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 RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019; AND TERMINATION OF SHARE APPRECIATION RIGHTS SCHEME APPROVED IN 2011

The board of directors (the "**Board**") of TravelSky Technology Limited (the "**Company**") hereby presents the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2019 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended June 30, 2019*

| | *Notes* | **Six months ended June 30, 2019** *RMB'000* **(unaudited)** | Six months ended June 30, 2018 *RMB'000* (unaudited) |
|---|---|---|---|
| **Revenue** | | | |
| Aviation information technology services | | **2,223,994** | 2,042,473 |
| Accounting, settlement and clearing services | | **302,480** | 292,327 |
| System integration services | | **478,037** | 386,061 |
| Data network services | | **243,301** | 247,109 |
| Others | | **596,457** | 553,773 |
| **Total revenue** | *3* | **3,844,269** | 3,521,743 |
| **Operating expenses** | | | |
| Business taxes and other surcharges | | **(36,967)** | (26,666) |
| Depreciation and amortisation | | **(414,537)** | (299,594) |
| Network usage fees | | **(40,789)** | (42,295) |
| Personnel expenses | | **(746,676)** | (633,407) |
| Operating lease payments | | **–** | (42,100) |
| Technical support and maintenance fees | | **(315,244)** | (352,790) |
| Commission and promotion expenses | | **(380,553)** | (357,554) |
| Costs of software and hardware sold | | **(256,102)** | (153,430) |
| Other operating expenses | | **(100,339)** | (135,118) |

| | Notes | **Six months ended June 30, 2019** *RMB'000* **(unaudited)** | Six months ended June 30, 2018 *RMB'000* (unaudited) |
|---|---|---|---|
| **Total operating expenses** | | **(2,291,207)** | (2,042,954) |
| **Operating profit** | | **1,553,062** | 1,478,789 |
| Financial income, net | | **105,793** | 114,497 |
| Government grants | | **9,739** | – |
| Share of results of associated companies | | **20,311** | 19,719 |
| Gain on deemed disposal of a subsidiary | *18* | **5,147** | – |
| Fair value gain on financial assets | | **–** | 26,138 |
| **Profit before taxation** | *4* | **1,694,052** | 1,639,143 |
| Taxation | *5* | **(251,501)** | (256,179) |
| **Profit after taxation** | | **1,442,551** | 1,382,964 |
| **Other comprehensive income/(expense):** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Currency translation differences | | **2,172** | (1,155) |
| **Other comprehensive income/(expense) for the period, net of tax** | | **2,172** | (1,155) |
| **Total comprehensive income for the period** | | **1,444,723** | 1,381,809 |
| **Profit after taxation attributable to** | | | |
| Owners of the Company | | **1,422,997** | 1,347,453 |
| Non-controlling interests | | **19,554** | 35,511 |
| | | **1,442,551** | 1,382,964 |
| **Total comprehensive income attributable to** | | | |
| Owners of the Company | | **1,425,169** | 1,346,298 |
| Non-controlling interests | | **19,554** | 35,511 |
| | | **1,444,723** | 1,381,809 |
| **Earnings per share for profit attributable to owners of the Company** | | | |
| Basic and diluted (RMB) | *6* | **0.49** | 0.46 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at June 30, 2019*

| | *Notes* | **June 30, 2019** ***RMB'000*** **(unaudited)** | December 31, 2018 *RMB'000* (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment, net | *9* | **4,249,472** | 4,385,753 |
| Investment properties | | **894** | 1,041 |
| Right-of-use assets | *10* | **1,804,720** | – |
| Lease prepayment for land use right, net | | **–** | 1,650,377 |
| Intangible assets, net | | **481,871** | 506,086 |
| Goodwill | | **153,434** | 151,194 |
| Investments in associated companies | | **347,536** | 316,840 |
| Deferred income tax assets | | **176,629** | 177,627 |
| Other long-term assets | *11* | **91,775** | 104,148 |
| Financial assets at amortised cost | *12* | **23,522** | 1,189,940 |
| Financial assets at fair value through other comprehensive income | *13* | **875,000** | 875,000 |
| **Total non-current assets** | | **8,204,853** | 9,358,006 |
| **Current assets** | | | |
| Inventories | | **70,036** | 47,563 |
| Trade receivables, net | *15* | **1,394,259** | 1,478,812 |
| Contract assets, net | | **31,739** | 30,622 |
| Due from related parties, net | *16* | **3,541,252** | 3,173,992 |
| Due from associated companies | | **125,815** | 79,919 |
| Income tax recoverable | | **799** | 10,609 |
| Prepayments and other current assets | | **923,033** | 947,792 |
| Financial assets at amortised cost | *12* | **5,103,609** | 2,477,567 |
| Financial assets at fair value through profit or loss | *14* | **–** | 161,944 |
| Cash and cash equivalents | | **3,847,508** | 4,346,496 |
| **Total current assets** | | **15,038,050** | 12,755,316 |
| **Total assets** | | **23,242,903** | 22,113,322 |

