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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00696)

ANNOUNCEMENT OF RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

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, 2018 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Amounts expressed in thousands of Renminbi, except per share data)

	<i>Notes</i>	Six months ended June 30, 2018 (unaudited)	Six months ended June 30, 2017 (unaudited)
Revenue			
Aviation information technology services		2,042,473	1,900,098
Accounting, settlement and clearing services		292,327	272,195
System integration services		386,061	230,658
Data network and others		800,882	720,548
Total revenue	3	<u>3,521,743</u>	<u>3,123,499</u>
Operating expenses			
Business taxes and other surcharges		(26,666)	(12,430)
Depreciation and amortisation		(299,594)	(239,964)
Network usage fees		(42,295)	(39,931)
Personnel expenses		(633,407)	(589,341)
Operating lease payments		(42,100)	(87,891)
Technical support and maintenance fees		(352,790)	(216,252)
Commission and promotion expenses		(357,554)	(299,616)
Costs of software and hardware sold		(153,430)	(159,157)
Other operating expenses		(135,118)	(105,594)
Total operating expenses		<u>(2,042,954)</u>	<u>(1,750,176)</u>

		Six months ended June 30, 2018 (unaudited)	Six months ended June 30, 2017 (unaudited)
	<i>Notes</i>		
Operating profit		1,478,789	1,373,323
Financial income, net		114,497	41,779
Share of results of associated companies		19,719	18,068
Fair value gain on financial assets		<u>26,138</u>	<u>–</u>
Profit before taxation		1,639,143	1,433,170
Taxation	4	<u>(256,179)</u>	<u>(214,342)</u>
Profit after taxation		<u>1,382,964</u>	<u>1,218,828</u>
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(1,155)	8,826
Changes in fair value of available-for-sale financial assets		<u>–</u>	<u>20,815</u>
Other comprehensive (expense)/income for the period, net of tax		<u>(1,155)</u>	<u>29,641</u>
Total comprehensive income for the period		<u>1,381,809</u>	<u>1,248,469</u>
Profit after taxation attributable to			
Owner of the Parent		1,347,453	1,189,886
Non-controlling interests		<u>35,511</u>	<u>28,942</u>
		<u>1,382,964</u>	<u>1,218,828</u>
Total comprehensive income attributable to			
Owner of the Parent		1,346,298	1,219,527
Non-controlling interests		<u>35,511</u>	<u>28,942</u>
		<u>1,381,809</u>	<u>1,248,469</u>
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	5	<u>0.46</u>	<u>0.41</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

		As at June 30, 2018 (unaudited)	As at December 31, 2017 (audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment, net	8	4,207,834	4,186,143
Investment properties		1,189	1,336
Lease prepayment for land use right, net		1,676,743	1,703,109
Intangible assets, net		198,924	276,003
Goodwill		146,141	147,483
Investments in associated companies		254,550	236,431
Deferred income tax assets		145,057	143,931
Other long-term assets	9	160,094	45,153
Financial assets at fair value through profit or loss	10	904,519	–
Financial assets at fair value through other comprehensive income	11	875,000	–
Available-for-sale financial assets		–	2,953,381
Deposits with banks with original maturity date over three months		100,060	102,063
Restricted bank deposits		11,629	3,654
		<u>8,681,740</u>	<u>9,798,687</u>
Current assets			
Inventories		48,872	36,960
Trade receivables, net	12	1,516,702	1,118,976
Due from related parties, net	13	2,704,271	2,482,248
Due from associated companies		47,645	46,064
Income tax recoverable		3,030	6,735
Prepayments and other current assets		821,607	661,080
Held-to-maturity financial assets		3,990,000	1,860,000
Available-for-sale financial assets		–	340,890
Deposits with banks with original maturity date over three months		392,365	645,750
Restricted bank deposits		33,310	37,506
Cash and cash equivalents		4,061,767	3,558,299
		<u>13,619,569</u>	<u>10,794,508</u>
Total assets		<u><u>22,301,309</u></u>	<u><u>20,593,195</u></u>

