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)

2019
INTERIM REPORT

The board of directors (the "**Board**") of TravelSky Technology Limited (the "**Company**") hereby presents the unaudited interim report 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	4	**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)
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	22	**5,147**	–
Fair value gain on financial assets		**–**	26,138
Profit before taxation	5	**1,694,052**	1,639,143
Taxation	6	**(251,501)**	(256,179)
Profit after taxation		**1,442,551**	1,382,964

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

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)
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)	7	**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	10	**4,249,472**	4,385,753
Investment properties		**894**	1,041
Right-of-use assets	11	**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	12	**91,775**	104,148
Financial assets at amortised cost	13	**23,522**	1,189,940
Financial assets at fair value through other comprehensive income	14	**875,000**	875,000
Total non-current assets		**8,204,853**	9,358,006
Current assets			
Inventories		**70,036**	47,563
Trade receivables, net	16	**1,394,259**	1,478,812
Contract assets, net		**31,739**	30,622
Due from related parties, net	17	**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	13	**5,103,609**	2,477,567
Financial assets at fair value through profit or loss	15	**–**	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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2019

	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	18	**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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	Attributable to owners of the Company				
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2018 (audited)	2,926,209	4,437,013	8,062,425	434,791	15,860,438
Initial application of IFRS 9	–	(39,271)	39,271	–	–
Restated balance at January 1, 2018	2,926,209	4,397,742	8,101,696	434,791	15,860,438
Total comprehensive income for the period ended June 30, 2018	–	(1,155)	1,347,453	35,511	1,381,809
Dividends relating to 2017	–	–	(740,331)	(7,884)	(748,215)
Appropriation to reserves	–	185,062	(185,062)	–	–
At June 30, 2018 (unaudited)	2,926,209	4,581,649	8,523,756	462,418	16,494,032

		Attributable to owners of the Company				
	Notes	**Share capital RMB'000**	**Reserves RMB'000**	**Retained earnings RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At January 1, 2019 (audited)		**2,926,209**	**4,790,317**	**9,294,058**	**416,976**	**17,427,560**
Total comprehensive income for the period ended June 30, 2019		**–**	**2,172**	**1,422,997**	**19,554**	**1,444,723**
Dividends relating to 2018	9	**–**	**–**	**(787,150)**	**(1,577)**	**(788,727)**
Appropriation to reserves	8	**–**	**196,484**	**196,484**	**–**	**–**
Deemed disposal of a subsidiary	22	**–**	**–**	**–**	**(8,001)**	**(8,001)**
At June 30, 2019 (unaudited)		**2,926,209**	**4,988,973**	**9,733,421**	**426,952**	**18,075,555**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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)
Net cash provided by operating activities	20	**1,136,530**	1,005,743
Cash flows from investing activities			
Purchases of property, plant, equipment, intangible assets, lease prepayment for land use right and other long-term assets		**(159,057)**	(224,988)
Proceeds from disposal of property, plant and equipment		**423**	879
Maturities of deposits with banks with original maturity date over three months		**–**	333,152
Placements of deposits with banks with original maturity date over three months		**–**	(77,764)
Purchase of financial asset at amortised cost		**(3,334,482)**	–
Redemtion of financial asset at amortised cost		**1,874,858**	–
Interest received		**101,596**	54,888
Increase in held-to-maturity financial assets		**–**	(589,110)
Increase in restricted bank deposits		**–**	(3,779)
Cash outflow on deemed disposal of a subsidiary	22	**(34)**	–
Net cash used in investing activities		**(1,516,696)**	(506,722)
Cash flows from financing activities			
Dividends paid to the Company's shareholders		**(67,880)**	–
Dividend paid to non-controlling shareholders of subsidiaries		**(5,574)**	(7,884)
Payment of lease liabilities		**(46,803)**	–
Net cash used in financing activities		**(120,257)**	(7,884)
Net (decrease)/increase in cash and cash equivalents		**(500,423)**	491,137
Cash and cash equivalents at beginning of the period		**4,346,496**	3,558,299
Effect of foreign exchange rate changes on cash and cash equivalents		**1,435**	12,331
Cash and cash equivalents at end of the period		**3,847,508**	4,061,767

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2019

1. GENERAL INFORMATION

TravelSky Technology Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on October 18, 2000 to engage in the provision of aviation information technology service and related services in the PRC.