| | Notes | June 30, 2019 RMB'000 (unaudited) | December 31, 2018 RMB'000 (audited) |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **2,926,209** | 2,926,209 |
| Reserves | | **4,988,973** | 4,790,317 |
| Retained earnings | | **9,733,421** | 9,294,058 |
| | | **17,648,603** | 17,010,584 |
| **Non-controlling interests** | | **426,952** | 416,976 |
| **Total equity** | | **18,075,555** | 17,427,560 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **48,561** | 47,641 |
| Deferred government grants | | **94,356** | 94,491 |
| Lease liabilities | | **105,814** | – |
| **Total non-current liabilities** | | **248,731** | 142,132 |
| **Current liabilities** | | | |
| Trade payables and accrued liabilities | *17* | **3,420,248** | 3,990,794 |
| Contract liabilities | | **231,861** | 193,210 |
| Due to related parties and associated companies | | **1,079,870** | 272,037 |
| Lease liabilities | | **71,210** | – |
| Income tax payable | | **115,428** | 87,589 |
| **Total current liabilities** | | **4,918,617** | 4,543,630 |
| **Total liabilities** | | **5,167,348** | 4,685,762 |
| **Total equity and liabilities** | | **23,242,903** | 22,113,322 |
| **Net current assets** | | **10,119,433** | 8,211,686 |
| **Total assets less current liabilities** | | **18,324,286** | 17,569,692 |

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended June 30, 2019*

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**the Listing Rules**") and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Except for the application of new or revised accounting standards as described below, the accounting policies and methods of computation used in the reporting of the condensed consolidated interim financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, interpretation and amendments to International Financial Reporting Standards ("IFRSs") that are relevant for the preparation of the Group's condensed consolidated interim financial statements:

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

Except as explained below, the adoption of these new or amended IFRSs did not result in material.

## 2.1 Adoption of new IFRS 16 – Leases

### *(a) Changes in accounting policies*

IFRS 16 supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

### *(b) Adjustments recognised on adoption of IFRS 16*

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was from 0.94% to 5.50%.

| | *RMB'000* |
|---|---|
| Operating lease commitments disclosed as at December 31, 2018 (audited) | 32,340 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 30,073 |
| (Less): short-term leases recognised on a straight-line basis as expense | (4,955) |
| Lease liabilities recognised as at January 1, 2019 (unaudited) | 25,118 |
| Of which are: | |
| Current lease liabilities (unaudited) | 16,455 |
| Non-current lease liabilities (unaudited) | 8,663 |
| | 25,118 |
| (Add): Reclassification of lease prepayment for land use right, net | 1,650,377 |
| Right-of-use assets recognised as at January 1, 2019 (unaudited) | 1,675,495 |

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

| | **January 1, 2019**<br>*RMB'000*<br>(unaudited) |
|---|---|
| Leasehold land and land use rights | 1,650,377 |
| Properties | 25,118 |
| Total right-of-use assets | 1,675,495 |

The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

| | **January 1, 2019** |
|---|---|
| | *RMB'000* |
| | (unaudited) |
| Right-of-use assets – increase by | 1,675,495 |
| Lease prepayment for land use right, net – decrease by | (1,650,377) |
| Lease liabilities – increase by | (25,118) |
| | – |

***(c) Practical expedients applied***

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

– reliance on previous assessments on whether leases are onerous

– the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases

– the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

*(d) The Group's leasing activities and how these are accounted for*

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability

– any lease payments made at or before the commencement date less any lease incentives received

– any initial direct costs, and

– restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 3. SEGMENT REPORTING

### (a) Business segments

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

The Group conducts its business within one business segment – the business of providing aviation information technology and related services. The Group's chief decision maker for operation is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the consolidated statement of profit or loss and other comprehensive income. No segment consolidated statement of profit or loss and other comprehensive income has been prepared by the Group for the period ended June 30, 2019 and 2018.

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

**(b) Disaggregation of revenue**

In the following table, revenue is disaggregated by timing of recognition as below:

| | **Six months ended June 30, 2019** *RMB'000* **(unaudited)** | Six months ended June 30, 2018 *RMB'000* (unaudited) |
|---|---|---|
| **Timing of revenue recognition** | | |
| Transferred over time | | |
| – Aviation information technology services | **2,223,994** | 2,042,473 |
| – Accounting, settlement and clearing services | **302,480** | 292,327 |
| – System integration services | **32,253** | 82,198 |
| – Data network services | **243,301** | 247,109 |
| – Others | **596,457** | 553,773 |
| | **3,398,485** | 3,217,880 |
| **At a point in time** | | |
| – Sales of equipment | **445,784** | 303,863 |
| | **3,844,269** | 3,521,743 |