	<i>Notes</i>	As at June 30, 2018 (unaudited)	As at December 31, 2017 (audited)
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-in capital		2,926,209	2,926,209
Reserves	6	4,581,649	4,437,013
Retained earnings	7	<u>8,523,756</u>	<u>8,062,425</u>
		16,031,614	15,425,647
Non-controlling interests		<u>462,418</u>	<u>434,791</u>
Total equity		<u>16,494,032</u>	<u>15,860,438</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		51,674	45,577
Deferred revenue		–	141,692
Contract liabilities		<u>115,643</u>	<u>–</u>
		<u>167,317</u>	<u>187,269</u>
Current liabilities			
Trade payables and accrued liabilities	14	4,960,891	3,871,502
Due to related parties and associated companies		243,949	289,456
Income tax payable		267,642	205,399
Deferred revenue		–	179,131
Contract liabilities		<u>167,478</u>	<u>–</u>
		<u>5,639,960</u>	<u>4,545,488</u>
Total liabilities		<u>5,807,277</u>	<u>4,732,757</u>
Total equity and liabilities		<u>22,301,309</u>	<u>20,593,195</u>
Net current assets		<u>7,979,609</u>	<u>6,249,020</u>
Total assets less current liabilities		<u>16,661,349</u>	<u>16,047,707</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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 financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2017.

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 financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 2	Share-based Payment
IFRIC 22	Foreign Currency Transactions and Advance Consideration

IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

(i) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

(ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, lease receivables and debt investments at FVOCI, but not to investments in equity instrument. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

(iii) Transition

The general principle of IFRS 9 is to apply the standard retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. For the new classification and measurement requirements, the Group has elected for the exception from the requirement to restate comparative information as set out in the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group’s previous accounting policy.

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, as described below.

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Also, the revaluation reserve was transferred to retained earnings as a result of adopting IFRS 9. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- As an exception, the following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

The following table summarises the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings at 1 January 2018.

	Impact of adopting IFRS 9 at 1 January 2018 RMB'000
Revaluation reserve	
Closing balance under IAS 39 (31 December 2017)	490,946
Reclassification of revaluation reserve under IFRS 9 (<i>Note 3 (i) above</i>)	<u>(39,271)</u>
Opening balance under IFRS 9 (1 January 2018)	<u><u>451,675</u></u>
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	8,062,425
Reclassification of revaluation reserve under IFRS 9 (<i>Note 3 (i) above</i>)	<u>39,271</u>
Opening balance under IFRS 9 (1 January 2018)	<u><u>8,101,696</u></u>

(iv) **Classification of financial assets and financial liabilities on the date of initial application of IFRS 9**

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 RMB'000	New carrying amount under IFRS 9 RMB'000
Financial assets				
Available-for-sale – Structural deposit	FVOCI	Amortised cost	900,000	900,000
Available-for-sale -Unlisted equity securities	At cost	FVOCI	875,000	875,000
Available-for-sale -Managed fund, in PRC	FVOCI	FVTPL/Amortised cost	1,519,271	1,519,271
Trade receivables, net	Loans and receivables	Amortised cost	1,118,976	1,118,976
Prepayment and other current assets	Loans and receivables	Amortised cost	661,080	661,080
Due from related parties, net	Loans and receivables	Amortised cost	2,482,248	2,482,248
Due from associated companies	Loans and receivables	Amortised cost	46,064	46,064
Restricted bank deposits	Loans and receivables	Amortised cost	41,160	41,160
Deposits with banks with original maturity date over three months	Loans and receivables	Amortised cost	747,813	747,813
Cash and cash equivalents	Loans and receivables	Amortised cost	<u>3,558,299</u>	<u>3,558,299</u>
Financial liabilities				
Trade payables and accrual liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,871,502	3,871,502
Due to related parties and associated companies	Financial liabilities at amortised cost	Financial liabilities at amortised cost	<u>289,456</u>	<u>289,456</u>

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several standards and interpretations within IFRSs. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has reviewed the impact of IFRS 15 on all its business segments and has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Accordingly, the standard has been applied only to contracts that are not completed contracts as at 1 January 2018.

The Group has applied the following accounting policy for revenue recognition in the preparation of these unaudited condensed consolidated interim financial statements:

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations.
- Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

The effects of the adoption of IFRS 15 are related to presentation of contract liabilities. Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under IFRS 15:

- Contract liabilities for receipt in advance from customers were previously presented as deferred revenue.