The Company is a state-owned enterprise and the ultimately holding company is China TravelSky Holding Company Limited, which is also a state-owned enterprise.

The Company was listed on The Stock Exchange of Hong Kong Limited on February 7, 2001. The address of its registered office is 7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing 101308, PRC.

The Company and its subsidiaries (thereafter referred to as the “Group”) were principally engaged in provision of aviation information technology service, distribution information technology service, clearing and accounting and settlement service for aviation industry, etc.

The condensed consolidated interim financial statements have not been audited and were approved for issue by the board of directors on August 28, 2019.

2. 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.

3. 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:

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

3.1 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Adoption of new IFRS 16 – Leases (Continued)

(a) Changes in accounting policies (Continued)

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Adoption of new IFRS 16 – Leases (Continued)

(b) Adjustments recognised on adoption of IFRS 16 (Continued)

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 RMB'000 (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)
	–

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Adoption of new IFRS 16 – Leases (Continued)

(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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Adoption of new IFRS 16 – Leases (Continued)

(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.

4. SEGMENT REPORTING

(a) Business segments

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

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. PROPERTY, PLANT AND EQUIPMENT, 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.

11. RIGHT-OF-USE ASSETS

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

	June 30, 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

12. 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.

13. FINANCIAL ASSETS AT AMORTISED COST

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (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.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (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

16. 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 RMB'000 (unaudited)	December 31, 2018 RMB'000 (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

17. 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 RMB'000 (unaudited)	December 31, 2018 RMB'000 (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.

18. TRADE PAYABLES AND ACCRUED LIABILITIES

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

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (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

19. FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

(i) Financial instruments carried at fair value

The following table presents financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in IFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

19. FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (CONTINUED)

(i) Financial instruments carried at fair value (Continued)

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

At June 30, 2019 (unaudited)

Assets	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income	–	–	875,000	875,000

At December 31, 2018 (audited)

Assets	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	–	161,944	161,944
Financial assets at fair value through other comprehensive income	–	–	875,000	875,000

During the six months ended June 30, 2019 and year ended December 31, 2018, there were no transfers between the Level 1 and Level 2 fair value measurements.

19. FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (Continued)

(i) Financial instruments carried at fair value (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
As at January 1	**1,036,944**	2,419,271
Initial adoption of IFRS 9	**–**	(665,890)
Sales	**(161,944)**	(765,080)
Fair value changes	**–**	48,643
As at June 30/December 31	**875,000**	1,036,944

The fair value of financial assets that are grouped under Level 3 is determined by using valuation techniques. In determining the fair value, specific valuation techniques are used, include comparing the fair value of the underlying financial assets within the portfolio and the investment return relevant to those financial assets.

Changing unobservable inputs used in the Level 3 valuation to reasonable alternative assumptions would not have a significant impact on the Group's profit or loss.

(ii) Financial instruments carried at other than fair value

The Group's financial instruments carried at other than fair value mainly consist of cash and cash equivalents, deposits with banks with original maturity date over three months, restricted bank deposits, held-to-maturity financial assets, trade receivables, prepayments, due from associated and related parties, trade payables, accrued liabilities and due to related parties.

The carrying amounts of the Group's financial instruments carried at other than fair value approximated their fair values as at June 30, 2019 because of the short-term maturities of these instruments.

20. CASH GENERATED FROM OPERATIONS

	Six months ended June 30, 2019 RMB'000 (unaudited)	Six months ended June 30, 2018 RMB'000 (unaudited)
Profit before taxation	**1,694,052**	1,639,143
Adjustments for:		
Depreciation and amortisation	**414,537**	299,594
Gain on disposal of property, plant and equipment interest income	**(209)**	(197)
Interest income	**(98,173)**	(95,808)
(Reversal of)/provision for impairment of receivables	**(38,382)**	17,792
Share of results of associated companies	**(20,311)**	(19,719)
Foreign exchange gain	**(14,404)**	(8,127)
Fair value gain on financial assets	**–**	(26,138)
(Increase)/decrease in current assets:		
Trade receivables	**96,250**	(417,173)
Inventories	**(22,473)**	(11,912)
Prepayments and other current assets	**(3,941)**	(226,335)
Due from associated companies and related parties	**(413,156)**	(223,604)
Financial assets at fair value through profit or loss	**161,944**	–
Contract asset	**(6,488)**	–
Increase/(decrease) in current liabilities:		
Trade payables and accrued liabilities	**(530,777)**	347,096
Contract liabilities	**41,432**	(37,702)
Due to associated companies and related parties	**88,563**	(45,507)
Cash generated from operating activities	**1,348,464**	1,191,403
Refund of enterprise income tax	**1,563**	–
Enterprise income of tax	**(213,497)**	(185,660)
Net cash provided by operating activities	**1,136,530**	1,005,743