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

## 4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

| | **Six months ended June 30, 2019** *RMB'000* **(unaudited)** | Six months ended June 30, 2018 *RMB'000* (unaudited) |
|---|---|---|
| **After charging:** | | |
| Depreciation of property, plant and equipment | **214,602** | 186,088 |
| Depreciation of investment properties | **147** | – |
| Depreciation of right-of-use assets – leasehold land and land use rights | **26,367** | – |
| Depreciation of right-of-use assets – properties | **44,168** | – |
| Depreciation of right-of-use assets – equipment | **8** | – |
| Amortisation of intangible assets | **129,245** | 84,637 |
| Amortisation of leasehold improvements | **–** | 2,503 |
| Amortisation of lease prepayments for land use right | **–** | 26,366 |
| Gain on disposal of property, plant and equipment | **(209)** | (197) |
| (Reversal of)/provision for impairment of receivables | **(38,382)** | 17,792 |
| Cost of software and hardware sold | **256,102** | 153,430 |
| Retirement benefits | **100,477** | 85,100 |
| Contribution to housing benefits | **52,188** | 48,180 |
| Research and development expenses | **424,019** | 137,332 |
| Interest expense on lease liabilities | **4,054** | – |
| **After crediting:** | | |
| Interest income | **(98,173)** | (95,808) |
| Exchange gain, net | **(14,144)** | (18,663) |

*Note:*

For the six months ended June 30, 2019, the depreciation of right-of-use assets for lease of properties from China TravelSky Holding Company Limited ("**CTHC**"), the ultimate holding company, amounted to approximately RMB24 million (operating lease rentals for the six months ended June 30, 2018: approximately RMB25million). The pricing of rentals for buildings is based on agreed rates with CTHC.

## 5. TAXATION

Taxation of the Group except for TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd., TravelSky R&D USA, INC., Taiwan TravelSky Limited Company, TravelSky Technology Australia Pty. Ltd., OpenJaw Technologies Limited, OpenJaw Technologies Iberica S.L., OpenJaw Technologies Polska Sp. Z.O.O. and OpenJaw Technologies AsiaPac Ltd is provided based on the tax laws and regulations applicable to the PRC enterprises. The Group provides for the PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the period at the rates of taxation prevailing in the locations in which the Group operates.

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

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

In addition to the recognised "High and New Technology Enterprise", enjoying a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the period, 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.

Application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2018 was conducted in Year 2019. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2018. As at June 30, 2019, the Company has applied for a preference tax rate of 10% regarding to the "Important Software Enterprise" to the relevant authority for Year 2018.

According to the relevant requirements, application for a preference tax rate of 10% regarding to the "Important Software Enterprise" of this year will be conducted in next year. Thus, refer to paragraph 3 of this note, pursuant to the relevant regulatory requirement, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for the six months ended June 30, 2019.

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

## 6. EARNINGS PER SHARE

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

| | (Unaudited) Six months ended June 30, | |
|---|---|---|
| | **2019** | 2018 |
| **Earnings** ***(RMB'000)*** | | |
| Earnings for the purpose of calculating the basic and diluted earnings per share | **1,422,997** | 1,347,453 |
| **Numbers of shares** ***('000)*** | | |
| Weighted average number of ordinary shares in issue | **2,926,209** | 2,926,209 |
| **Earnings per share** *(RMB)* | | |
| Basic and diluted | **0.49** | 0.46 |

There were no potential dilutive ordinary shares outstanding during the period ended June 30, 2019 and 2018.

## 7. RESERVES

The appropriation to the discretionary surplus reserve fund for the Year 2018 was approved in the annual general meeting held on June 27, 2019. Therefore, 10% of the Company's net profit of year 2018 (approximately RMB196.5 million), was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2019.

## 8. DIVIDEND DISTRIBUTION

The shareholders in the annual general meeting of the Company held on June 27, 2019 approved the distribution of a final cash dividend of RMB0.269 per share, in the aggregate sum of RMB787.2 million for Year 2018. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2019.

## 9. PROPERTY, PLANT AND EQUIPEMENT, NET

For the six months ended June 30, 2019, the Group acquired property, plant and equipment amounting to approximately RMB78.5 million (for the year ended December 31, 2018: approximately RMB605 million) in total.

## 10. RIGHT-OF-USE ASSETS

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

| | **30 June 2019** |
|---|---|
| | *RMB'000* |
| | (unaudited) |
| Leasehold land and land use rights | 1,624,011 |
| Properties | 179,019 |
| Equipment | 1,690 |
| Total right-of-use assets | 1,804,720 |

## 11. OTHER LONG-TERM ASSETS

For the six months ended June 30, 2019, other long-term assets for the Group mainly comprised of deposits paid for acquisition of property, plant and equipment and intangible assets.