In summary, the following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application on 1 January 2018:

	IAS 18 carrying amount <i>RMB'000</i>	Reclassification <i>RMB'000</i>	IFRS 15 carrying amount <i>RMB'000</i>
Deferred revenue	320,823	(320,823)	–
Contract liabilities	<u>–</u>	<u>320,823</u>	<u>320,823</u>

The Group provide aviation information technology, data network, accounting, settlement and clearing services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

The Group provide system integration service. Sales are recognised when control of the products has been transferred. The customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3. REVENUE

Revenue mainly comprises the fees earned by the Group for the provision of aviation information technology services, accounting, settlement and clearing services, system integration services and related data network services. A major portion of these revenue was generated from the shareholders of the Company. For the six months ended June 30, 2018, revenue generated from the significant recurring transactions carried out with the Group's related parties amounted to approximately RMB1,698 million (for the six months ended June 30, 2017: approximately RMB1,359 million).

4. 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 2017 was conducted in Year 2018. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2017. As at June 30, 2018, the Company has applied for a preference tax rate of 10% regarding to the “Important Software Enterprise” to the relevant authority for Year 2017.

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, 2018.

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

5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the Owners of the Parent is based on the following:

	(Unaudited)	
	Six months ended June 30,	
	2018	2017
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and diluted earnings per share	1,347,453	1,189,886
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	<u>0.46</u>	<u>0.41</u>

There were no potential dilutive ordinary shares outstanding during the period ended June 30, 2018 and 2017.

6. RESERVES

The appropriation to the discretionary surplus reserve fund for the Year 2017 was approved in the annual general meeting held on June 28, 2018. Therefore, 10% of the Company's net profit of year 2017 (approximately RMB185.1 million), was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2018.

7. DIVIDEND DISTRIBUTION

The shareholders in the annual general meeting of the Company held on June 28, 2018 approved the distribution of a final cash dividend of RMB0.253 per share, in the aggregate sum of RMB740.3 million for Year 2017. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2018.

8. PROPERTY, PLANT AND EQUIPEMENT, NET

For the six months ended June 30, 2018, the Group acquired property, plant and equipment amounting to approximately RMB217 million (for the year ended December 31, 2017: approximately RMB1,296 million) in total.

9. OTHER LONG-TERM ASSETS

For the six months ended June 30, 2018, other long-term assets for the Group mainly comprised of deposits paid for acquisition of property, plant and equipment and intangible assets.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2018	December 31, 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Managed funds, in PRC, at fair value		
At 1 January	–	–
Reclassified from available-for-sale financial assets	878,381	–
Fair value changes	26,138	–
	<hr/>	<hr/>
At 30 June/31 December	904,519	–
	<hr/>	<hr/>
Non-current	904,519	–
current	–	–
	<hr/>	<hr/>
Total	904,519	–
	<hr/> <hr/>	<hr/> <hr/>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2018	December 31, 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Unlisted equity shares, at fair value		
At 1 January	–	–
Reclassified from available-for-sale financial assets	875,000	–
Fair value changes	–	–
	<hr/>	<hr/>
At 30 June/31 December	875,000	–
	<hr/>	<hr/>
Non-current	875,000	–
current	–	–
	<hr/>	<hr/>
Total	875,000	–
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE RECEIVABLES, NET

The group has a policy allowing its customers credit periods normally ranging from 10 to 90 days.

The ageing analysis of trade receivables is as follows:

	June 30, 2018	December 31, 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Within 6 months	1,118,089	987,787
Over 6 months but within 1 year	305,296	76,694
Over 1 year but within 2 years	113,635	93,287
Over 2 year but within 3 years	87,011	88,543
Over 3 years	102,041	64,243
	<hr/>	<hr/>
Total trade receivables	1,726,072	1,310,554
Provision for impairment of receivables	(209,370)	(191,578)
	<hr/>	<hr/>
Trade receivables, net	1,516,702	1,118,976
	<hr/> <hr/>	<hr/> <hr/>

13. DUE FROM RELATED PARTIES, NET

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

The ageing analysis of the amount due from related parties is as follows:

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within 6 months	1,824,148	1,618,865
Over 6 months but within 1 year	586,005	627,176
Over 1 year but within 2 years	289,752	225,811
Over 2 year but within 3 years	1,116	1,065
Over 3 years	3,250	9,331
	<hr/>	<hr/>
Due from related parties	2,704,271	2,482,248
Provision for impairment of receivables	–	–
	<hr/>	<hr/>
Due from related parties, net	<u>2,704,271</u>	<u>2,482,248</u>