21. COMMITMENTS

(a) Capital Commitments

At the end of the reporting period, the Group had the following capital commitments:

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Authorised and contracted for		
– Computer system and others	**82,812**	90,381
– Assets under constructions	**456,034**	662,000
Authorised but not contracted for		
– Computer system and others	**1,527,766**	1,604,265
Total	**2,066,612**	2,356,646

The above capital commitments primarily relate to the development, maintenance, and upgrading of operating systems and construction of the remaining phase of construction of new operating center in Beijing.

(b) Equipment maintenance fee commitments

As at June 30, 2019, the Group had equipment maintenance fee commitments of approximately RMB153.7million (At December 31, 2018: RMB292.4 million).

22. DEEMED DISPOSAL OF A SUBSIDIARY

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

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

	RMB,000 (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 Bairun 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 Bairun 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.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE (CONTINUED)

Business Review for the First Half of 2019 (Continued)

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)”.

Business Review for the First Half of 2019 (Continued)

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:

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE (CONTINUED)

Financial Conditions and Operational Performance for the First Half of 2019 (Continued)

TOTAL REVENUE (Continued)

- 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, 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.

Financial Conditions and Operational Performance for the First Half of 2019 (Continued)

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 6 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.

Financial Conditions and Operational Performance for the First Half of 2019 (Continued)

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.

Financial Conditions and Operational Performance for the First Half of 2019 (Continued)

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 RMB'000	Fair value as at December 31, 2018 RMB'000	Gain for the six months ended June 30, 2019 RMB'000	Gain for the six months ended June 30, 2018 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

Financial Conditions and Operational Performance for the First Half of 2019 (Continued)

INVESTMENT IN FINANCIAL ASSETS (Continued)

- **Financial Assets at Fair Value through Other Comprehensive Income** (Continued)

  (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.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE (CONTINUED)

Financial Conditions and Operational Performance for the First Half of 2019 (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE (CONTINUED)

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.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at June 30, 2019 was 2,926,209,589 shares, with a par value of RMB1.00 each. As at June 30, 2019, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage to the total number of shares in issue (%)
Domestic shares	1,993,647,589	68.13
H shares	932,562,000	31.87
Total	2,926,209,589	100

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.

THE INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2019, the interests and short positions of any persons (other than Directors, supervisors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") are set out as follows:

Name of shareholder	**Number and class of shares** (Note 1)	**Capacity**	**Approximate percentage of respective class of share capital** (Note 2)	**Approximate percentage of total share capital** (Note 2)
The Capital Group Companies, Inc.	101,859,948 H shares of RMB1 each (L) (Note 3)	Interest of corporation controlled by the substantial shareholder	10.92%	3.48%
JPMorgan Chase & Co.	89,980,380 H shares of RMB1 each (L) (Note 4)		9.64%	3.07%
	15,429,501 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	1,579,910 H shares (L)	Person having a security interest in shares		
	72,970,969 H shares (L)	Approved lending agent		
	4,556,108 H shares of RMB1 each (S) (Note 4)	Interest of corporation controlled by the substantial shareholder	0.48%	0.16%
	72,970,969 H shares of RMB1 each (P) (Note 4)	Approved lending agent	7.82%	2.49%

THE INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
Citigroup Inc.	65,694,485 H shares of RMB1 each (L) (Note 5)		7.04%	2.25%
	713,756 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	7,000 H shares (L)	Person having a security interest in shares		
	64,973,729 H shares (L)	Approved lending agent		
	452,800 H shares of RMB1 each (S) (Note 5)	Interest of corporation controlled by the substantial shareholder	0.04%	0.02%
	64,973,729 H shares of RMB1 each (P) (Note 5)	Approved lending agent	6.96%	2.22%
BlackRock, Inc.	54,936,418 H shares of RMB1 each (L) (Note 6)	Interest of corporation controlled by the substantial shareholder	5.89%	1.88%
	368,000 H shares of RMB1 each (S) (Note 6)	Interest of corporation controlled by the substantial shareholder	0.04%	0.01%
China TravelSky Holding Company Limited	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%