## 12. FINANCIAL ASSETS AT AMORTISED COST

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| **Non-current assets** | | |
| *Financial assets at amortised cost* | | |
| Deposits with banks with original maturity date over three months | **3,531** | 78,525 |
| Restricted bank deposits | **19,991** | 11,415 |
| Structural deposits | **–** | 1,100,000 |
| | **23,522** | 1,189,940 |
| **Current assets** | | |
| *Financial assets at amortised cost* | | |
| Deposits with banks with original maturity date over three months | **453,412** | 449,211 |
| Restricted bank deposits | **20,197** | 28,356 |
| Managed funds, in PRC | **–** | 300,000 |
| Structural deposits | **4,630,000** | – |
| Certificate of deposits | **–** | 1,700,000 |
| | **5,103,609** | 2,477,567 |

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Unlisted equity shares, at fair value | **875,000** | 875,000 |

The unlisted equity investment represents 17.5% equity interest in CMRH Life at a fair value of RMB875 million. The Directors designated the investment as financial asset at fair value through other comprehensive income, since the Group has no intension to hold the investment for trading purpose. The fair values of this investment as at January 1, 2019 and June 30, 2019 were estimated by the management.

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| **Managed funds, at fair value** | | |
| At the beginning of the period/year | **161,944** | – |
| Reclassified from available-for-sale financial assets | **–** | 878,381 |
| Sales | **(161,944)** | (765,080) |
| Fair value changes | **–** | 48,643 |
| At the end of the period/year | **–** | 161,944 |

## 15. TRADE RECEIVABLES, NET

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

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

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within 6 months | **891,788** | 956,701 |
| Over 6 months but within 1 year | **280,604** | 300,398 |
| Over 1 year but within 2 years | **209,539** | 177,116 |
| Over 2 years but within 3 years | **12,328** | 44,597 |
| Trade receivables, net | **1,394,259** | 1,478,812 |

## 16. DUE FROM RELATED PARTIES, NET

The ageing analysis of the amount due from related parties, based on invoice dates, is as follows:

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within 6 months | **2,167,984** | 1,863,447 |
| Over 6 months but within 1 year | **926,698** | 1,191,034 |
| Over 1 year but within 2 years | **430,452** | 109,846 |
| Over 2 years but within 3 years | **6,502** | 322 |
| Over 3 years | **9,616** | 9,343 |
| Due from related parties, net | **3,541,252** | 3,173,992 |

These balances with related parties are trade related, interest free, unsecured and generally repayable within six months.

## 17. TRADE PAYABLES AND ACCRUED LIABILITIES

Details of the ageing analysis of trade payables and accrued liabilities is as follows:

| | **June 30, 2019** | December 31, 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within 6 months | **746,452** | 844,443 |
| Over 6 months but within 1 year | **444,415** | 38,063 |
| Over 1 year but within 2 years | **99,320** | 93,379 |
| Over 2 years but within 3 years | **27,521** | 65,365 |
| Over 3 years | **60,055** | 122,500 |
| Total trade payables | **1,377,763** | 1,163,750 |
| Accrued liabilities and other liabilities | **2,042,485** | 2,827,044 |
| Total trade payables and accrued liabilities | **3,420,248** | 3,990,794 |

## 18. DEEMED DISPOSAL OF A SUBSIDIARY

The Group held 51% equity interest in Beijing TravelSky Birun Technology Co., Ltd ("**TravelSky Birun Technology**"). As at December 31, 2018, TravelSky Birun Technology was accounted for as a subsidiary of the Company. With issuance of TravelSky Birun Technology's shares to an independent external party in January 2019, the Group's equity interest in TravelSky Birun Technology has been diluted from 51% to 37.09%, resulting in a loss in control over TravelSky Birun Technology and its financial results will no longer be consolidated into the financial statements of the Group.

The assets and liabilities of TravelSky Birun Technology was deconsolidated from the Group's consolidated statement of financial position and the interest in TravelSky Birun Technology has been accounted for as an associate using equity method. The fair value of the 37.09% retained interest in TravelSky Birun Technology at the date on which the control was lost is regarded as the cost on initial recognition of the investment in TravelSky Birun Technology as an associate.

| | *RMB,000*<br>(unaudited) |
|---|---|
| Fair value of interest retained | 13,474 |
| **Analysis of assets and liabilities over which control was lost:** | |
| **Non-current assets** | |
| Property, plant and equipment | 3,855 |
| | 3,855 |
| **Current assets** | |
| Trade receivables | 26,685 |
| Prepayments and other current assets | 4,217 |
| Contract asset | 5,372 |
| Cash and cash equivalents | 34 |
| | 40,163 |
| **Current liabilities** | |
| Trade payables and accrued liabilities | (21,054) |
| Contract liabilities | (2,781) |
| Net assets disposal of | 16,328 |
| **Deemed gain on disposal of Beijing TravelSky Birun Technology Co., Ltd.** | |
| Net assets disposed of | (16,328) |
| Fair value of retained interest | 13,474 |
| Non-controlling interests | 8,001 |
| Gain on deemed disposal | 5,147 |
| **Net cash outflow arising on disposal** | |
| Cash and cash equivalents of Beijing TravelSky Birun Technology Co., Ltd. deemed disposed of | 34 |