14. TRADE PAYABLES AND ACCRUED LIABILITIES

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

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within 6 months	741,249	655,075
Over 6 months but within 1 year	19,187	28,623
Over 1 year but within 2 years	96,479	91,020
Over 2 year but within 3 years	112,737	109,227
Over 3 years	60,553	64,785
	<hr/>	<hr/>
Total trade payables	1,030,205	948,730
Accrued liabilities and other liabilities	3,930,686	2,922,772
	<hr/>	<hr/>
Total trade payables and accrued liabilities	<u>4,960,891</u>	<u>3,871,502</u>

15. SEGMENT REPORTING

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group’s chief operating decision maker is the Group’s general manager. The information reviewed by the general manager is identical to the information presented in the interim consolidated statement of profit or loss and other comprehensive income. No segment report has been prepared by the Group for the six months ended June 30, 2018 and 2017.

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 in these interim financial statements.

In the periods set out below, certain customers accounted for greater than 10% of the Group’s total revenue:

Main customers	(Unaudited)			
	Six months ended June 30,			
	2018		2017	
	RMB'000	%	RMB'000	%
Air China Limited (a)	403,449	12%	360,043	12%
China Eastern Airlines Corporation Limited (a)	441,252	13%	408,812	13%
China Southern Airlines Company Limited (a)	381,356	11%	344,335	11%

a. Included its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

BUSINESS REVIEW FOR THE FIRST HALF OF 2018

As the leading provider of information technology solutions for China's aviation and travel industry, the Group benefited from the robust demand in China's aviation market in the first half of 2018. The Group's Electronic Travel Distribution (ETD) system (including Inventory Control System ("ICS") services and Computer Reservation System ("CRS") services) has processed approximately 312.9 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 11.4% over the same period in 2017. Among which, the processed flight bookings on commercial airlines in China increased by approximately 11.8%, while those on foreign and regional commercial airlines increased by approximately 1.6%. The number of foreign and regional commercial airlines using the Group's Airport Passenger Processing (APP) system service, multi-host connecting program service and the self-developed Angel Cue platform connecting service also increased to 132, with approximately 9.2 million of passenger departures processed in 105 airports. Meanwhile, the number of foreign and regional commercial airlines with direct links to the Group's Computer Reservation System (CRS) increased to 144 with the sales percentage through direct links increased to approximately 99.8%.

In the first half of 2018, 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), our self-developed self-help luggage check-in processing system has already been put into operation in 26 airports for a number of commercial airlines in China. The commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 150 major domestic and overseas airports, and the online check-in service has been applied in 269 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 140.0 million departing passengers. The number of users of our self-developed mobile application, "Umetrip (航旅縱橫)", has witnessed stable growth. In the first half of 2018, the Group provided full-process convenient clearance technology solutions for China's commercial airlines, to help improve their passengers' experiences in various stages, such as, security check and boarding. The "aviation information inquires (航信通)" realized civil aviation passenger paperless convenient clearance business with a number of costumers of commercial aviation airlines. It was introduced in over 200 airports and put into use in more than 100 airports in China. Its usage grows steadily as the Group continued to develop the usability of the airlines' ancillary service sales solutions ("Easy add value (增值易)" product platform). The Group responded to the "Belt and Road" strategy in China, continued to put more efforts for market expansion for overseas market. Four overseas commercial aviation airlines, such as Russian Royal Flight Airlines, newly joined the Company's system.

In the first half of 2018, 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 schedule. 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 Hong Kong Airlines Limited. In the first half of 2018, there were approximately 461.6 million transactions processed with our accounting, settlement and clearing system and approximately 191.8 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 amounted to approximately USD5.0 billion, and the transaction amount of the electronic payment system was approximately RMB45.3 billion.

In the first half of 2018, 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 157 overseas or regional airports, processing approximately 20.9 million passenger departures, accounting for approximately 90.7% of overseas returning passengers of commercial airlines in China. The preparation and implementation of production system deployment of Beijing new airport project are completed according to schedule. Airport Shared Connectivity and Integration (ASCI) has been extended to 15 airports, including new, renovated and expanded airports covering Ningbo Airport and Chongqing Airport. Face recognition system has been introduced to hundreds of airports and put into use in 66 airports including Guangzhou, Qingdao and Harbin.

