overseas of such commercial airlines in China.

AIR FREIGHT LOGISTICS INFORMATION TECHNOLOGY SERVICES

In 2022, the Group continued to consolidate its dominant position in the domestic aviation logistics information service market, renewed the freight production system service contracts with Eastern Air Logistics Co., Ltd. and Air China Cargo Co., Ltd.; comprehensively promoted and upgraded products such as cargo terminal production system, cargo security inspection system, cargo ground operation service system and successfully signed new contracts with 12 cargo terminals customers; actively promoted the construction of aviation logistics informatization, completed the research and development of a new generation of airport freight integrated management system, and put it into operation in Zhengzhou Airport; created intelligent logistics e-freight solutions to help Ningbo Airport freight station realized paperless operation of the whole freight process; developed the construction of the intelligent collaborative decision-making system (LCDM) for aviation logistics and implemented the deployment at Chongqing Airport, and developed a new direction to optimize logistics efficiency; accelerated the promotion of electronic waybill business of civil aviation logistic, signed the domestic electronic waybill service agreement with Air Incheon in Korea, with a steady growth to 1.32 million electronic waybills.

PUBLIC INFORMATION TECHNOLOGY SERVICES

In 2022, the Group actively responded to and implemented the “14th Five-Year Plan”, seized opportunities from the development of digital economy, vigorously expanded new digital infrastructure, and accelerated the coordinated layout of digital industrialization and industrial digitization. The Group completed the delivery of the new stage of data center resources of China Galaxy Securities Company Limited, continued to provide data center services for China United Network Communications Corporation Limited, China Academy of Information and Communications Technology, and promoted data center construction consultation, grade certification, testing verification, operation and maintenance, and other businesses nationwide. It signed contracts with numbers of enterprises and institutions such as the Consular Section of the Ministry of Foreign Affairs, 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. to realize the overall capability output from IT system planning, design, construction to operation and maintenance, and breakthroughs have been made in empowering industrial digitization. The Group has expanded 17 new customers of big data intelligent application services in public security, intelligent marketing, pan-finance, and other fields, and served 44 customers throughout the year. The Group promoted the full coverage of the informatization market of general aviation short-distance transportation and the formulation and promotion of industry standards, participated in the construction of the general aviation part of “trunk and branch communication and full network connection (幹支通、全網聯)” of CAAC, and completed the trial operation of the “one-time check-in (一次值機)” function in Ordos City. Contracts in relation to three general airport projects, including Fengqing Airport in Yunnan, Hannan Airport in Wuhan, and Yudaokou Airport in Hebei, were newly signed, and five short-distance transportation and low-altitude tourism airlines were newly expanded. The Group has created and released the civil aviation blockchain service platform “Air Travel Chain (航旅鏈)” and a series of innovative application products, and won the bid for the blockchain project of Daxing International Airport and the pilot demonstration project of Chengdu blockchain.

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 2022, the Group actively fulfilled social responsibilities 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 two Conferences (i.e. the National People’s Congress and the Chinese People’s Political Consultative Conference), the Beijing Winter Olympics, Paralympic Winter Games, CIFTIS, the National Day, the 20th CPC National Congress and other activities. On the other hand, the Group completed the three-way deployment of departure front-ends configurations at super-large, top ten and 100 airports and accelerated the improvement of the network resource layout of customs infrastructure facilities; continuously strengthened the operation and maintenance guarantee of key infrastructure, and comprehensively promoted the real-name registration management of software with key infrastructure software as the core; implemented technical strengthening measures such as dual-availability zone deployment of departure system resources and construction of full-link monitoring tools to improve departure safety assurance capability; the construction of disaster recovery system continued to advance, and the operation capability of cloud computing infrastructure platform was steadily improved; effectively implemented the data needs of ticket purchase control and epidemic prevention and control for defaulters, and provided a strong guarantee for serving the social credit reporting system and the support response to major public health events; improved the level of data security control to ensure that no large-scale passenger information leakage occurs. The “Green and Intelligent Operation and Maintenance Technology for Data Center Infrastructure (數據中心基礎設施綠色智能運維技術)” won the “Second Prize of 2022 Data Center Scientific and Technological Achievement Award (2022年數據中心科技成果獎二等獎)” after the review organized by China Association for Engineering Construction Standardization.