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

### BUSINESS REVIEW FOR THE FIRST HALF OF 2019

As the leading provider of information technology solutions for China's aviation and travel industry, the Group benefited from the continuous demand in China's aviation market in the first half of 2019. The Group's Electronic Travel Distribution (ETD) system (including Inventory Control System ("**ICS**") services and Computer Reservation System ("**CRS**") services) has processed approximately 337.3 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 7.8% over the same period in 2018. Among which, the processed flight bookings on commercial airlines in China increased by approximately 7.7%, while those on foreign and regional commercial airlines increased by approximately 9.6%. The number of foreign and regional commercial airlines using the Group's Airport Passenger Processsing (APP) system service, multi-host connecting program service and the self-developed Angel Cue platform connecting service also increased to 143, with approximately 9.5 million of passenger departures processed in 80 airports. Meanwhile, the number of foreign and regional commercial airlines with direct links to the Group's Computer Reservation System (CRS) increased to 152 with the sales percentage through direct links increased to approximately 99.8%.

In the first half of 2019, apart from actively expanding its customer base among domestic and overseas commercial airlines, the Group also further improved the aviation information technology and its extended services, with an aim to strongly support the demand of commercial airlines for the information technology solutions on travel convenience, e-commerce, auxiliary services and internationalization. As a strategic partner of the "Fast Travel" Project of International Air Transport Association (IATA), the commonly used self-service check-in system (CUSS), the Group's self-developed product that conforms to IATA standards, has been launched in 179 major domestic and overseas airports, and the online check-in service has been applied in 314 airports at home and abroad. Such products and services, together with the mobile check-in service and the SMS check-in service, processed a total of approximately 164 million departing passengers. The full-process baggage tracking platform has been established. The Group has launched a new version for its mobile application, "Umetrip (航旅縱橫)", to continue to upgrade customer service and experience, and the number of users of Umetrip has witnessed a stable growth. In the first half of 2019, owing to the convenient business of "aviation information inquires (航信通)", the Group has owned a number of customers of commercial aviation airlines and signed contracts with all the 235 civil airports in China, providing full-process convenient clearance technology solutions for commercial airlines, to help improve their passengers' experiences in various stages, such as, security check and boarding. Its usage grows steadily as the Group continued to improve the airlines add-on service sales solutions ("**Easy add value (增值易)**" product platform). In order to response to the "The Belt and Road Initiative" strategy in China, the Group continued to put more efforts for market expansion for overseas market. The independently designed, researched and developed low-cost aviation solutions have been newly applied by Berjaya Air of Malaysia. By capturing the opportunity of vigorously developing general aviation, the Group continued to expand the general aviation information technology service market. There have been 13 general aviation airlines becoming the Company's clients, realising the full coverage over the general short-distance aviation market.

In the first half of 2019, the Group continued to consolidate and expand the market of accounting, settlement and clearing services, and the research and development and the operation of the relevant systems commenced as scheduled. The BSP Online Payment Platform (BOP) has added a new distribution capability (NDC) real-time settlement service, which has enabled the NDC technical standard to be applied to the payment channel for the first time, and the service has been promoted to Shandong Airlines Company Limited and Hebei Airlines Company Limited. In the first half of 2019, there were approximately 541.6 million transactions processed with our accounting, settlement and clearing system and approximately 206.3 million BSP tickets processed with our BSP data processing services. In the same period, passenger, cargo and mail revenue, miscellaneous fees as well as international and domestic clearing amount settled by agents exceeded USD5.4 billion, and the transaction amount of the electronic payment system was approximately RMB50.8 billion.

In the first half of 2019, the Group put greater efforts in marketing, researching and developing the airport information technology service products and actively participated in the airport information system construction projects of domestic airports while persistently reinforcing its market share in the traditional departure front-end service product market. With a dominance in the middle-sized and large-sized airports in China, the new-generation APP departure front-end system facilitated commercial airlines to provide check-in, transit and connecting flight services to passengers in 162 overseas or regional airports, processing approximately 24 million passenger departures, accounting for approximately 92.4% of overseas returning passengers of commercial airlines in China. The departure system, security inspection system and passenger operation and management system of Beijing Daxing International Airport have been put into operation and passed the acceptance. The Group facilitated the construction of "Smart Airport" and promoted products of "Facial Recognition & ID Authentication" for security inspection to 205 airports. The airport coordination decision-making system (A-CDM) products have been promoted and put into operation in more than ten airports.

In the first half of 2019, the Group continued to expand customer base in the public information technology service sector with an emphasis on state-owned enterprises, governmental authorities, financial and internet enterprises. Relevant key projects have been put into operation and entered into stable operation stage and relevant cloud products have started marketing. The Group took greater efforts in researching and developing and promoting its distribution information technological service products, including the enterprise travel solutions "1etrip (行啊)", online agent solutions "Lingda (領達)", international airline ticket management system and international fare search engine "IntlStar (星際)".