In the first half of 2018, 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, and quicken steps to put key projects into operation. The Group took greater efforts in researching and developing and promoting its distribution information technological service products, including the enterprises' travel solutions "Ietrip (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 2018, the Group's ICS, CRS, APP and core opening system operated steadily. The new operating center in Beijing Shunyi was initiated gradually. And the relocation of the machine room was advanced in order. The Group commenced establishing a stable and prompt "double-mode" infrastructure cloud platform in order to strive to achieve an organic combination of safety, efficiency and cost. The Group implemented as scheduled the special information safety construction work of National Development and Reform Commission for 7 projects such as, early warning sub-platform, unified operation and maintenance identity management and production system border security. The Group actively participated in pushing forward the IPv6 transformation work of the State-owned Assets Supervision and Administration Commission of the State Council and the project construction of Aircraft Carrying Persons Forecast and Precheck on Exit & Entry of the PRC (中國出境入境航空

器載運人員預報預檢)。In addition, the Group also sped up to apply big data management and control platform to increase its operation and maintenance service level. The Group carried out targeted security investigation and emergency drills to strongly ensure the production safety. Meanwhile, it successfully completed the major security work during 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, Shanghai Cooperation Organization (SCO) Qingdao summit and etc.

FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE FOR THE FIRST HALF OF 2018

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 2018, the Group achieved a profit before tax of RMB1,639.1 million, representing an increase of 14.4% compared to the first half of 2017. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB1,842.9 million, representing an increase of 12.9% compared to the first half of 2017. Profit attributable to equity holders of the Company was RMB1,347.5 million, representing an increase of 13.2% compared to the first half of 2017. 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 2018 increased by 14.4% compared to the first half of 2017.

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 RMB0.46 for the first half of 2018.

Total Revenue

The total revenue of the Group in the first half of 2018 amounted to RMB3,521.7 million, representing an increase of RMB398.2 million or 12.7% from RMB3,123.5 million in the first half of 2017. 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 represented 58.0% of the Group's total revenue in the first half of 2018, as compared to 60.8% in the first half of 2017. Revenue from aviation information technology service increased by 7.5% to RMB2,042.5 million in the first half of 2018 from RMB1,900.1 million in the first half of 2017. 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 resulted primarily from the increase in the number of air travellers.

- Revenue from accounting, settlement and clearing services accounted for 8.3% of the Group's total revenue in the first half of 2018, as compared to 8.7% for the first half of 2017. Revenue from accounting, settlement and clearing services increased by 7.4% to RMB292.3 million in the first half of 2018 from RMB272.2 million for the first half of 2017. 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 resulted primarily from the increase in business volume of accounting, settlement and clearing services.
- Revenue from system integration service accounted for 11.0% of the Group's total revenue in the first half of 2018, as compared to 7.4% for the first half of 2017. Revenue from system integration service increased by 67.4% to RMB386.1 million in the first half of 2018 from RMB230.7 million for the first half of 2017. 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 and other revenue accounted for 22.7% of the Group's total revenue in the first half of 2018, as compared to 23.1% for the first half of 2017. Revenue from data network and other revenue increased by 11.1% to RMB800.9 million in the first half of 2018 from RMB720.5 million for the first half of 2017. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels and air freight logistics information technology service provided to commercial airlines, airports and cargo shippers, provided by the Group, as well as airport information technology service and other businesses. The increase in revenue resulted primarily from the increase in revenue from other information technology services.

Operating Expenses

Total operating expenses for the first half of 2018 amounted to RMB2,043.0 million, representing an increase of RMB292.8 million or 16.7%, as compared to RMB1,750.2 million for the first half of 2017. The changes in operating expenses are also reflected as follows:

- Depreciation and amortization increased by 24.8%, mainly due to the increase of the Group's fixed assets resulting in an increase in depreciation;
- Operating lease payments decreased by 52.1%, mainly due to the reduction of the Group's leased office area;
- Technical support and maintenance fees increased by 63.1%, mainly due to the intensifying research and development efforts of the Group in new products and new technology;
- Commission and promotion expenses increased by 19.3%, mainly due to the business development and increase of system usage of the Group; and

- Business taxes and other surcharges increased by 114.5%, primarily due to the increase in the property tax of the Group.

Corporate Income Tax

For details, please see note 4 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 RMB157.6 million or 13.2% to RMB1,347.5 million in the first half of 2018 from RMB1,189.9 million in the first half of 2017.

Liquidity and Capital Structure

The Group's working capital for the first half of 2018 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,005.7 million. On June 30, 2018, the Group did not have any short-term and long-term bank loans, nor used any financial instruments for hedging purposes. As at June 30, 2018, cash and cash equivalents of the Group amounted to RMB4,061.8 million, of which 94.2%, 3.9% and 0.5% were denominated in Renminbi, US dollar and Hong Kong dollar, respectively.