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 report. The following discussions on the summary of historical results do not represent a prediction as to the future business operations of the Group.

SUMMARY OF RESULTS OF OPERATIONS IN YEAR 2022

As stated in the announcement of the Company dated January 16, 2023, the Company recorded a year-on-year increase in profitability because of the Company’s year-on-year increase in the revenue from airport digital products business, the increase in income from asset disposal and the decrease in current R&D expenses in 2022.

The revenue and operating results of the Group mainly came from the Group's operations in China. For Year 2022, profit before taxation of the Group was approximately RMB735.1 million, representing an increase of approximately 10.7% over that in the year ended December 31, 2021 ("Year 2021"). Net profit attributable to shareholders of the parent was approximately RMB626.5 million, representing an increase of approximately 13.6% over that in Year 2021.

The basic and diluted earnings per share of the Group in Year 2022 were RMB0.21.

TOTAL REVENUE

The total revenue of the Group in Year 2022 amounted to approximately RMB5,210.1 million, representing a decrease of approximately RMB266.1 million, or 4.9%, from approximately RMB5,476.2 million in Year 2021. The decrease in total revenue is reflected as follows:

- Aviation information technology service revenue represented 29.7% of the Group's total revenue in Year 2022, as compared to 38.8% for Year 2021. Aviation information technology service revenue decreased by 27.3% from RMB2,127.5 million in Year 2021 to RMB1,546.6 million in Year 2022. 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 epidemic, the number of tourists decreased year-on-year.
- Accounting, settlement and clearing services revenue accounted for 5.6% of the Group's total revenue in Year 2022, as compared to 5.8% for Year 2021. Accounting, settlement and clearing services revenue decreased by 7.3% from RMB317.5 million in Year 2021 to RMB294.2 million for Year 2022. 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 epidemic and prevention and control policies, the settlement and clearing business volume decreased year-on-year.
- System integration service revenue accounted for 32.6% of the Group's total revenue in Year 2022, as compared to 25.1% for Year 2021. System integration service revenue increased by 23.6% from RMB1,373.1 million in Year 2021 to RMB1,697.8 million for Year 2022. 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 the number of projects meeting the completion acceptance conditions.
- Data network revenue accounted for 7.9% of the Group's total revenue in Year 2022, as compared to 9.5% for Year 2021. Data network revenue decreased by 20.8% from RMB519.4 million in Year 2021 to RMB411.6 million for Year 2022. The main source of the revenue was distribution information technology service provided by the Group to agencies. The decrease of the revenue was mainly due to the epidemic and prevention and control policies, the business volume of distribution information technology services decreased year-on-year.

- Other revenue accounted for 24.2% of the Group’s total revenue in Year 2022, as compared to 20.8% for Year 2021. Other revenue increased by 10.6% from RMB1,138.7 million in Year 2021 to RMB1,259.9 million for Year 2022. 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 other technical services increased year-on-year.

TOTAL OPERATING EXPENSES

Total operating expenses for Year 2022 amounted to RMB4,729.5 million, representing a decrease of RMB579.8 million or 10.9%, as compared to RMB5,309.3 million for Year 2021. The changes in total operating expenses are reflected as follows:

- Staff costs decreased by 5.6% mainly due to the Group’s current research and development expenses decreased year-on-year;
- Depreciation and amortization decreased by 0.1% mainly due to decrease in fixed assets and intangible assets of the Group, resulting in a slight decrease in depreciation and amortization;
- Selling costs of software and hardware increased by 10.4% mainly due to business volume of contracted projects increased of the Group;
- Technical support and maintenance fees decreased by 28.0% mainly due to the Group’s current research and development expenses decreased year-on-year; and
- Other operating expenses decreased by 34.9% mainly due to the epidemic, daily operating expenses were compressed of the Group, while financial expenses decreased year-on-year.