In the first half of 2019, the Group's ICS, CRS, APP and core opening system operated steadily. Various systems were relocated to the new operating center in Beijing Shunyi gradually as scheduled. The Group has been making full use of technologies, business and management instruments with an aim to realize the safety, high-efficiency and low consumption of the infrastructure as well as provision of sustainable services for its businesses. The Group commenced establishing a stable and prompt "double-mode" infrastructure cloud platform; continued to carry forward big data infrastructure platform to provide service on "TravelSky Cloud Data" platform officially; basically completed the information security construction work of the relevant ministries; carried out energy conservation measures in data center; defined the implementation scope, target and path of disaster recovery system construction; carried out targeted security investigation and emergency drills, and effectively guaranteed the daily safe operation of civil aviation passenger information systems, as well as during the key periods, such as Chinese Spring Festival travel rush, the National People's Congress of the People's Republic of China and the Chinese People's Political Consultative Conference (CPPCC), Boao Forum for Asia, The Belt and Road Forum, Beijing International Horticultural Exhibition and Conference on Dialogue of Asian Civilization.

## FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE FOR THE FIRST HALF OF 2019

### Summary

The management's discussion and analysis on the financial conditions and operational performance of the Group are as follows:

For the first half of 2019, the Group achieved a profit before tax of RMB1,694.1 million, representing an increase of 3.3% compared to the first half of 2018. Earning before interest and tax, depreciation and amortization (EBITDA) amounted to RMB2,010.4 million, representing an increase of 9.1% compared to the first half of 2018. Profit attributable to equity holders of the Company was RMB1,423.0 million, representing an increase of 5.6% compared to the first half of 2018. The increase in profit of the Group was mainly attributable to the strict control of operating expenses amid a growth in revenue, and the profit before tax for the first half of 2019 increased by 3.3% compared to the first half of 2018.

The revenue and results of the operation of the Group were mainly derived from its operations in the PRC. The earnings per share of the Group were RMB0.49 for the first half of 2019.

### Total Revenue

The total revenue of the Group in the first half of 2019 amounted to RMB3,844.3 million, representing an increase of RMB322.6 million or 9.2% from RMB3,521.7 million in the first half of 2018. Such increase in total revenue was mainly attributable to the increase in the business volume of the Group. The increase in total revenue is reflected as follows:

- Revenue from aviation information technology service accounted for 57.9% of the Group's total revenue in the first half of 2019, as compared to 58.0% in the first half of 2018. Revenue from aviation information technology service increased by 8.9% to RMB2,224.0 million in the first half of 2019 from RMB2,042.5 million in the first half of 2018. The main sources of the revenue were Inventory Control System ("**ICS**") service, Computer Reservation System ("**CRS**") service and Airport Passenger Processing ("**APP**") service, as well as other extended information technology services related to the above core businesses provided by the Group to commercial airlines. The increase in revenue was mainly due to the increase in the number of air travellers.

- Revenue from accounting, settlement and clearing services accounted for 7.9% of the Group's total revenue in the first half of 2019, as compared to 8.3% for the first half of 2018. Revenue from accounting, settlement and clearing services increased by 3.5% to RMB302.5 million in the first half of 2019 from RMB292.3 million for the first half of 2018. The main sources of the revenue were accounting, settlement and clearing services provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The increase in revenue was mainly due to the increase in business volume of accounting, settlement and clearing services.

- Revenue from system integration service accounted for 12.4% of the Group's total revenue in the first half of 2019, as compared to 11.0% for the first half of 2018. Revenue from system integration service increased by 23.8% to RMB478.0 million in the first half of 2019 from RMB386.1 million for the first half of 2018. The main sources of the revenue were the hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The increase in revenue was primarily due to the increase in the number of contracted projects.

- Revenue from data network accounted for 6.3% of the Group's total revenue in the first half of 2019, as compared to 7.0% for the first half of 2018. Revenue from data network decreased by 1.5% to RMB243.3 million in the first half of 2019 from RMB247.1 million for the first half of 2018. The main sources of the revenue were distribution information technology service provided to agencies. The decrease in revenue was mainly due to the decrease in business volume of distribution information technology services.

- Other revenue accounted for 15.5% of the Group's total revenue in the first half of 2019, as compared to 15.7% for the first half of 2018. Other revenue increased by 7.7% to RMB596.5 million in the first half of 2019 from RMB553.8 million for the first half of 2018. The sources of other revenue were technology services, payment business, room tenancy, logistic business and other services provided by the Group. The increase in other revenue was mainly due to the increase in room tenancy.

## Operating Expenses

Total operating expenses for the first half of 2019 amounted to RMB2,291.2 million, representing an increase of RMB248.2 million or 12.2%, as compared to RMB2,043.0 million for the first half of 2018. The changes in operating expenses are also reflected as follows:

- Depreciation and amortization increased by 38.4%, mainly due to the collection of the original operating lease expenses in the depreciation and amortization cost after the implementation of IFRS16 Leases, as well as the increase in various assets;

- Staff costs increased by 17.9%, mainly due to the increase in costs as a result of the adjustment of the Group's social insurance and staff remuneration;

- Technical support and maintenance fees decreased by 10.6%, mainly due to the decrease in technical outsourcing services of the Group according to the business schedule;

- Commission and promotion expenses increased by 6.4%, mainly due to the increase in business promotion of the Group; and

- Selling costs of software and hardware increased by 66.9%, mainly due to the increase in equipment sales business involved in the Group's integration projects.