Charge on Assets

As at June 30, 2018, the Group had no charge on its assets.

Restricted Bank Deposits

As at June 30, 2018, restricted bank deposits in the amount of RMB44.9 million (December 31, 2017: RMB41.2 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 Yinchuan Hedong International Airport.

Capital Expenditure

The total capital expenditure of the Group amounted to RMB225.0 million for the first half of 2018, representing a decrease of RMB125.2 million as compared to that of RMB350.2 million for the first half of 2017. The capital expenditure of the Group for the first half of 2018 consisted principally of purchase of hardware and software and construction of infrastructure in accordance with the Group's development strategies.

The Board estimates that the Group's planned total capital expenditure for the year 2018 will amount to approximately RMB2,657.5 million, which is mainly for construction of the new operating centre in Beijing, development of aviation passenger service information system and promotion of other new businesses. In particular, the expenditure to be incurred for the new operating centre in Beijing is estimated to be approximately RMB0.9 billion for 2018. The sources of funding for the capital expenditure commitments will include existing cash on hand and internal cash flow generated from operations. The Board estimates that the sources of funding of the Group in 2018 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

Main Investments

- ***Discloseable Transactions – Formation of Two Joint Ventures***

On May 20, 2016, the Company entered into the share subscription agreements separately in relation to the formation of two joint ventures, namely China Merchants RenHe Life Insurance Company Limited (“**CMRH Life**”) and China Merchants RenHe Property and Casualty Insurance Company Limited (“**CMRH P&C**”). The registered capital of CMRH Life and CMRH P&C are both RMB5 billion, which will be contributed by the shareholders of each of the two joint ventures in cash. The Company will contribute RMB875 million to each of CMRH Life and CMRH P&C and will hold 17.5% equity interest in each of CMRH Life and CMRH P&C upon completion of the transactions. The formation of these joint ventures is conditional upon obtaining the approval by regulatory authorities and the completion of other applicable approval procedures. The operation approval had been obtained from regulatory authorities by CMRH Life, and the industrial and commercial registration had been completed on July 4, 2017. As of June 30, 2018, the operation of CMRH Life was running smoothly. As certain condition(s) precedent under the share subscription agreement entered into for the establishment of CMRH P&C (the “**Share Subscription Agreement**”) were not satisfied, the Share Subscription Agreement has terminated in accordance with its terms. The upfront fee incurred in the establishment of CMRH P&C (the “**CMRH P&C Upfront Fee**”) is currently being audited, and the balance of the CMRH P&C Upfront Fee will be returned to each party of the Share Subscription Agreement in proportion to their respective shareholding in CMRH P&C in due course. For details, please refer to the announcement of the Company dated August 20, 2018.

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 Profit or Loss***

Name of investment	Business nature	Percentage of	Percentage of	Fair value	Fair value	Gain for the	Gain for the
		shareholding	shareholding	as at	as at	six months	six months
		as at	as at	as at	as at	ended	ended
		30 June	31 December	30 June	31 December	30 June	30 June
		2018	2017	2018	2017	2018	2017
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investment fund							
(measured at fair value)							
– Boserá wealth							
management product	Fund	<u>N/A</u>	<u>N/A</u>	<u>904,519</u>	<u>878,381</u>	<u>26,138</u>	<u>15,355</u>

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

Name of investment	Business nature	Percentage of	Percentage of	Fair value	Fair value	Gain for the	Gain for the
		shareholding	shareholding	as at	as at	six months	six months
		as at	as at	as at	as at	ended	ended
		30 June	31 December	30 June	31 December	30 June	30 June
		2018	2017	2018	2017	2018	2017
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity (measured							
at fair value)							
– CMRH Life	Life insurance	<u>17.5</u>	<u>17.5</u>	<u>875,000</u>	<u>875,000</u>	<u>–</u>	<u>–</u>

The performance and prospects of the aforementioned financial assets held by the Group during the period were as follows:

- Boserá wealth management product***

The Group held the entrusted wealth management products issued by Boserá Asset Management Company Ltd. with a principal amount of RMB850 million. The Company expects that the annual rate of return amounted to approximately 4.5%. The investment portfolio of the fund mainly comprised of cash assets, monetary market fund, assets with

fixed returns, etc. The Group expects to hold this fund for not less than one year.