As a result of the above-mentioned changes in revenue and total operating costs, as well as the increase in income from asset disposals and the decrease in current research and development expenses, the operating profit of the Group increased by approximately RMB28.1 million, or approximately 4.2%, from approximately RMB671.5 million in Year 2021 to approximately RMB699.6 million in Year 2022.

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 recognized 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 2022 using the preferential tax rate of 15%. For details of corporate income tax of the Group for Year 2022, please see Note 3 to the financial statements.

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 “Key Software Enterprise”, 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 “Key Software Enterprise” from Year 2006 to Year 2021.

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 13.6% from approximately RMB551.3 million in Year 2021 to approximately RMB626.5 million in Year 2022.

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 2022, the discretionary surplus reserve fund for Year 2021 approved to appropriate at the annual general meeting held on June 16, 2021 and the statutory surplus reserve fund for Year 2022 that should be appropriated have been accounted for in the financial statements of the Group for Year 2022.

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 RMB38.9 million to the discretionary surplus reserve fund for Year 2022 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, 2023.

Distribution Proposal of Final Cash Dividend for Year 2022

On March 23, 2023, the Board of the Company proposed the distribution of a final cash dividend of RMB155.1 million, representing RMB0.053 per share (tax inclusive) for Year 2022 (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 issue date of this report. Upon distribution of the above Final Dividend, the distributable profit as at December 31, 2022 of the Company is approximately RMB7,264.4 million (as at December 31, 2021: RMB7,108.5 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 2022 is expected to be paid on or before September 30, 2023. 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, 2022 amounted to RMB7,419.5 million (as at December 31, 2021: RMB7,269.5 million).

LIQUIDITY AND CAPITAL STRUCTURE

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

	For the year ended December 31,	
	2022	2021
	RMB'million	RMB'million
Net cash flow generated from operating activities	1,336.3	2,942.8
Net cash flow used in investing activities	-142.2	-796.8
Net cash flow used in financing activities	-97.6	-165.6
Net increase in cash and cash equivalents	1,136.2	1,974.7
Effect of foreign exchange rate changes on cash and cash equivalents	39.7	-5.8

The Group's working capital for Year 2022 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,336.3 million. As at December 31, 2022, the Group did not use any financial instruments for hedging purpose. As at December 31, 2022, cash and cash equivalents of the Group amounted to RMB7,475.8 million, of which 96.4%, 2.9% and 0.2% were denominated in Renminbi, U.S. dollar and new Taiwan dollar, respectively.

RESTRICTED BANK DEPOSITS

As at December 31, 2022, restricted bank deposits in the amount of RMB101.6 million (as at December 31, 2021: RMB124.8 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, 2022, 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 2022, the Group had the following major financial assets:

(1) Trading Financial Assets

As at December 31, 2022, the Group held structural bank deposits issued by Bank of Communications, China Construction 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 1.55% to 3.50%. Such structural bank deposits have a maturity period ranging from 182 to 186 days and are non-cancellable before maturity.

(2) Financial Assets at Amortized Cost

As at December 31, 2022, the Group held certificates of deposit for more than three months issued by Bank of Communications and China Minsheng Bank of RMB40 million and RMB90 million, with total certificates of deposit for more than three months of RMB130 million. The annual interest rate of such bank deposits varied from 2.30% to 3.55%. Such bank deposits have a maturity period ranging from 401 to 1,097 days and are non-cancellable before maturity.