## Corporate Income Tax

For details, please see note 5 to the unaudited condensed consolidated interim financial statements.

## Profit Attributable to Equity Holders of the Company

As a result of the above factors, the profit attributable to equity holders of the Group increased by RMB75.5 million or 5.6% to RMB1,423.0 million in the first half of 2019 from RMB1,347.5 million in the first half of 2018.

## Liquidity and Capital Structure

The Group's working capital for the first half of 2019 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,136.5 million. As at June 30, 2019, the Group did not have any short-term or long-term bank loans, nor used any financial instruments for hedging purposes. As at June 30, 2019, cash and cash equivalents of the Group amounted to RMB3,847.5 million, of which 88.7%, 8.5%, 1.3% and 0.8% were denominated in Renminbi, US dollar, Euro and Hong Kong dollar, respectively.

**Restricted Bank Deposits**

As at June 30, 2019, restricted bank deposits in the amount of RMB40.2 million (December 31, 2018: RMB39.8 million) mainly refer to the deposit placed at designated bank accounts as guarantee deposits to secure, amongst others, procurement and installation work in relation to departure system of airport.

**Trust Deposits and Irrecoverable Overdue Time Deposits**

As at June 30, 2019, 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 in accordance with applicable laws and regulations.

**Foreign Exchange Risks**

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

**Capital Expenditure**

The total capital expenditure paid by the Group amounted to RMB377.4 million for the first half of 2019 (RMB225.0 million for the first half of 2018), among which the capital expenditure of the new operating centre in Beijing for Phase I project amounted to approximately RMB210 million.

The Board estimates that the planned total capital expenditure of the Group for the Year 2019 will amount to approximately RMB2,356.6 million, which will be mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, and the capital expenditure of the new operating centre in Beijing for the construction of Phase I project amounted to approximately RMB0.66 billion. The sources of funding for the capital expenditure plan will include existing cash on hand and internal cash flow generated from operating activities. The Board estimates that the sources of funding of the Group in 2019 will be sufficient for such capital expenditure plan. The Group did not have any financing plan in respect of such capital expenditure plan.

**Investment in Financial Assets**

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

During the period, the Group had the following financial assets:

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

| Name of investment | Business nature | Percentage of shareholding as at June 30, 2019 | Percentage of shareholding as at December 31, 2018 | Fair value as at June 30, 2019 | Fair value as at December 31, 2018 | Gain for the six months ended June 30, 2019 | Gain for the six months ended June 30, 2018 |
|---|---|---|---|---|---|---|---|
| | | *%* | *%* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Unlisted equity (measured at fair value) | | | | | | | |
| – CMRH Life | Life insurance | 17.5 | 17.5 | 875,000 | 875,000 | – | – |

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

(a) The details of the major investments held, including the name of the related company and its main business, the number or percentage of the shares held and the investment cost:

Name of the related company: China Merchants RenHe Life Insurance Company Limited

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

The percentage of the shareholding: 17.5%

Investment cost: RMB875 million

(b) The fair value of such major investment as at June 30, 2019 and its scale relative to the total assets of the issuer:

The Group invested RMB875 million in China Merchants RenHe Life Insurance Company Limited, accounting for 3.8% of the total assets of the Group.

(c) The performance of such major investment in the first half of 2019:

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB250 million in the first half of 2019, mainly due to up-front costs are required for branch establishment and channel expansion and other aspects during the period of rapid business expansion for insurance company. Therefore, loss incurred by CMRH Life in the early stage of the development of business is in compliance with general operating rules in life insurance industry.

(d) Strategies of future investments and the prospects of such investments:

According to the information provided by CMRH Life to the Company, the space for future development in the PRC life insurance industry is still large as the insurance penetration and insurance density remain relatively low when compared with that in overseas developed countries and regions. As an insurance company controlled by state-owned enterprises, CMRH Life has confirmed the operating policies of "leading with science and technologies and creating first class by innovation", which will give full play to the shareholders' rich resources in medical and endowment, big data and internet, explore innovation and cooperation, and continue to drive the expansion of scale and rising of value.

- ***Financial Assets at Amortised Cost***

  As at June 30, 2019, the Group held structural deposits issued by Bank of Beijing, China Everbright Bank, China Minsheng Bank, Ping An Bank, Bank of Hangzhou, Industrial Bank and China CITIC Bank of RMB900 million, RMB900 million, RMB900 million, RMB900 million, RMB630 million, RMB200 million and RMB200 million, respectively, with total structural deposits of RMB4.63 billion. The annual interest rate of such structural deposits varied from 3.9% to 4.8%. Such structural deposits have a maturity period ranging from 180 to 396 days and are non-cancellable before maturity.

**Charge on Assets**

As at June 30, 2019, the Group had no charge on its assets.

**Contingent Liabilities**

As at June 30, 2019, the Group had no material contingent liabilities.