THE INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
China Eastern Air Holding Company Limited	328,243,500 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	25,155,000 domestic shares of RMB1 each (L) (Note 7)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company Limited	268,300,500 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	18,720,000 domestic shares of RMB1 each (L) (Note 9)	Interest of controlled corporation	0.94%	0.64%
China Southern Air Holding Company Limited	202,781,500 domestic shares of RMB1 each (L) (Note 10)	Beneficial owner	10.17%	6.93%
	65,773,500 domestic shares of RMB1 each (L) (Note 11)	Interest of controlled corporation	3.30%	2.25%
China Mobile Capital Holding Co., Ltd.	146,600,000 domestic shares of RMB1 each (L) (Note 10)	Beneficial owner	7.35%	5.01%

THE INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Notes:

(1) (L) – Long position; (S) – Short position; (P) – Lending pool.

(2) The percentage is calculated by the amount of shares held by relevant person/the amount of relevant types of shares issued as at June 30, 2019. Percentage of total share capital is based on 2,926,209,589 shares of the total issued share of the Company as at June 30, 2019; percentage of respective class of share capital is based on 1,993,647,589 domestic shares and 932,562,000 H shares of the Company as at June 30, 2019.

(3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Capital Group Companies, Inc. on October 11, 2018, The Capital Group Companies, Inc. was deemed to be interested in 101,859,948 H shares (L). These shares were held by Capital Research and Management Company, which was directly controlled by The Capital Group Companies, Inc. The Capital Group Companies, Inc. was deemed to be interested in the shares held by such company by virtue of the SFO.

(4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on July 2, 2019, JPMorgan Chase & Co. was deemed to be interested in 89,980,380 H shares (L), 4,556,108 H shares (S) and 72,970,969 H shares (P). These shares were held by J.P. Morgan Bank Luxembourg S.A. – Amsterdam Branch, J.P. Morgan AG, J.P. Morgan Bank Luxembourg S.A.- Stockholm Bankfilial, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, JPMorgan Chase Bank, N.A. – Sydney Branch, J.P. Morgan Bank Luxembourg S.A. – Oslo Branch, J.P. Morgan Bank Luxembourg S.A., JPMorgan Chase Bank, National Association, JPMorgan Chase Bank, N.A. – Hong Kong Branch, J.P. Morgan (Suisse) SA, J.P. MORGAN SECURITIES PLC, J.P. Morgan International Finance Limited, J.P. Morgan Broker-Dealer Holdings Inc., JPMorgan Chase Holdings LLC, J.P. MORGAN CAPITAL HOLDINGS LIMITED, which were directly or indirectly controlled by JPMorgan Chase & Co.. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.

(5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on June 21, 2019, Citigroup Inc. was deemed to be interested in 65,694,485 H shares (L), 452,800 H shares (S) and 64,973,729 H shares (P). These shares were held by Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Inc., Citigroup Global Markets Holdings Bahamas Limited, Citigroup Global Markets Limited, Citicorp Trust Delaware, National Association, Citicorp Trust South Dakota, which were directly or indirectly controlled by Citigroup Inc.. Citigroup Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.

(6) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by BlackRock, Inc. on April 13, 2019, BlackRock, Inc. was deemed to be interested in 54,936,418 H shares (L) and 368,000 H shares (S). These shares were held by Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à.r.l., BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limitied, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Group Limited-Luxembourg Branch, BlackRock Luxembourg Holdco S.à.r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock Life Limited, BlackRock UK Holdco Limited, BlackRock Asset Management (Schweiz) AG, which were directly or indirectly controlled by BlackRock, Inc.. BlackRock, Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.

(7) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company Limited. China Eastern Air Holding Company Limited was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the SFO.

(8) These shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of China Eastern Air Holding Company Limited. China Eastern Air Holding Company Limited was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the SFO.

THE INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

(9) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company Limited. China National Aviation Holding Company Limited was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.