2. *CMRH Life*

- (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, 2018 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 3.9% of the total assets of the Group.

- (c) The performance of such major investment in the first half of 2018:

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB51,662,784.07 in the first half of 2018, mainly due to higher initial investments for starting all of its businesses after it obtaining opening approval in June 2017.

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

According to the development plan provided by CMRH Life to the Company, CMRH Life will follow the development law of financial insurance industry and adhere to the principle of “central value proposition of insurance (保險姓保)”, and take the innovation-driven development road of marketization, specialization and differentiation. CMRH Life will build a financial insurance service platform that covers the whole life cycle of customers based on the service for public customers and featuring the service for high-net-worth customers. CMRH Life will implement the digital strategy, establish a digital marketing platform, service platform and management platform,

and strive to realize the vision of “smart insurance and online finance”. CMRH Life will take the medical and nursing industry as the business pillar, open up domestic and foreign high-quality resources, vigorously improve medical and old-age related insurance products, hardware facilities and operation services, so that customers can enjoy global advanced medical and old-age care services. In the future, CMRH Life aims to build itself into a first class comprehensive insurance service provider with innovative features, give full play to the advantages of shareholders and latecomers, adhere to its “two-pronged” development approach, and start steadily and become bigger and stronger by implementing the strategies such as “domestic + overseas”, “offline + online” and “new establishment + merger and acquisition”.

- ***Held-to-Maturity Financial Assets***

As at June 30, 2018, the Group held certificates of deposits issued by Industrial and Commercial Bank of China, China Everbright Bank, China Construction Bank, Hua Xia Bank, Bank of Hangzhou and China Minsheng Bank of RMB590 million, RMB900 million, RMB500 million, RMB200 million, RMB900 million and RMB900 million, respectively, with a total amount of RMB3,990 million, representing an increase of RMB2,130 million as compared with that on December 31, 2017. The annual interest rate of certificates of deposits varied from 4.1% to 5.0%. Such certificates of deposits have a maturity period ranging from 150 to 395 days and are non-cancellable before maturity.

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.

Gearing Ratio

As at June 30, 2018, the gearing ratio of the Group was 26.0% (as at December 31, 2017: 23.0%), which was computed by dividing the total liabilities by the total assets of the Group as at June 30, 2018.

Contingent Liabilities

As at June 30, 2018, the Group had no material contingent liabilities.

Trust Deposits and Irrecoverable Overdue Time Deposits

As at June 30, 2018, 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.

Employees

As at June 30, 2018, the total number of employees of the Group was 7,800. Staff costs amounted to approximately RMB633.4 million for the first half of 2018, representing approximately 31.0% of the total operating expenses of the Group for the first half of 2018.

The Group has different rates of remuneration for different employees (including executive directors and staff representative supervisors), according to factors including their performance, qualifications and experiences and duties 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 benefit programs provided in compliance with the relevant regulations in 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 2018

In the second half of 2018, the Group will, based on its development goal, "to establish a world-leading integrated information service company", be centered on its established development strategy, continued to make progress while maintaining stable performance, and kept following high-quality development requirements. Meanwhile, the Group also focused on enhancing its abilities, making up for its weaknesses and attaching great importance to implementation. The Group made preparations for doing well in major security work, strengthened production security and laid a solid foundation for high-quality development. In addition, the Group also focused on optimizing market layout, promoted business development and strengthened the advantages of high-quality development. The Group continued to perfect its infrastructure, sped up technological innovation and explored high-quality development potentials. At the same time, the Group also carried out in phases major reforms, improved management efficiency and strengthened the drivers for high-quality development.

INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In the first half of 2018, the Group had not purchased, sold or redeemed any securities of the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has discussed and reviewed with the Company's management the unaudited interim results of the Group for the six months ended June 30, 2018, and has also discussed among themselves 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 2018. For the six months ended June 30, 2018, the Company has adopted a set of code of conduct based on the required standard as set out in the Model Code. After making specific enquiries to all Directors, the Company confirms that all Directors have acted in full compliance with the requirements regarding directors' securities transactions set out in the provisions of the Model Code and the Company's code of conduct during the six months ended June 30, 2018.

By order of the Board
TravelSky Technology Limited
Cui Zhixiong
Chairman

Beijing, PRC
August 29, 2018

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

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

Non-executive Directors: Mr. Cao Jianxiong, Mr. Tang Bing and Mr. Han Wensheng;

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