**Gearing Ratio**

As at June 30, 2019, the gearing ratio of the Group was 22.2% (as at December 31, 2018: 21.2%), which was computed by dividing the total liabilities by the total assets of the Group as at June 30, 2019.

**Employees**

As at June 30, 2019, the total number of employees of the Group was 6,892. Staff costs amounted to approximately RMB746.7 million for the first half of 2019, representing approximately 32.6% of the total operating expenses of the Group for the first half of 2019.

The Group has different rates of remuneration for different employees (including executive directors and staff representative supervisors), according to their performance, qualifications, experience, duties 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 benefits programs provided in compliance with relevant regulations of the PRC, as amended from time to time, such as medical insurance, pension insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity.

Currently, none of the non-executive directors of the Company receive any remuneration. Nevertheless, any reasonable fees and expenses incurred by the non-executive directors during their tenure of service will be borne and indemnified by the Company. The independent non-executive directors of the Company receive director's fees and allowances, which are determined by reference to the requirements of the regulatory authorities, prevailing market price, their duties and personal qualifications and experiences, and any reasonable fees and expenses incurred by the independent non-executive directors during their tenure of service will be borne and indemnified by the Company. All directors of the Company (the "**Director(s)**") are entitled to liability insurance purchased by the Company for the Directors.

The Group also provides its employees with opportunities to acquire skills in areas such as the aviation and travel industry, computer information technologies and business administration, and provides training on the latest development in areas such as computer information technologies, personal qualities, laws, regulations and economics.

## PROSPECTS FOR THE SECOND HALF OF 2019

In the second half of 2019, the Group will continue to firmly focus on its development strategy, take the high-quality development as its guide, comprehensively promote the company's work: promote development and steady growth, consolidate the foundation; actively innovate and strengthen technology, strengthen its impetus; deepen reform and promote implementation, make up for its weaknesses; improve the mechanism of strong incentives, make good use of talent; promote business with scientific management, improve efficiency. Meanwhile, the Group will also maintain the stability against risks, and make steady progress in the long run.

## INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2019.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

In the first half of 2019, the Company and its subsidiaries had not purchased, sold or redeemed any listed securities of the Company.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has discussed and reviewed the unaudited interim results of the Group for the six months ended June 30, 2019 with the Company's management, and has also discussed matters such as internal control, risk management and financial reporting.

## CORPORATE GOVERNANCE

The Company is committed to establishing and maintaining high level of corporate governance, as well as disclosing information to all the market participants and regulatory authorities in a timely, accurate, complete and reliable manner to enhance the transparency of the Company. The Company has adopted the code provisions as stipulated in the "Corporate Governance Code" and "Corporate Governance Report" (the "**Code Provisions**") in Appendix 14 to the Listing Rules as the Company's code of corporate governance. The Company has fully complied with the Code Provisions in the first half of 2019.

For the six months ended June 30, 2019, the Company has adopted Model Code and standards required thereof as the model code and the standards for conducting securities transactions by Directors and supervisors of the Company. After making specific enquiries to all Directors and supervisors, the Company confirmed that all Directors and supervisors have acted in full compliance with Model Code and the requirements regarding directors' securities transactions required thereof during the six months ended June 30, 2019.

## TERMINATION OF SHARE APPRECIATION RIGHTS SCHEME APPROVED IN 2011

As stated in the circular dated May 12, 2011 of the Company and the voting results announcement dated June 28, 2011 of the Company in relation to, among other things, the approval of the H Share Appreciation Rights Scheme ("**Share Appreciation Rights Scheme**") by the Company at annual general meeting. Pursuant to the Share Appreciation Rights Scheme, the Board has the right to decide an early termination of the Share Appreciation Rights Scheme at any time. In the event the Board decides to terminate early, the Company shall cease to grant any share appreciation rights pursuant to the Share Appreciation Rights Scheme. As stated in the announcement dated August 29, 2011 of the Company, on August 29, 2011, the Company granted 14,004,000 share appreciation rights to relevant incentive recipients. The share appreciation rights above have been fully exercised, lapsed and/or paid in or before the Year 2016. As of the date of this announcement, there is no outstanding share appreciation rights.

According to the latest requirements of the relevant laws and regulations in the PRC and taking into account the present situation of the Company. The Board decided to terminate the Share Appreciation Rights Scheme on August 28, 2019. The Company will, according to the latest regulatory requirements both in domestic and abroad, continue to develop and formulate incentive plan for employees. Subsequently, the Company will satisfy its obligation of information disclosure according to relevant applicable requirements of Listing Rules as appropriate.

## ONLINE PUBLICATION OF INTERIM RESULTS

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

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

Beijing, PRC
August 28, 2019

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

*Executive Directors:* *Mr. Cui Zhixiong (Chairman) and Mr. Xiao Yinhong;*

*Non-executive Directors:* *Mr. Tang Bing, Mr. Han Wensheng and Mr. Zhao Xiaohang;*

*Independent non-executive Directors:* *Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun.*