(3) Financial Assets at Fair Value through Other Comprehensive Income:

Name of investment	Business nature	Percentage of shareholding as at December 31, 2022 %	Percentage of shareholding as at December 31, 2021 %	Fair value as at December 31, 2022 RMB'000	Fair value as at December 31, 2021 RMB'000	Gain as of December 31, 2022 RMB'000	Gain as of December 31, 2021 RMB'000
Unlisted equity (measured at fair value)	Life insurance	<u>13.26</u>	<u>13.26</u>	<u>835,827</u>	<u>850,623</u>	<u>-14,796</u>	<u>-42,580</u>
- CMRH Life							

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

As at December 31, 2022, the Group invested a fair value of approximately RMB835.8 million in CMRH Life, accounting for 3.3% of the total assets of the Group.

f. **The performance in Year 2022:**

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB971.7 million in Year 2022. The main reason for the loss is that the life insurance company needed to make early investments in branch establishment, channel development and other aspects during the period of rapid business expansion, and the loss in the early stage of the development of business is in compliance with general operating rules in life insurance industry. In 2022, the business development of CMRH Life was negatively affected by the external objective environment. The continuous decline of the national debt interest rate led to the continuous decline of the 750-day yield curve, resulting in a substantial increase in the accounting reserves of CMRH Life. CMRH Life's equity assets had a large floating loss due to the violent turbulence of the capital market, and such equity assets shall be significantly impaired in accordance with the accounting standards.

In 2022, the new business value of CMRH Life will be RMB1.170 billion, a year-on-year increase of 131.96% compared with RMB0.504 billion in 2021; the embedded value at the end of 2022 was RMB7.144 billion, an increase of 10.73% year-on-year from RMB6.452 billion in 2021.

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

According to the information provided by CMRH Life to the Company, the development potential of China's life insurance industry is huge. There is still much room for services concerning common prosperity and Chinese path to modernization, and high-quality transformation is progressing well. CMRH Life will adhere to the innovation-driven development path of marketization, specialization and differentiation, and implement the four strategies of "value leading, innovation driving, technology empowering, risk control assurance", to promote the new process of value transformation and high-quality development and strive to build itself into a high-quality insurance service provider with innovative characteristics.

(4) **Financial Assets at Fair Value 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 Xiong'an) 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, 2022, the Company has actually contributed (including the fund management fee) RMB498.9 million pursuant to the Agreement. Please refer to Note 4.c) to the financial statements for details.

CHARGE ON ASSETS

As at December 31, 2022, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at December 31, 2022, the Group had no material contingent liabilities.

GEARING RATIO

As at December 31, 2022, the gearing ratio of the Group was 21.8% (as at December 31, 2021: 20.2%), which was computed by dividing the total liabilities by the total assets of the Group as at December 31, 2022.

MAJOR INVESTMENT OR FINANCING PLAN

As at December 31, 2022, 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 2023 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 RMB713.6 million for Year 2022 (2021: RMB867.7 million), mainly used in the Company's daily operation. In addition, in 2022, the first phase of the Beijing New Operation Center has been completed and the final accounts have been completed, with a cumulative expenditure of approximately RMB3,301.5 million, accounting for approximately 90.3% of the investment budget for the first phase of the project.

As at December 31, 2022, the Group's capital expenditure commitment amounted to approximately RMB1,055.2 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, 2022, the total number of employees of the Group was 6,570.

Staff costs of the Group amounted to approximately RMB1,804.3 million for Year 2022 (2021: RMB1,912.2 million), representing approximately 38.1% of the total operating expenses of the Group for Year 2022, among which, the aggregate corporate annuity expenses of the Group amounted to approximately RMB68.2 million for Year 2022 (2021: RMB66.3 million).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended December 31, 2022, 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.

As stated in the announcement of Company dated May 2, 2022, as working adjustment was made according to the working requirements, Mr. Xiao Yinhong left the office of the General Manager of the Company, and Mr. Huang Rongshun, the Chairman of the Company, was appointed as the General Manager of the Company. The Company has deviated from the Code Provision C.2.1 “the roles of chairman and chief executive should be separate and should not be performed by the same individual”. At present, the Chairman and General Manager of the Company are performed by the same individual, which is a transitional arrangement only. Considering that the Board constitute a sufficient number of Independent Non-executive Directors, a temporary deviation from the Code Provision would not prejudice the balanced distribution of power and authority between the Board and the management of the Company. Except for the deviation from Code Provision C.2.1, the Company fully complied with the Code Provisions in 2022.