(10) As set out in the announcements dated December 14, 2018 and January 24, 2019, China Southern Air Holding Company Limited agreed to transfer, and China Mobile Capital Holding Co., Ltd. agreed to acquire 146,600,000 domestic shares of the Company. Immediately following the completion of the transaction, China Southern Air Holding Company Limited directly and indirectly holds 268,555,000 domestic shares of the Company, representing approximately 9.18% of the total issued share capital of the Company (of which, directly holds 202,781,500 domestic shares of the Company, representing approximately 6.93% of the total issued share capital of the Company); China Mobile Capital Holding Co., Ltd. holds 146,600,000 domestic shares of the Company, representing approximately 5.01% of the total issued share capital of the Company. For details, please refer to the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by China Mobile Communications Group Co., Ltd. on December 14, 2018 and Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by China Southern Air Holding Company Limited on January 24, 2019.

(11) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company Limited. China Southern Air Holding Company Limited was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the SFO.

(12) Information disclosed above is based on the reasonable inquiries made by the Company and the data published on the website of Hong Kong Exchanges and Clearing Limited ("**HKEx**") (www.hkexnews.hk). For the latest disclosure of interests filings of the substantial shareholders of the Company's H shares, please refer to the "Disclosure of Interests" section on the website of HKEx (www.hkexnews.hk).

Save as the mentioned above, to the best knowledge of the Company's Directors, as at June 30, 2019, no person (other than Directors, supervisors or chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company that are required to be recorded in the register kept by the Company under Section 336 of the SFO.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY OTHER ASSOCIATED CORPORATIONS

As at June 30, 2019, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that are required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited by the Directors, supervisors or chief executives pursuant to the Model Code ("**Model Code**") as set out in Appendix 10 to the Listing Rules.

None of the Directors, supervisors or chief executives of the Company or their respective associates had been granted or had exercised any rights to subscribe for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) for the six months ended June 30, 2019.

CHANGE OF DIRECTORS AND SUPERVISORS

On June 27, 2019, as approved at the Annual General Meeting of the Company, Mr. Cao Jianxiong, the former non-executive Director of the sixth session of the Board, ceased to be the non-executive Director of the Company, at the same time, Mr. Zhao Xiaohang was elected to act as the non-executive Director of the Company at the Annual General Meeting of the Company. To the knowledge of the Board, Mr. Cao Jianxiong resigned due to other work arrangements in China National Aviation Holding Company Limited. Meanwhile, the Board appointed Mr. Zhao Xiaohang as the member of the Strategy and Investment Committee (Legal Compliance Committee) of the Company as Mr. Cao Jianxiong ceased to hold positions in the special committees of the Board since he ceased to act as the Director of the Company. For details, please refer to the announcements of the Company dated April 26, 2019 and June 27, 2019.

As stated in the announcement of the Company dated July 31, 2019 and the circular dated August 9, 2019, the Board had approved and will submit to the extraordinary general meeting to be held on September 25, 2019 for consideration that Mr. Tang Bing, the former non-executive Director of the sixth session of the Board, ceased to be the non-executive Director of the Company. Meanwhile, it is proposed to elect Mr. Xi Sheng as the non-executive Director of the Company at the general meeting. To the knowledge of the Board, Mr. Tang Bing resigned due to other work arrangements in China Eastern Air Holding Company Limited. Meanwhile, the Board appointed Mr. Xi Sheng as the member of the Strategy and Investment Committee (Legal Compliance Committee) of the Company as Mr. Tang Bing ceased to hold positions in the special committees of the Board since he ceased to act as the Director of the Company. The appointment will take effect after Mr. Xi Sheng is elected as the non-executive Director 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, as stated in the announcement dated August 28, 2019, 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.

By the order of the Board
Cui Zhixiong
Chairman

August 28, 2019

CORPORATE INFORMATION

(as of the issue date of this report)

BOARD

The sixth session of the Board of the Company established by election by shareholders on October 18, 2016 comprises:

Cui Zhixiong	The Chairman, Executive Director
Xiao Yinhong	Executive Director, General Manager
Tang Bing	Non-executive Director (appointed on August 29, 2018)
Han Wensheng	Non-executive Director (appointed on August 29, 2018)
Zhao Xiaohang	Non-executive Director (appointed on June 27, 2019)
Cao Shiqing	Independent Non-executive Director
Ngai Wai Fung	Independent Non-executive Director
Liu Xiangqun	Independent Non-executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Ngai Wai Fung	Chief Member (Chairman)
Cao Shiqing	Member
Liu Xiangqun	Member