AUDIT AND RISK MANAGEMENT COMMITTEE (SUPERVISORY COMMITTEE)

The Audit and Risk Management Committee (Supervisory 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 2022.

AUDITORS

Pursuant to the resolution passed at the annual general meeting held on June 16, 2022, BDO China SHU LUN PAN Certified Public Accountants LLP was engaged as the Company’s PRC auditor for Year 2022. The Board proposed to re-appoint BDO China SHU LUN PAN Certified Public Accountants LLP as the PRC auditor of the Company for year 2023 and such engagement proposal will be submitted for consideration at the forthcoming AGM.

2023 OUTLOOK

2023 is an important year forming a connecting link between the past and the future in the development plan of the 14th Five Year Plan, and a key year to promote the quality-ensured development of civil aviation. The domestic economy has strong resilience, great potential and full vitality with long-term positive fundamentals remain unchanged. Benefiting from the continuous adjustment of policies on pandemic prevention and control and travel, the civil aviation industry has entered a new track of continuous recovery from the trough, laying a solid foundation for the Company’s business development. The country will accelerate the development of the digital economy, promote the integration of the digital economy and the real economy in a deep-going way, and build a digital industrial cluster with international competitiveness. In terms of the industry, coordinating the supply-side structural reform and expanding domestic demand, promoting the safe and orderly recovery of the air transport market, strengthening the infrastructure construction and accelerating the construction of intelligent civil aviation have provided the Group with important development opportunities.

On the other hand, the international environment is still complex, the global economic growth is generally sluggish, and the domestic economy remains in the stage of preliminary recovery. China's civil aviation industry has proposed high-quality development goals in terms of safety production, operation efficiency, economic benefits, guarantee capabilities and legal construction. The intensified competition in the field of information technology services and the requirements of airline digital transformation for system support capabilities have also posed severe challenges to the Group.

The Group will be confident, forge ahead bravely, adhere to the principle of stability, focus on the quality-ensured development of TravelSky, and focus on the following work: First, strictly adhering to the bottom line of safety, sparing no effort to strengthen the intrinsic safety management system, steadily improving data security and self-controllable ability, and comprehensively improving the ability to prevent and resolve business risks. Second, focusing on the main line of development, building a domestic-international "dual circulation" development pattern, consolidating the main business, making breakthroughs in the emerging business, and focusing on the construction of intelligent civil aviation in a deep-going way. Third, making great strides towards innovation, steadily promoting the construction of scientific and technological innovation platforms and helping tackle key scientific and technological difficulties, keeping on strengthening the management of scientific and technological achievements and intellectual property rights, and actively promoting the arrangement for achieving "carbon peaking and carbon neutrality". Fourth, fighting for clear objectives of reform, making scientific plans to promote the reform process, keeping on improving the market-oriented operation mechanism, and vigorously promoting the layout optimization and structural adjustment. Fifth, creating brand value, promoting product construction, building brand strength, providing sincere services, improving services, building an outstanding brand and enhancing brand value. Through unremitting efforts and with the new pace of deepening reform, we are making strides towards a new journey of quality-ensured development and the establishment of a world-class enterprise, making contributions to the beginning of building a socialist modern country in an all-round way.

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, the People's Republic of China

April 11, 2023

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

Executive Directors: *Mr. Huang Rongshun (Chairman) and Mr. Liu Jianping;*

Non-executive Directors: *Mr. Zhao Xiaohang, Mr. Xi Sheng and Mr. Luo Laijun;*

Independent non-executive Directors: *Mr. Liu Zehong, Mr. Chan Wing Tak Kevin and Mr. Xu Hongzhi.*