REMUNERATION AND EVALUATION COMMITTEE

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Cao Shiqing	Chief Member (Chairman)
Ngai Wai Fung	Member
Liu Xiangqun	Member

NOMINATION COMMITTEE

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Cui Zhixiong	Chief Member (Chairman)
Cao Shiqing	Member
Liu Xiangqun	Member

CORPORATE INFORMATION (CONTINUED)

(as of the issue date of this report)

STRATEGY AND INVESTMENT COMMITTEE (LEGAL COMPLIANCE COMMITTEE)

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Cui Zhixiong	Chief Member (Chairman)
Xiao Yinhong	Member
Tang Bing	Member (appointed on August 29, 2018)
Han Wensheng	Member (appointed on August 29, 2018)
Zhao Xiaohang	Member (appointed on June 27, 2019)

DIRECTORS RESIGNED (INCLUDING THEIR RESPECTIVE DUTIES IN THE RELEVANT COMMITTEE)

Cao Jianxiong	Non-executive Director, Member of the Strategy and Investment Committee (Legal Compliance Committee) (appointed on October 18, 2016, resigned on June 27, 2019)

SUPERVISORY COMMITTEE

The sixth session of the Supervisory Committee established by election by shareholders on October 18, 2016 (other than the staff representative supervisors) comprises:

Huang Yuanchang	Chairperson of the Supervisory Committee, Staff Representative Supervisor (appointed by the staff representative committee of the Company on January 17, 2017)
Xiao Wei	Staff Representative Supervisor (appointed by the staff representative committee of the Company on January 17, 2017)
Zeng Yiwei	Supervisor
He Haiyan	Supervisor
Rao Geping	Independent Supervisor

CORPORATE INFORMATION (CONTINUED)

(as of the issue date of this report)

SENIOR MANAGEMENT

Appointed by the sixth session of the Board of the Company on October 18, 2016 and comprises:

Xiao Yinhong	General Manager, Executive Director
Rong Gang	Vice General Manager
Wang Wei	Vice General Manager
Li Jinsong	Vice General Manager, Chief Financial Officer (Chief Accountant, appointed on November 14, 2016)
Zhu Xiaoxing	Vice General Manager
Yu Xiaochun	Company Secretary (Secretary to the Board)

SENIOR MANAGEMENT RESIGNED

Liu Jianping	Vice General Manager (appointed on May 5, 2017, resigned on January 29, 2019)

AUDITORS

International auditors:

BDO Limited
25th Floor, Wing on Centre,
111 Connaught Road Central,
Hong Kong

PRC auditors:

BDO China SHU LUN PAN (Certified Public Accountants LLP)
F7, Union Plaza, NO. 20 Chao Wai Street,
Chaoyang District, Beijing 100020, PRC

LEGAL ADVISERS

as to Hong Kong law:

Baker & McKenzie
14th Floor, One Taikoo Place,
979 King's Road, Quarry Bay,
Hong Kong

as to the PRC law:

Grandall Law Firm (Beijing)
9th Floor, Taikang Financial Tower,
No.38 North Road East Third Ring,
Chaoyang District, Beijing, 100026, PRC

CORPORATE INFORMATION (CONTINUED)

(as of the issue date of this report)

PUBLIC RELATIONS CONSULTANT

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Unit 2401, 24/F, Admiralty Centre Tower II, 18 Harcourt Road, Admiralty, Hong Kong

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Email:	ir@travelsky.com
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REGISTERED ADDRESS

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Beijing 101308, PRC

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26 Harbour Road, Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00696

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

CORPORATE INFORMATION (CONTINUED)

(as of the issue date of this report)

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York Mellon

Regular Mail:

BNY Mellon Shareowner Services
P.O.BOX 505000
Louisville, KY 40233-5000

Overnight Mail:

BNY Mellon Shareowner Services
462 South 4th Street, Suite 1600
Louisville, KY 40202

COMPANY'S WEBSITES

Website of consolidated information of the Company:

www.travelsky.net

Website established in accordance with Rule 2.07C(6)(a) of the Listing Rules:

www.travelskyir.com

You may obtain the English and Chinese versions of the financial reports, announcements, circulars, operation data and results presentation of the Company through this website. This interim report is also available in Chinese paper.